

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5274
ANSWERED ON:10.12.2010
SERVICE TAX
Sarvey Shri Sathyanarayana

Will the Minister of FINANCE be pleased to state:

- (a) whether output is taken into account while calculating input credit of service tax;
- (b) if so, the details thereof;
- (c) the reasons therefor; and
- (d) the steps being taken to do away with the discrepancy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) and (b) - The legal provisions relating to input credit of service tax are as under,-Rule 6 (1) of the CENVAT Credit Rules, 2004, interalia provides that the CENVAT credit shall not be allowed on such quantity of input or input service which is used in the manufacture of exempted goods or for provision of exempted services. Rule 6 (3) provides that in case a manufacturer of goods or the provider of output service, do not maintain separate accounts for exempted and dutiable goods or taxable service, the manufacturer has the option to pay an amount equal to five percent of the value of exempted goods and the provider of output service has the option to pay an amount equal to six per cent of the value of exempted service. Alternately they have option to pay an amount equivalent to the CENVAT credit attributable to inputs and input services used in, or in relation, to the manufacture of exempted goods or for provision of exempted services.

(c) and (d) In view of the reply above question does not arise