

## Applies to:

SAP ECC 6.0 For more information, visit the [Enterprise Resource Planning homepage](#).

## Summary:

This document shall help P2P consultants in the area of Procurement of capital material in various industries in India. It is prepared to suits for Indian procurement conditions. How the Cenvat and VAT credit to be claimed for various procurement, has been explained in a simple and understandable way. Any suggestions and improvements towards this document will be always welcome.

**Author** : M. Mohamed Hasan Rifaie

**Company** : Larsen & Toubro Infotech Ltd.,

**Created on:** 29<sup>th</sup> May 2009

## Author Bio:



M. Mohamed Hasan Rifaie is now an employee of Larsen & Toubro Infotech Ltd. He has total 8 years of experience, out of which near about 2 years experience in the area of SAP Consulting in Procure to Pay process. He has worked various industries like electromechanical construction, Automobile, Refrigeration industry as a Procurement Executive. He has secured University Rank & Distinction in engineering degree level.

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## Introduction

### Capital material:

In Marxian economics, capital goods originally referred to the means of production. Individuals, organizations and governments use capital goods in the production of other goods or commodities. Capital goods include factories, machinery, tools, equipment, and various buildings which are used to produce other products for consumption. Capital goods, then, are products which are not produced for immediate consumption; rather, they are objects that are used to produce other goods and services. These types of goods are important economic factors because they are key to developing a positive return from manufacturing other products and commodities.

Manufacturing companies use capital goods to help their company make functional goods to sell individuals valuable services. As a result, capital goods are sometimes referred to as producers' goods or means of production. An important distinction should also be made between capital goods and consumer goods, which are products directly purchased by consumers for personal or household use.

For example, cars are generally considered consumer goods because they are usually bought by an individual for personal use. Dump trucks, however, are usually considered capital goods, because they are used by construction and manufacturing companies to haul various materials in order to make other products such as roads, bridges, dams, and buildings. Similarly, a chocolate candy bar is a consumer good but the machines used to produce the chocolate candy bar are considered capital goods.

Capital goods are generally man-made, and do not include natural resources such as land or minerals, or human capital—the intellectual and physical skills and labor provided by human workers.

One should not confuse the economic term capital goods and the financial term capital (economics), which simply means wealth.

### Characteristics:

- Capital goods fall under depreciation.
- It shall go directly into asset / stock depends upon inventory management.
- MRP need not be main criteria for capital goods.
- Partial (50%) cenvat credit shall be availed in the first year and the balance cenvat credit in the subsequent year depends upon the eligibility criteria.
- Capital goods shall be procured and get into inventory, later the same shall be issued to Asset.
- Cenvat credit shall not be availed for all the capital materials.
- A natural resource does not fall under capital goods.

### Purpose:

- The main purpose of the capital goods meant for positive return.
- It shall help to producing other goods / servicing.
- It shall give the employer / employee comfort.

### Examples:

- Buildings
- Machineries
- Tools
- Building accessories
- Consumables
- Office equipments and accessories
- Vehicles
- Utility equipments

## Set off for Capital goods

### Criteria for Eligibility / Non eligibility

#### Capital goods Eligible for input tax credit

In case of VAT the respective capital goods shall be procured from local registered dealers / manufacturers.

- In case of Excise or custom duty involved, the respective capital goods shall be procured anywhere (globally or local)
- Capital goods for the purpose of manufacturing, processing, packing or storing of goods in the course of business.
- Capital goods for the purpose of servicing, as in the case of transport industry.

#### Capital goods not eligible for input tax credit

Capital goods used for civil structures.

Capital goods used exclusively or partially for the manufacture of goods that are exempted from tax

Capital goods used exclusively or partially for job work

Capital goods used for the office administrative purpose or for the benefit of proprietor/Partners/Directors or employees

In case of VAT, capital goods purchased from outside the state

## Tax credit adjustment - Overview

### Adjusting of tax credit

#### Adjusting of tax credit – Import procurement

Input tax credit can be taken up to 50% (Counter veiling duty (CVD)) in the first year.

The remaining credit (50%) can be taken in the second and third financial year respectively.

For Additional duty of customs (ADC), full 100% duty paid can be taken in the first year itself. No need to wait for the second year.

In additionally, a manufacturer can take full credit of Additional duty of customs (ADC) but a service provider (In the case of fleet operator) cannot take credit of Additional duty of customs (ADC) paid during import.

The unavailed duty credit at the end of the third financial year shall lapse to the Government

The paid duty shall be taken first year up to the third year.

#### Adjusting of tax credit – Domestic procurement with Excise

Input tax credit can be taken up to 50% (Excise duty (ED), Ecess & SEcess) in the first year.

The remaining credit (50%) can be taken in the second and third financial year respectively.

The unavailed duty credit at the end of the third financial year shall lapse to the Government.

#### Adjusting of tax credit – Domestic procurement with VAT

VAT shall be availed as per the following schedule.

- 100% for input tax credit shall be taken in the first year itself for some of the states.
- 36 installments in some states

- 30% in first year, 40% in second year and 30% in the third year in some states.

The unavailed credit at the end of the third financial year shall lapse to the Government

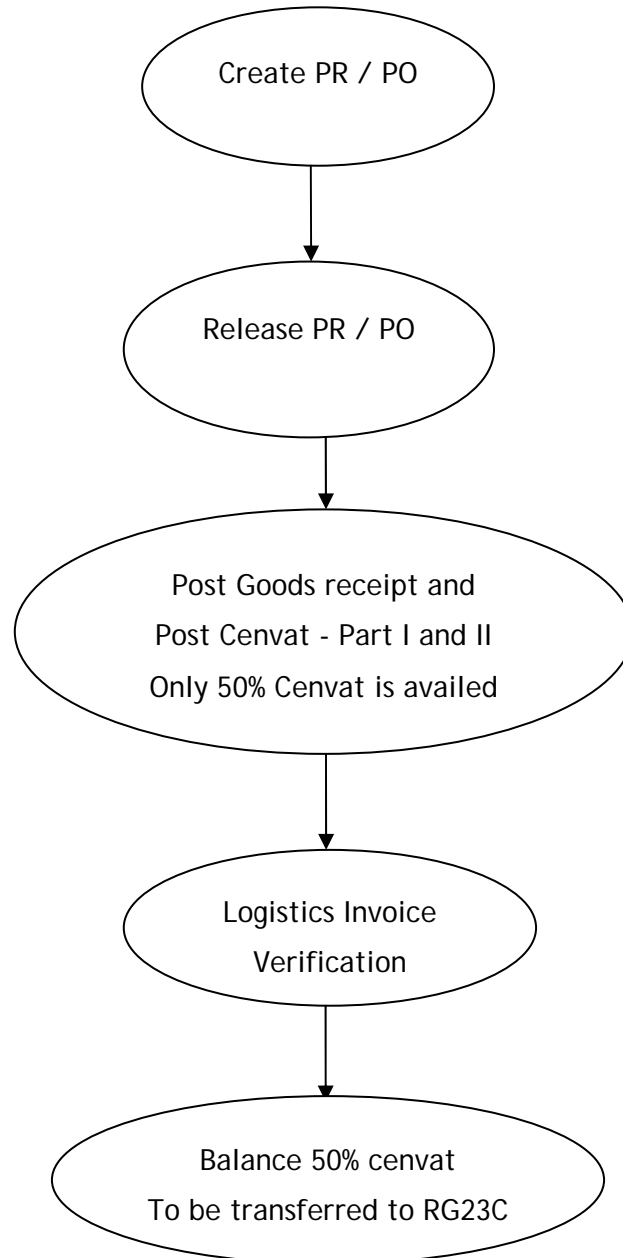
The claim of input tax credit on capital goods shall be shown separately in the monthly return in form "I".

## Capital Procurement vs SAP

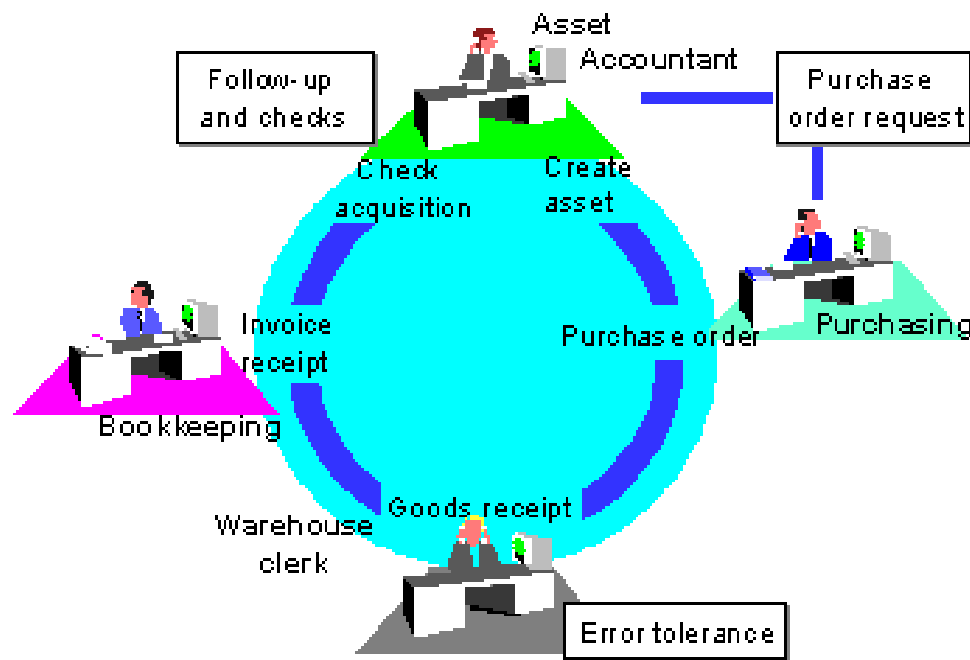
### Capital procurement cycle

#### Flow chart & Cycle

The following flow chart shows the procurement cycle of capital goods.



Capital Procurement Cycle:



### Capital Procurement in SAP

Create a material master – MM01

Create a Vendor master – XK01

Create an Asset master – AS01

Maintain Chapter id & Cenvat determination – J11D

Create a PR for a material with account assignment category A, ME51N (Optional)

Create a P.O. for vendor / Material with account assignment category A, asset number – ME21N

Release of capital order (Optional) – ME29N

Goods receipt & Capture the Excise invoice – MIGO

Post the Excise invoice by using internal excise number – J11EX

Invoice verification for the asset purchased - MIRO

Transfer credit in the second year – J218

Check the asset value – AW01N

### Material Master and Vendor Master Creation

Material master shall be created with ERSA / HIBE / UNBW material type.

Material type shall be copied from standard material type and modified according to our business requirement

It Should have Purchasing & account views

Vendor master shall be created with respect to normal practice.

T code for the above procedure is MM01 & XK01.

Vendor Edit Goto Extras Environment System Help

SAP

### Create Vendor: Initial Screen

Vendor: M0001

Company Code: SSS sss steels

Purch. organization: AP01 sss pur org

Account group: 0001

Reference

Vendor:

Company code:

Purch. organization:

XK01 INS

Vendor Edit Goto Extras Environment System Help

SAP

### Create Vendor: Payment transactions Accounting

CIN Details

Vendor: M0001 Machine Tools Corporation

Company Code: SSS sss steels

Payment data

Payment terms: 0001 Tolerance group:

Chk double inv.

Chk cashing time

Automatic payment transactions

Payment methods:  Payment block  Free for payment

Alternat.payee:  House bank:

Individual pmnt  Grouping key:

Pmt meth.supt.

B/exch.limit:  INR

Pmt adv. by EDI

Invoice verification

Tolerance group:

XK01 INS



SAP

Vendor Edit Goto Extras Environment System Help

Alternative data Partner address Delete line

Vendor: M0001 Machine Tools Corporation  
Purchasing Org.: AP01 sss pur org

Partner Functions

P	Name	Number	Name	D
OA	Ordering Address	M0001	Machine Tools Corporation	<input type="checkbox"/>
VN	Vendor	M0001	Machine Tools Corporation	<input type="checkbox"/>
PI	Invoice presented by	M0001	Machine Tools Corporation	<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

XK01 INS

SAP

Vendor Edit Goto Extras Environment System Help

Create Vendor: Initial Screen

Vendor:

Company Code: SSS sss steels  
Purch. organization: AP01 sss pur org  
Account group: 0001

Reference

Vendor:   
Company code:   
Purch. organization:

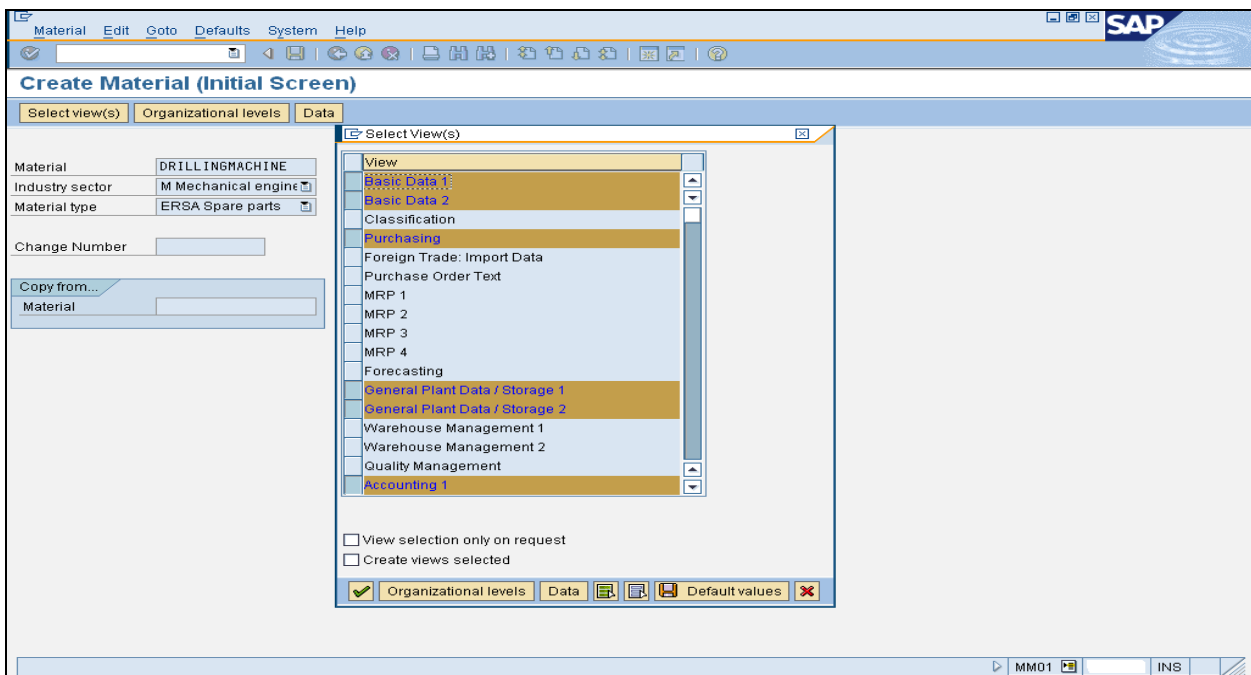
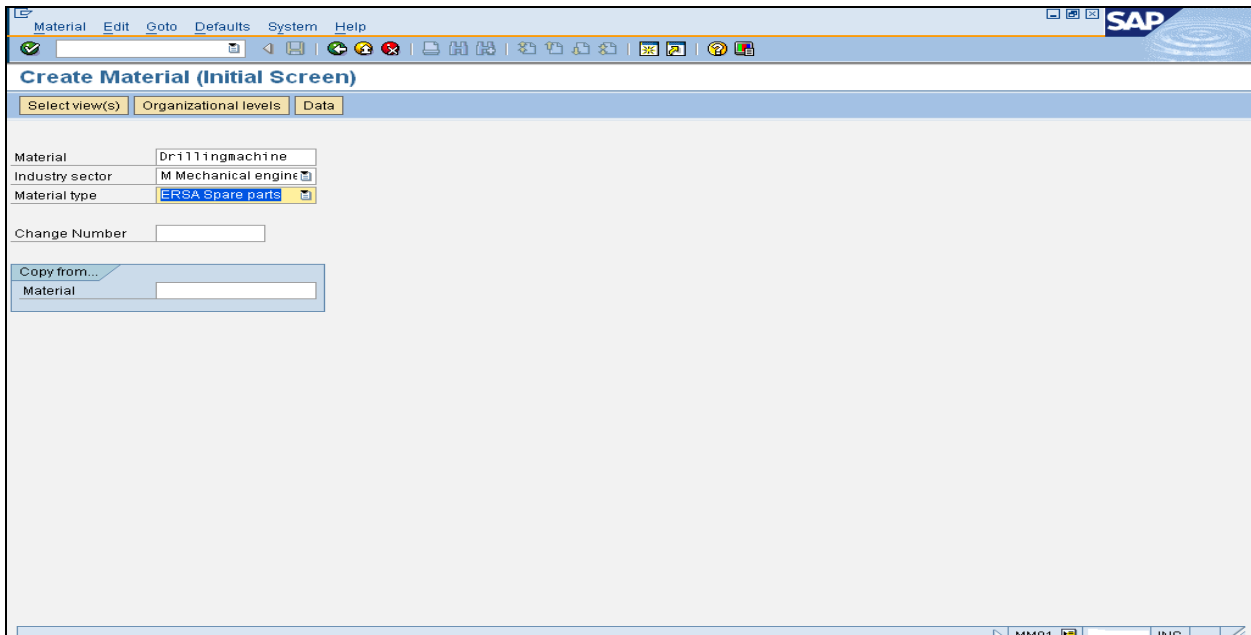
Vendor M0001 has been created for company code SSS purchasing organization AP01

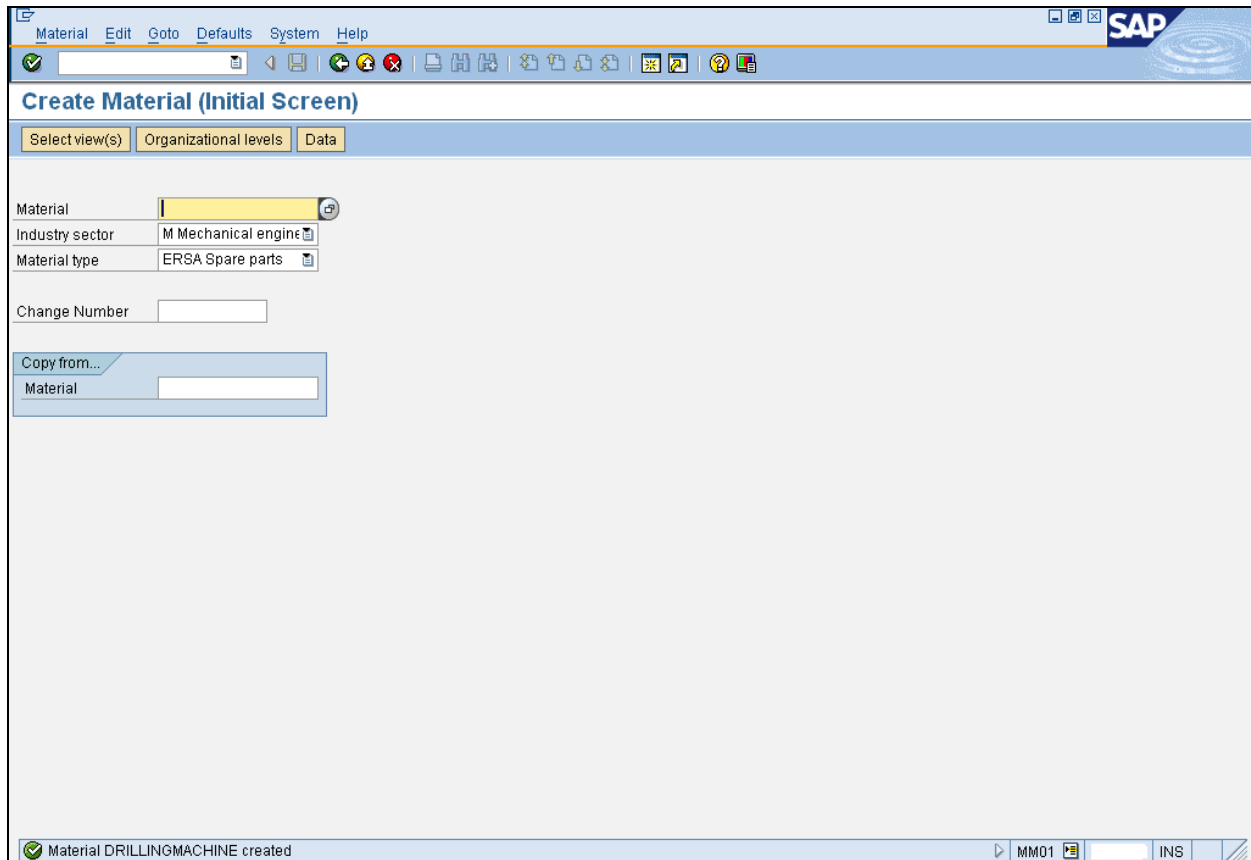
XK01 INS

Thus vendor has been created with respect to certain parameters.

Material Master Creation:

The main views shall be Purchasing and accounting views.





Thus capital material has been created.

### Asset Master Creation

Asset master shall be created by finance person

Place of acquisition & asset location are important point for the creation of asset master.

MM person should know the asset number for creating capital PO or can be referred from the dropdown menu.

T code for creating asset master is AS01.

Asset master creation data and steps:

SAP

Asset Edit Goto Extras Environment Settings System Help

**Create Asset: Initial screen**

Master data Depreciation areas

Asset class **PMOTHERS**

Company Code **SSS**

Number of similar assets **1**

Reference

Asset

Sub-number

Company code

Post-capitalization

AS01 INS

SAP

Asset Edit Goto Extras Environment Settings System Help

**Create Asset: Master data**

Asset values

Asset **INTERN-00001** **0** Drilling machine

Class **PMOTHERS** PM - OTHERS Company Code **SSS**

General Time-dependent Allocations Origin Deprec. areas

General data

Description **Drilling machine**

Asset main no. text

Acct determination **PMOTHERS** PLANT & MACHINERY - GENERAL

Serial number

Inventory number

Quantity

Manage historically

Inventory

Last inventory on   Include asset in inventory list

Inventory note

Posting information

Capitalized on  Deactivation on

AS01 INS

Here, enter Business area,

SAP

Asset Edit Goto Extras Environment Settings System Help

### Create Asset: Master data

Asset values

Asset: INTERN-00001 0 Drilling machine  
 Class: PMOTHERS PM - OTHERS Company Code: SSS

General Time-dependent Allocations Origin Deprec. areas

Interval from 01.01.1900 to 31.12.9999

Business Area: 0001  
 Cost Center:   
 Room:   
 Tax Jurisdiction:   
 License plate number:

AS01 INS

Enter place of acquisition and asset location,

SAP

Asset Edit Goto Extras Environment Settings System Help

### Create Asset: Master data

Asset values

Asset: INTERN-00001 0 Drilling machine  
 Class: PMOTHERS PM - OTHERS Company Code: SSS

General Time-dependent Allocations Origin Deprec. areas

Allocations

Place of acquisition: 55  
 Asset location: EL88  
 Place of retirement:   
 Revalued asset indic:   
 RW Asset Indicator:

Integration of assets and equipment

Create/change equip. from asset master record

WF	Sync	Equipment number	C.	Object type	Description of technical object
<input type="checkbox"/>	<input type="checkbox"/>	1234			Drilling machine
<input type="checkbox"/>	<input type="checkbox"/>				
<input type="checkbox"/>	<input type="checkbox"/>				
<input type="checkbox"/>	<input type="checkbox"/>				

AS01 INS

Enter the vendor to whom we are procuring the capital material.

SAP  
Asset Edit Goto Extras Environment Settings System Help

### Create Asset: Master data

Asset values

Asset: INTERN-00001 0    Drilling machine  
Class: PMOTHERS    PM - OTHERS    Company Code: SSS

General    Time-dependent    Allocations    **Origin**    Deprec. areas

**Origin**

Vendor: M0001    Machine Tools Corporation

Manufacturer: \_\_\_\_\_

Asset purch. new  
 Purchased used

Country of origin: \_\_\_\_\_

Type name: \_\_\_\_\_

Original asset: \_\_\_\_\_    Acq. on: \_\_\_\_\_

Orig. Acquis. Year: \_\_\_\_\_

Original value: \_\_\_\_\_    INR

ASD1    INS

Here enter the depreciation key.

SAP  
Asset Edit Goto Extras Environment Settings System Help

### Create Asset: Master data

Asset values

Asset: INTERN-00001 0    Drilling machine  
Class: PMOTHERS    PM - OTHERS    Company Code: SSS

General    Time-dependent    Allocations    **Origin**    **Deprec. areas**

**Valuation**

Deact	A	Depreciation area	DKey	UseLife	Prd	ODep Start	Index
<input type="checkbox"/>		01 Book deprec.	ZA02	21			

ASD1    INS

Asset Edit Goto Extras Environment Settings System Help

**Create Asset: Initial screen**

Master data Depreciation areas

Asset class PMOTHERS

Company Code SSS

Number of similar assets 1

Reference

Asset

Sub-number

Company code

Post-capitalization

The asset 1801663 0 is created

AS01 INS

Thus, the asset number has been created.

#### Maintain Chapter ID & Vendor Excise Details

Here, material and plant combination shall be entered and material type shall be defined as asset.

Excise vendor details shall be entered in the vendor master excise additional data.

T code for the above process is J1ID

This is a CIN master data

Excise rate maintenance

T code: J1ID

Excise maintenance System Help

**Excise Rate Maintenance**

Amend Purchase Order Amend Sales Order

Excise Master

Master Data

- Chapter-Id
- Material and Chapter-Id combination
- Material Assessable value
- CENVAT Determination

Excise Status

- Vendor Excise details
- Customer Excise details
- SSI Rates
- Excise Indicator for Plant
- Excise Indicator for Plant and Vendor
- Excise Indicator for Plant and Customer

Excise rates

- Excise Tax Rate
- Cess Rates
- Exceptional Material Excise Rate
- Sales Tax setoff percentages
- Quantity based AED, NCCD and SED

J1ID INS

Capital material shall be of asset, Tools and Consumables. In industry point of view all the above material category is falling under capital items. So, in SAP we can maintain a capital material as a tools or consumables or assets depends upon the material character and usage.

Table View Edit Goto Selection Utilities(M) System Help

**Change View "Combination of Material Number and Chapter ID": Overview**

Material	Plant	Chap.ID	Subcontr's	Mat type	Of
DRILLINGMACHINE	A000	1111	<input type="checkbox"/>	A Assets	1
				C Consumables	
				A Assets	
				T Tools	
				N Noncenvatable	
				Raw materials	
				F RO1	

Entry 1 of 1

J1ID INS

Here, for our convenient we are treating the material as an asset.



SAP  
 Table View Edit Goto Selection Utilities(M) System Help

**Change View "Combination of Material Number and Chapter ID": Overview**

Material	Plant	Chap.ID	Subcontr's	Mat type	Gf
DRILLINGMACHINE	A000	1111	<input type="checkbox"/>	Assets	1

Entry 1 of 1

J1ID INS

Vendor Excise details:

Excise rate maintenance

T code: J1ID

SAP  
 Excise maintenance System Help

**Excise Rate Maintenance**

Amend Purchase Order Amend Sales Order

Excise Master

Master Data  
 Chapter-Id  
 Material and Chapter-Id combination  
 Material Assessable value  
 CENVAT Determination

Excise Status  
 Vendor Excise details  
 Customer Excise details  
 SSI Rates  
 Excise Indicator for Plant  
 Excise Indicator for Plant and Vendor  
 Excise Indicator for Plant and Customer

Excise rates  
 Excise Tax Rate  
 Cess Rates  
 Exceptional Material Excise Rate  
 Sales Tax setoff percentages  
 Quantity based AED, NCCD and SED

J1ID INS

The screenshot shows the SAP Change View for 'Vendor Master Excise Additional Data'. The window title is 'Change View "Vendor Master Excise Additional Data": Overview of Select'. The table below contains one entry:

Vendor	ECC No.	Excise Reg. No.
M0001	EEEE98582203	552

At the bottom of the window, it indicates 'Entry 1 of 1' and 'One entry chosen'.

### Capital Purchase order creation

Capital purchase order shall be created by using T code ME21N.

Account assignment category & Asset number are mandatory for creating the purchase order.

Tax code shall be used depends upon the type of procurement (domestic or import)

Storage location entry is not a mandatory for creating the capital purchase order.

If the purchase order is to be created with respect to purchase requisition, then we shall simply enter the purchase requisition number in the item detail.

Purchase order Edit Goto Environment System Help

**Create Purchase Order**

Document overview on Hold Print preview Messages Personal setting

CP Capital Purchase Vendor 10001 Machine Tools Corporation Doc. date 27.05.2009

Header

S	Itm	A	I	Material	Short text	PO quantity	O	Deliv. date	Net price	Curr	Per	O	Matl Group	Plnt	SL
	10			DRILLINGMACH	Drilling machine	10 EA		27.05.2009	100,000.00	INR	1		EA	CAP	

Default Values

Item 1 [10] DRILLINGMACHINE, Drilling machine

Material data Quantities/weights Delivery schedule Delivery Invoice Conditions Account assignment Texts Delivery address

AccAssCat A Asset Distribution Single account assignme CoCode

Partial Inv. Derive from Account Assi

S	S	Quantity	Perce	G/L acct	Order	Asset	SNo. /WBS element	Unloading Point	Recipient	D
	1	10.000		212		1800				

Assets

ME21N INS

Account assignment & asset number mandatory

Purchase order Edit Goto Environment System Help

**Create Purchase Order**

Document overview on Hold Print preview Messages Personal setting

NB Standard PO Vendor Doc. date 27.05.2009

Header

S	Itm	A	I	Material	Short text	PO quantity	O	Deliv. date	Net price	Curr	Per	O	Matl Group	Plnt	SL
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					
										INR					

Default Values

Item 1 New Item

Capital Purchase created under the number 4500023475

ME21N INS

Thus, capital order has been created. Depends upon the type of procurement, import as well as domestic purchase order shall be created. Purchase order shall be created with respect to purchase requisition also. In that case, we need to enter the purchase requisition number in the item detail instead of entering all the parameter like material number, plant, account assignment category, etc.

If purchase requisition release exist, the there will not be a need of releasing the purchase order again. Everything depends upon the business need.

### Capital Purchase order release

Capital purchase order shall be released with T code ME28 / ME29N depends upon the business need.

Release shall be based on the release code.

Release strategy process shall be an optional one and it is depends upon the organization need / business requirement.

The screenshot shows the SAP 'Release (Approve) Purchasing Documents' dialog box. The title bar reads 'Release (Approve) Purchasing Documents'. The dialog contains the following fields and options:

- Release code: RE
- Release group: [ ] to [ ]
- Set release
- Cancel release
- Release prerequisite fulfilled
- List with items
- Scope of list: BEST
- Purchasing document category: F to [ ]
- Purchasing organization: [ ] to [ ]
- Document number: [ ] to [ ]
- Document type: [ ] to [ ]
- Purchasing group: [ ] to [ ]
- Vendor: [ ] to [ ]
- Supplying plant: [ ] to [ ]
- Document date: [ ] to [ ]

The bottom right corner of the dialog shows the T-code 'ME28' and the 'INS' button.

### Goods receipt and Excise invoice capture

Goods receipt shall be done with respect to purchase order reference. We need to enter the purchase order number.

Based on the purchase order system shall fetch the data automatically.

Once item o.k. checks over, we need to enter the excise invoice no & date

In this way, Goods receipt and Excise invoice capturing have been done for subsequent process.

T code for the above process is MIGO – Goods receipt.

The screenshot displays the SAP interface for a Goods Receipt Purchase Order (500023476) with an associated Excise Invoice (99). The main data fields are as follows:

03 Only Capture Excise Invoice	Excise Invoice	99	BED	100,000.00	SED	0.00	SECess	1,000.00
Excise Group	1	Excise Inv.Date	25.03.2009	AED	0.00	ECS	2,000.00	AT2
				NCCD	0.00			AT3

The line item table shows the following details for line 1:

Line	Sta	Material ShortText	OK	Qty in UnE	E	S	Stor.Loc	G/L account	Batch	Valuation ty	M	Stock type
1	CO	Drilling machine	<input checked="" type="checkbox"/>	10	EA			523			101 +	Unrestr

The Excise Item details are as follows:

Chapter ID	820	Base Value	1,000,000.00	INR	BED	100,000.00
EI quantity	10	EA			AED	
Open quantity	10				NCCD	
A Assets		Description	Drilling machine		SED	
					ECS	2,000.00

### Finding internal excise number for the excise posting

After Goods receipt done, we need to take the internal excise number generated during goods receipt process.

T code for the above is Goods receipt – Display

Here, by displaying material document number, we shall find out the internal excise number.

This internal excise number shall be used for further posting of excise invoice.

Goods Receipt Settings System Help

Display Material Document 500009892

Show Overview Hold Check Post Help

A04 Display R02 Material Docum 500009892 2009

General Vendor Doc. info Excise Invoice

Excise Group 1 Excise Invoice 99 Excise Inv.Date 25.03.2009

BED 100,000.00 SED 0.00 SECESS 1,000.00  
 AED 0.00 ECS 2,000.00 AT2 0.00  
 NCCD 0.00 AT3 0.00

Line	Material ShortText	Qty in UnE	E	Stor.Loc	Profit Center	G/L account	Batch	Valuation ty.	M	Stock type
1	Drilling machine	10	EA			523			101 +	Unrestr

Material Quantity Where Purchase Order Data Partner Account Assignment Excise Item

Excise Item Excise Duty Additional Data Part 1

Excise Gp	Reg type	Year	Serial no.	Quantity	U...	Movmt type	Direction	R/	ETT	Int no	Year
1	C	2009	1	10.000	EA	101	R Receipt		6RR073		2009

MIGO INS

Internal  
excise  
number

### Posting Excise invoice

Excise invoice shall be posted by using J11EX T code. Here, the reference for posting shall be internal excise number which has generated during Goods receipt.

Before posting any excise invoice it is advisable to see the simulation of excise invoice for correct posting of "Cenvat on hold" and "Cenvat avail" part.

Document System Help

Post : Internal Excise Invoice 000000073

Check Simulate CENVAT Post CENVAT

A04 Post R07 Internal Excise Invoice

Excise Invoice Miscellaneous Total Duties Additional Data

Exc. inv. no. 99 Doc. date 25.03.2009 Vendor 10091  
 Exc. group 11 Business Area Doc. Status In Process  
 Trn/Sub trn typ GRPO Internal No. 73 2009 Posting Date 27.05.2009

Item	OK	Material	Material description	Chap. ID	Excise invoi	U	Avb Cred. Qty	Exc. base
1	<input checked="" type="checkbox"/>	DRILLINGMACHINE	Drilling machine	820	10	EA	10	1,000,000.00

Delete

Item :0001 Quantities Duty Rates Duty Values Reference Documents Additional Data Part I

Material data  
 Material DRILLINGMACHINE Description Drilling machine  
 Material type A Assets Chapter ID 820

Material organizational data  
 Plant Stor. loc. Batch

J11EX INS

### Simulate Excise invoice:

Before posting the excise invoice, we need to simulate the same. For that the "Simulate Cenvat" tab shall be used.

Document System Help

Post : Internal Excise Invoice 000000073

Check Simulate CENVAT Post CENVAT

A04 Post R07 Internal Excise Invoice

Excise Invoice Miscellaneous Total Duties Additional Data

CENVAT Posting/ Reversal Simulation

G/L Account	Description	Dr/Cr	Amount
230	CENVAT HOLD Account	S Debit	51,500.00
2301	R6 23C S&H E CESS	S Debit	500.00
230	R6 23C BED Account	S Debit	50,000.00
2301	R6 23C CESS Account	S Debit	1,000.00
2300	CENVAT CLEARING A/C H	Credit	103,000.00

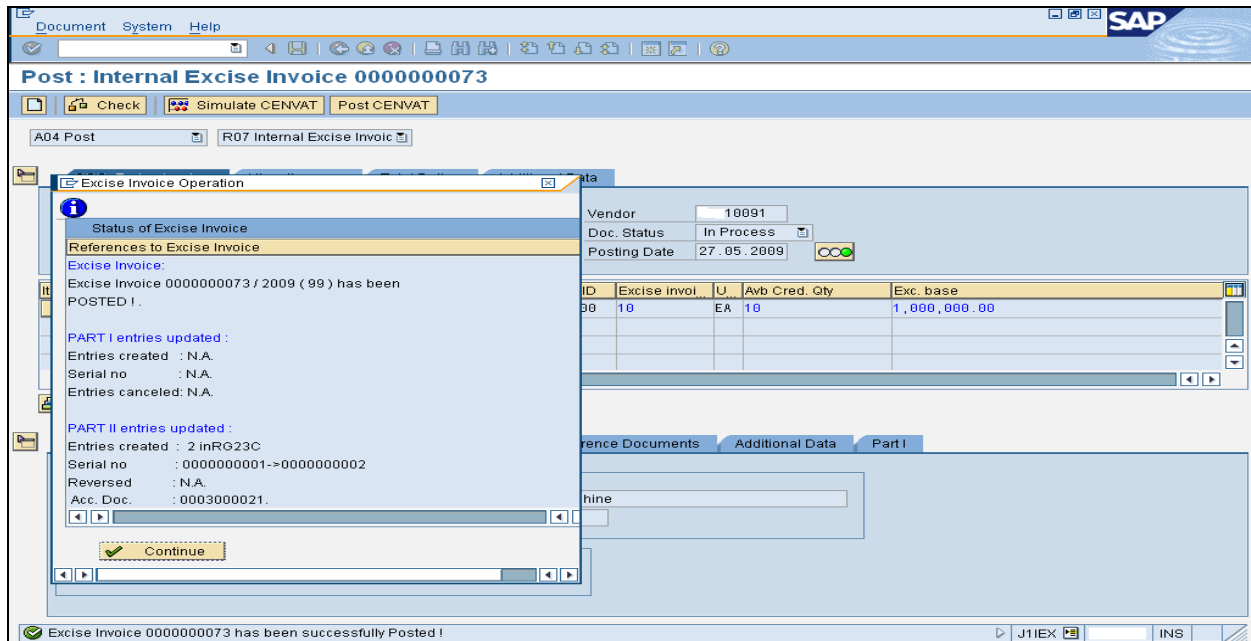
Exc. base  
1,000,000.00

NO CENVAT AMOUNT TO BE REVERSED

J11EX INS

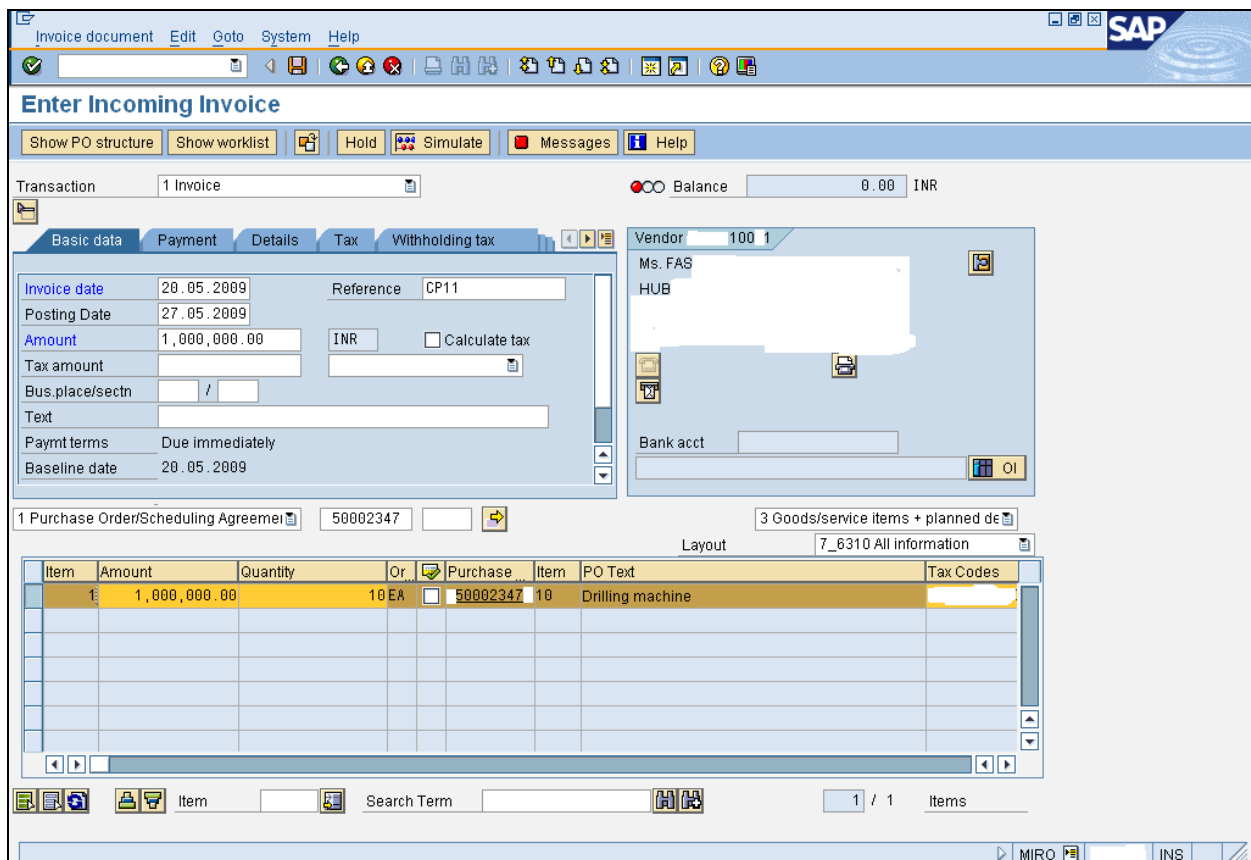
### Excise invoice posting

While posting the excise invoice, the respective part I and part II entries shall be updated. The following screen shows the details.



### Invoice verification for Capital goods

After excise invoice has been posted, subsequently the vendor invoice shall be verified. By using T code MIRO, the vendor invoice shall be verified and posted. The following screen illustrates the details. After invoice verification done, one can pay the vendor payment.





## Accounting documents for Capital goods

When you post a valuated goods receipt, the system posts a debit to the asset and a credit to the 'Goods receipt/invoice receipt' clearing account. You have to enter this clearing account in Customizing. This account is cleared when the invoice receipt is posted.

When you post a non-valuated goods receipt, the system makes an integrated posting at invoice receipt (debit to asset and credit to vendor). The system does not create any accounting document at the time of the goods receipt in this case, only an MM document.

RG23C register shall be affected by doing capital procurement with respect to the following material type indicator

- Assets
- Tools
- Consumables

## Transfer credit for balance excise amount

By using J11EX T code first 50% cenvat credit shall be claimed. For claiming balance 50% cenvat credit in the second year, J218 T code shall be used.

Here main input shall be Company code, Plant and Excise group.

The screenshot displays the SAP 'Capital Goods Transfer Of Credit' transaction screen. The interface includes a menu bar (Program, Edit, Goto, System, Help) and a toolbar. The main content area is divided into three sections:

- Organizational Data:** Contains input fields for Company Code (SSS), Plant (A000), and Excise Group (1). There are 'to' fields and selection arrows for Plant and Excise Group.
- Credit Options:** Contains input fields for Vendor, Shipfrom, Excise Invoice Number, Excise Invoice Date, and Posting Date. Each field has a corresponding 'to' field and a selection arrow.
- Display Options:** Contains two radio button options: 'List Based on Vendor Name' (selected) and 'List Based on Part2 Number'.

The status bar at the bottom shows the transaction code J218 and the user ID INS.

Once the transaction shall be executed; we shall get the following output screen shows the Total cenvat credit, Cenvat availed & cenvat available for taking credit.

Here, we need to select the particular vendor excise invoice and press the "Transfer credit" tab. System will execute the invoice as per the below screenshot. The corresponding accounting documents shall generate from this execution.

Exc Inv No	Date	Total BED	Total AED	Total SED	Total ECS	Total SECEss	BED Available	AED Availa
Vendor No	00 1	Vendor Name		FAS				
99	27.05.2009	100,000.00	0.00	0.00	2,000.00	1,000.00	50,000.00	0.00

The following indicates, the particular balance centvat credit has been availed. Please note that, once the centvat credit availed by using this transaction can not be reversed.

Exc Inv No	Date	Total BED	Total AED	Total SED	Total ECS	Total SECEss	BED Available	AED Availa
Vendor No	00 1	Vendor Name		FAS				
99	27.05.2009	100,000.00	0.00	0.00	2,000.00	1,000.00	0.00	0.00

Accounting documents and Part 2 entries created. SERIALNO: = 0000000003

Exc Inv No	Dat	Capital Goods Tran	Total AED	Total SED	Total ECS	Total SECEss	BED Available	AED Availa
Vendor No			0.00	0.00	2,000.00	1,000.00	0.00	0.00
99	27.0							

After availing the balance 50% centvat credit, the system will generate accounting documents and post the centvat credit to the appropriate G/L accounts.

## Configuration Overview

### CIN Configuration settings

#### Master data

Chapter id for capital goods shall be created by using J1ID transaction. Pls. note that this is the master data in CIN configuration.

Next we need to maintain the material, plant and chapter id combination.

Here, material shall be maintained asset, consumable or tool.

By maintaining this, system shall automatically take RG23C register in place and put 50% centvat credit immediately and balance 50% centvat credit to the on hold account.

#### Configuration settings

#### Maintain Company code settings:

Menu Path:

IMG → Logistics General → Tax on Goods Movements → India → Basic Settings → Maintain company code settings

T code: SPRO

Maintain the Percentage for excise utilization (50% incase of Capital goods)

This will instructs the system, when you verify a goods receipt for capital goods, to immediately post half of the input excise duty to the appropriate CENVAT accounts.

The rest is posted the CENVAT on hold account, for use in the following year.

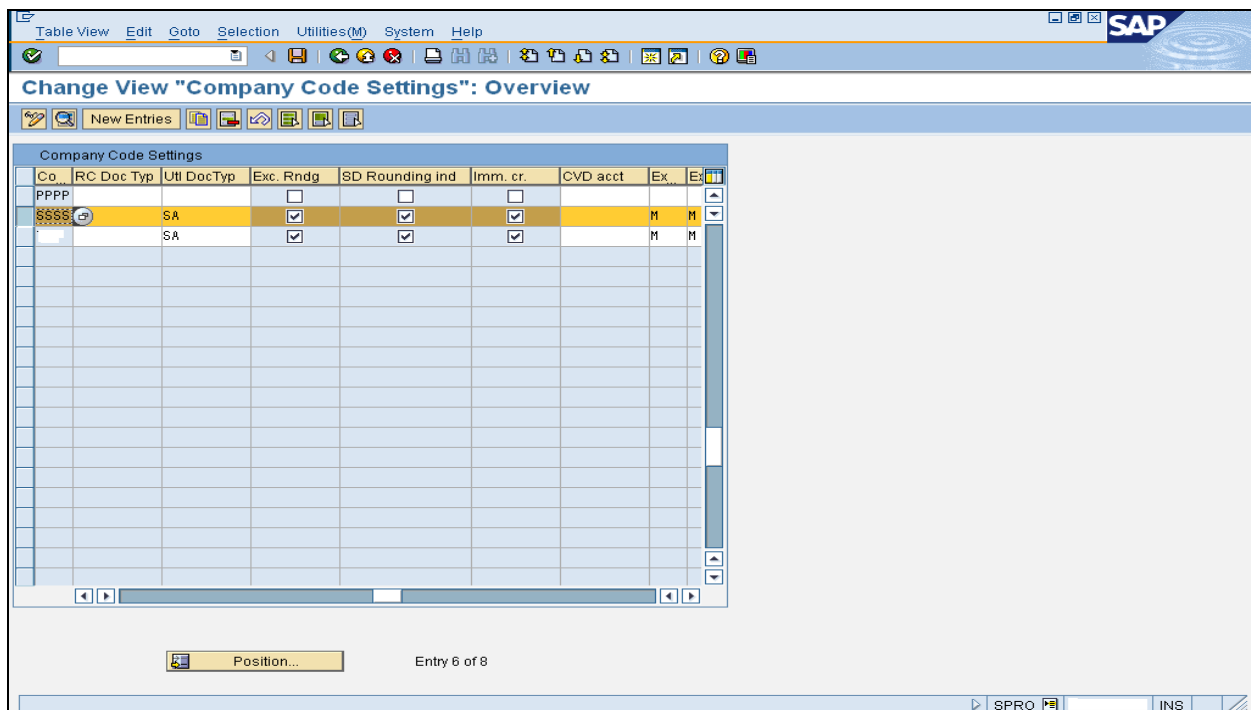
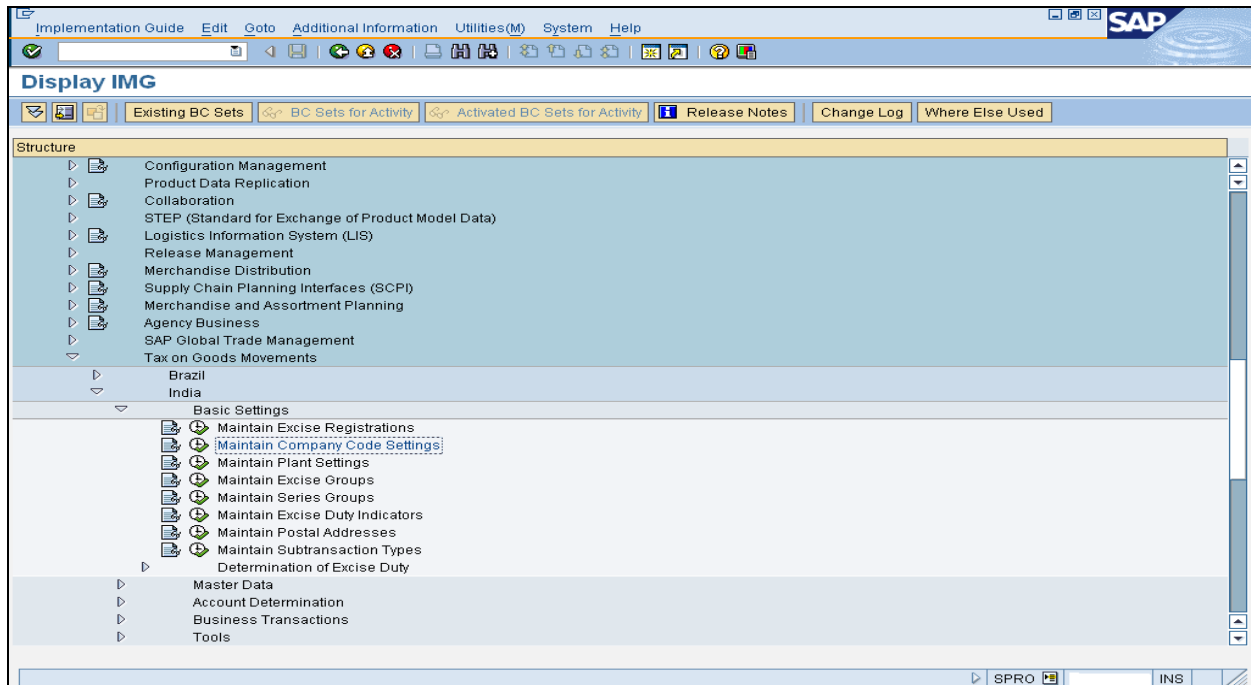


Table View Edit Goto Selection Utilities(M) System Help

SAP

### Change View "Company Code Settings": Details

New Entries

Company Code: SSS

**Company Code Settings**

CENVAT Doc. Type: PA Multi FI Doc Typ: SA

Debit Acc Override  Aut adj ind  Immediate credit on Capital Goods

First Month: 4 April

**Excise Invoice Selection params**

Exc Sel Days: 365 No. Exclnv Sel: 1

EI Sel. Proc.: F FIFO

**Rounding Rules**

Rounding duty on Procurement  Rounding duty on removal

**Exchange rate settings**

Exch. rate type for CVD: M Exchange rate type for exports: M

CVD account:

SPRO INS

#### Specify Excise accounts per excise transaction:

Here we specify which excise accounts are to be used for the transaction type CAPE for capital items. Enter all the accounts that are affected by each transaction type. If we use subtransaction types, enter the accounts that are affected by each transaction type.

Mark  
"Immediate  
Credit" check  
box

Menu path:

IMG → Logistics General → Tax on Goods Movements → India → Account determination → Specify excise accounts per excise transaction

T code: SPRO

Maintain CAPE (ETT)

Implementation Guide Edit Goto Additional Information Utilities(M) System Help

**Display IMG**

Existing BC Sets BC Sets for Activity Activated BC Sets for Activity Release Notes Change Log Where Else Used

Structure

- Business Partner
- Batch Management
- Handling Unit Management
- Product Catalog
- IAC Product Catalog and Online Store
- Conversion
- Logistics Information System (LIS)
- STEP (Standard for Exchange of Product Model Data)
- Configuration Management
- Variant Configuration
- Tax on Goods Movements
  - Brazil
  - India
    - Basic Settings
    - Master Data
    - Account Determination
      - Define G/L Accounts for Taxes
      - Specify Excise Accounts per Excise Transaction
      - Specify G/L Accounts per Excise Transaction
    - Business Transactions
    - Tools
  - Specification System
  - Product Structure Browser
  - Supply Chain Planning Interfaces (SCPI)
  - Agency Business
  - Engineering Change Management
  - Collaboration
  - Product Data Replication

SPRO INS

Table View Edit Goto Selection Utilities(M) System Help

**Change View "Transaction code vs accounts": Overview**

New Entries

Exc.	S	DC	ind	Account name
CAPE	CR	Credit		CLEAR CENVAT
CAPE	CR	Credit		MSUSP CENVAT
CAPE	CR	Credit		OFFSET CENVAT
CAPE	CR	Credit		ONHOLD CENVAT
CAPE	CR	Credit		PLAED PLA AEI
CAPE	CR	Credit		PLAED PLA BEI
CAPE	CR	Credit		PLACCESS PLA c
CAPE	CR	Credit		PLANCD PLA NC
CAPE	CR	Credit		PLASED PLA SEI
CAPE	CR	Credit		PONHLD PLA on
CAPE	CR	Credit		REVERS CENVAT
CAPE	CR	Credit		RG23AED RG 23
CAPE	CR	Credit		RG23BED RG 23
CAPE	CR	Credit		RG23ECS RG 23
CAPE	CR	Credit		RG23NCD RG 23
CAPE	CR	Credit		RG23SED RG 23
CAPE	DR	Debit		CLEAR CENVAT
CAPE	DR	Debit		MSUSP CENVAT
CAPE	DR	Debit		OFFSET CENVAT
CAPE	DR	Debit		ONHOLD CENVAT

Position... Entry 193 of 576

SPRO INS

Exc	S	DC ind	Account name
GRPO		CR Credit	CLEAR CENVAT
GRPO		CR Credit	MSUSP CENVAT
GRPO		CR Credit	OFFSET CENVAT
GRPO		CR Credit	ONHOLD CENVAT
GRPO		CR Credit	PLAAED PLA AEI
GRPO		CR Credit	PLABED PLA BEI
GRPO		CR Credit	PLACESS PLA c
GRPO		CR Credit	PLANCD PLA NCI
GRPO		CR Credit	PLASED PLA SEI
GRPO		CR Credit	PONHLD PLA on
GRPO		CR Credit	REVERS CENVAT
GRPO		CR Credit	RG23AED R6 23
GRPO		CR Credit	RG23BED R6 23
GRPO		CR Credit	RG23ECS R6 23
GRPO		CR Credit	RG23NCD R6 23
GRPO		CR Credit	RG23SED R6 23
GRPO		DR Debit	CLEAR CENVAT
GRPO		DR Debit	MSUSP CENVAT
GRPO		DR Debit	OFFSET CENVAT
GRPO		DR Debit	ONHOLD CENVAT

Position... Entry 353 of 576

SPRO INS

### Specify G/L accounts per excise transaction:

Here we assign the excise and CENVAT accounts to G/L accounts.

When we come to execute the various transactions, the system determines which G/L accounts to post to by looking at the:

- Excise group
- Company code
- Chart of accounts

If we want to separate account determination settings within an excise group, we can also use subtransaction types.

Menu path:

IMG → Logistics General → Tax on Goods Movements → India → Account determination → Specify G/L accounts per excise transaction

T code: SPRO

During Part II posting of Excise Duties for Capital Goods, Debit GL Accounts are determined via ETT CAPE and Credit GL Accounts are getting determined via ETT GRPO.

Implementation Guide Edit Goto Additional Information Utilities(M) System Help

**Display IMG**

Existing BC Sets BC Sets for Activity Activated BC Sets for Activity Release Notes Change Log Where Else Used

Structure

- Retail Promotion
- Season
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  - Brazil
  - India
    - Basic Settings
    - Master Data
    - Account Determination
      - Define G/L Accounts for Taxes
      - Specify Excise Accounts per Excise Transaction
      - Specify G/L Accounts per Excise Transaction
    - Business Transactions
    - Tools
- Specification System
- Product Structure Browser
- Supply Chain Planning Interfaces (SCPI)
- Agency Business
- Engineering Change Management

SPRO INS

Table View Edit Goto Selection Utilities(M) System Help

**Change View "Excise Account Assignment table": Overview**

New Entries

Excise Account Assignment table									
Excise Op	ETT	Co.	Sub	Ch	RG23A BED	G/L Ac for	RG23A SED	RG23C BED	R
01	57CM	TDP		INT	165000	165000	165000	165000	1
01	57FC	TDP		INT	165000	165000	165000	165000	1
01	57NR	TDP		INT	165000	165000	165000	165000	1
01	CAPE	SSS		INT	165000	165000	165000	165000	1
01	CAPE	SSS	IP	INT	165000	165000	165000	165000	1
01	CAPE	TDP		INT	165000	165000	165000	165000	1
01	CAPE	TDP	IP	INT	165000	165000	165000	165000	1
01	DLFC	TDP		INT	165000	165000	165000	165000	1
01	EMPO	TDP		INT	165000	165000	165000	165000	1
01	GRPO	TDP		INT	165000	165000	165000	165000	1
01	OTHR	TDP		INT	165000	165000	165000	165000	1
EF	57CM	7777		7777	270000	270000	270000	270000	2
EF	57FC	7777		7777	270000	270000	270000	270000	2
EF	57NR	7777		7777	270000	270000	270000	270000	2
EF	CAPE	7777		7777	270000	270000	270000	270000	2
EF	DLFC	7777		7777	270000	270000	270000	270000	2
EF	EMPO	7777		7777	270000	270000	270000	270000	2
EF	GRPO	7777		7777	270000	270000	270000	270000	2
EF	OTHR	7777		7777	270000	270000	270000	270000	2
EX	57CM	BVPR		BVPR	500013	500014	500015	500016	5

Position... Entry 1 of 37

SPRO INS



Excise Op	ETT	Co.	Sub	G/L Acc. for	G/L A/C for	CENVAT OH	CENVAT s	PLA Or
01	57CM	TDP		165000	165000	145020	165000	16500€
01	57FC	TDP		165000	165000	145020	165000	16500€
01	57NR	TDP		165000	165000	145020	165000	16500€
01	CAPE	SSS		165000	165000	145020	165000	16500€
01	CAPE	SSS	IP	165000	165000	145020	165000	16500€
01	CAPE	TDP		165000	165000	145020	165000	16500€
01	CAPE	TDP	IP	165000	165000	145020	165000	16500€
01	DLFC	TDP		165000	165000	145020	165000	16500€
01	EWPO	TDP		165000	165000	145020	165000	16500€
01	GRPO	TDP		165000	165000	145020	165000	16500€
01	OTHR	TDP				145020	165000	16500€
EF	57CM	7777		270000	270000		270000	27000€
EF	57FC	7777		270000	270000		270000	27000€
EF	57NR	7777		270000	270000		270000	27000€
EF	CAPE	7777		270000	270000		270000	27000€
EF	DLFC	7777		270000	270000		270000	27000€
EF	EWPO	7777		270000	270000		270000	27000€
EF	GRPO	7777		270000	270000		270000	27000€
EF	OTHR	7777		270000	270000		270000	27000€
EX	57CM	BVPR		500023	500024	500025	500025	50002€

## Tips & Tricks

### Tips

For taking 50% Cenvat in the first year we need to switch over the material type indicator in MIGO stage such as

- Asset
- Tools
- Consumables

In Std. SAP, balance 50% credit shall be availed immediately by using J2I8 T code

Capital material type shall be copied from any standard material type

Since account assignment category mandatory, capital purchase order shall be created without material code also. By giving excise details during good receipt, we shall avail the cenvat credit.

Apart from asset category, we shall use tools as well as consumables for claiming 50% cenvat in the first year.

**FAQ's:**

1. Can we avail cenvat credit for construction materials used for factory buildings?

Strictly no. Since it is used for construction.

Why we should take the balance 50% credit in the second year instead of first Year itself?

Since capital items belong to depreciation category and can't extract its full benefit in the initial phase itself.

3. Can we take balance 50% credit immediately by using J218 transaction code?

Yes. We can take 50% credit immediately in the first year itself by using T code J218. But according to Indian taxation law, we should take the balance 50% cenvat credit only in the second year.

Is capital material will come under stores stock?

It is not advisable to keep the capital material in stores stock with production material. We can keep the capital material in stores stock also depends upon the company's inventory management system.

What are the other materials apart from asset category can we avail for cenvat credit?

Tools and consumables are also as capital materials since it is directly used for production purpose. We can avail cenvat credit for these materials also.

Can we avail cenvat credit for custom duty?

No.

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