

Review of drawback rates required to streamline exports



LEFT: The Chief Guest Dr Saumitra Choudhuri, Member, Planning Commission, Chairman Duty Drawback Committee (at centre). On his left Mr T R Rustagi, Member Drawback Committee; and on his right is Mr Rajiv Talwar, Joint Secretary Drawback. **RIGHT:** Mr Amit Goyal, Regional Chairman, FIEO(WR) extreme left along with the member exporters during the meeting.

The Drawback Committee headed by Dr Saumitra Choudhuri, Member, Planning Commission & Chairman Duty drawback Committee, Mr T.R. Rustagi, Member Drawback Committee and Mr Rajiv Talwar, Joint Secretary, Drawback, had an interactive session with the members of FIEO (WR). Also present were members of other Export Promotion Councils such as engineering, chemicals and allied products, pharma, gem and jewellery as well as plastics.

Members from FIEO as well Export Promotion Councils were given a slot in order to project their views and suggestions related to their products.

Mr Amit Goyal, Regional Chairman, FIEO (WR) while welcoming the Drawback Committee members said the discussion was about the drawback rates based on the parameters announced by the Revenue Department on September 16, 2011 wherein DEPB products have been covered under the Duty Drawback Scheme effective October 1, 2011.

Mr Goyal further said analysis had been made by FIEO wherein it was observed that there was a reduction in the new drawback rates (of around 30-35%) in many of the product groups, specifically for products like engineering, chemicals and textiles. Though the transition from DEPB to drawback has curbed additional paperwork, transition time and cost of exporters, still a review of the drawback rates is required by the Department in order to streamline and facilitate India's exports.

A few key issues were raised during the meeting:

- The manufacturer exporters of stainless steel utensils and cutlery brought the issue to the notice of the Committee that the depreciation of the rupee has caused a severe blow to such exporters. Europe is one of the major markets currently undergoing huge crises. The stainless steel exporters have reached a downturn of around 60%.

The imported SS coils of 201 grade are mainly from China and

Taiwan. Most of the exporters are from the small sectors and usually source their raw material from the secondary market. After the announcement of the central Budget the basic excise duty has been increased from 10% to 12% which has affected the additional tax burden of 2.12% on the export goods.

It was suggested by the exporters that the duty structure of such exporters may be given due consideration in order to once again improve the export graph which has reduced considerably.

The Member, Drawback Committee, asked the members to submit a detailed representation with all the required details to enable them to review the issue

- It was referred to the Committee that the drawback clarification for goods procured by the SEZ developer from a DTA supplier who is not a manufacturer has not been specifically specified such as per instruc-

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tions no 9/2009 dated February 18, 2009 issued by the MOC, SEZ Division, wherein the procedure of duty drawback for supply of goods to SEZ developers against Indian rupees has been provided. As per the instructions, ARE 1 needs to be submitted only when it is applicable which is only in the case of procurement of goods from the DTA supplier who is also a manufacturer. However, it would not be required if the DTA supplier is not registered under Central Excise or a trader or a merchant exporter. Since ARE 1 is not applicable, thus the requirement of Central Excise Invoice also should not be insisted, if the goods are procured from such DTA supplier. As per SEZ rules, the benefit of drawback or reimbursement of duty in lieu of drawback is available even if the goods are pro-

cured by SEZ developers from DTA suppliers. SEZ developers are unable to take the drawback benefit as the concerned officials are not processing the triplicate copies of the B/E in case the goods are procured from traders on the cover of invoice only. Excise invoice and ARE 1 are asked for which are not available in this case.

- Drawback rates for bare conductor of aluminium.
- Bare conductor of copper.
- Insulated electric conductor.
- At the time of import, the exporter of the above products pays around 5% basic duty on aluminium + process loss i.e wastage + transport for import and export + manufacturing and other overhead costs.
- The aluminium/metals export process are based on LME and under

such circumstances, the exporters are unable to get any margin, as the current drawback rate is 4%, which is lower than the basic customs duty.

The Chairman, Drawback Committee, said the issues can be reviewed when they are received complete with justification, with the statistical analysis giving the difference in the rate structures. Hence, he requested the members present to submit their representations with complete data to enable the committee to review and discuss the issues.

Members from Capexcil, EEPC, Chemexcil, Pharmaxcil and Gem & Jewellery EPC also took up issues relating to their respective item groups with the Committee. ■