



# **Export Promotion Council for Handicrafts**

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## **REPORT ON AWARENESS SEMINAR ON “DUTY DRAWBACK: UNDERSTANDING POLICY AND PROCEDURES”, AT NEW DELHI ON 27th JUNE, 2015. AT THE CONFERENCE HALL, 3RD FLOOR, RAJIV GANDHI HANDICRAFTS BHAVAN, BABA KHARAK SINGH MARG, CONNAUGHT PLACE, NEW DELHI**

The Export Promotion Council for Handicrafts regularly conducts seminars for member exporters to educate them on new and emerging issues related to exports and to keep themselves updated about the latest trends and policies. On 27<sup>th</sup> of June, the council held a seminar on “Duty Drawback: Understanding Policy And Procedures”, At New Delhi On 27<sup>th</sup> June, 2015 at the Rajiv Gandhi Handicrafts Bhavan, Baba Kharak Singh Marg, Connaught Place, New Delhi.



**Mr. Rajesh Rawat (Deputy Director, EPCH) introducing speaker of the day Dr. Ram Singh to the exporters**

The seminar saw over 45 participants and the speaker for the event Dr. Ram Singh from Indian Institute of foreign Trade.

Dr. Singh began with explaining what exactly Duty Drawback is. He explained that the term duty drawback means refund of Custom Duty, Additional Custom Duty (Central Excise), Service Tax etc. on the export product. Since different export products have different incidences of duties, they will naturally have different amount of duty drawback. The directorate of duty drawback announces the drawback rates 'Schedule of Duty Drawback' of different items by a drawback notification once in a year. The announcement is done after 2-3 months of the presentation of the budget.

The 'Schedule of Duty Drawback' contains the duty drawback rates of All Industry. In this Schedule drawback rates of handicrafts are also included. For claiming the duty drawback the exporters has to mention the Custom Code No. (Drawback Code No.) of the export product and the rate of duty drawback. If the above particulars are correct then the amount of drawback is credit to the bank account of the exporters.

Dr. Singh cited the various sections under which the duty drawback is admissible. Dr. Ram explained that the duty drawback can be classified Under Section 74 of Customs Act 1962

- "Re- export of Imported Goods (Drawback of Customs duties) Rules, 1995.
- Section 75 of Customs Act 1962
- Customs and Central Excise Duties Drawback Rules 1995
- All Industry Rates/ Brand Rates

Drawback sanctioned under section 75 has a two tier system involving

- (i) Fixation of rates by the Directorate of Drawback in the Central Board of Excise and Customs and
- (ii) Disbursement of drawback amount by the Customs houses and / Central Excise Commissionerate

Procedure for claiming drawback under section 75 of the customs act under the manual system:

- The exporter is required to file a drawback-shipping bill in the prescribed Format as required under Rule 13 along with the necessary declaration.

- The goods after assessment are examined by the officers posted in the Examination Shed as required for each individual case. The examination report will indicate the nature of goods in terms of drawback schedule for classification and application of correct rate.
- Samples may have to be drawn for testing by lab in respect of chemicals, synthetic fabrics' etc as specified from time to time to confirm the declarations in the export documents

The claims are settled and passed by the appraiser if the amount sanctioned is below Rs 1, 00,000. And by the Assistant Commissioner, if the amount of drawback exceeds Rs1.00.000/- after pre-audit, the cheques are issued to the designated banks for credit to the exporters account or handed over to the authorized representative of the exporter. Dr. Singh further explained about the Brand Rates of Duty Drawback

#### BRAND RATES OF DUTY DRAWBACK

Brand rate Difference between Duty draw back and brand rate of drawback is falling under two categories. Firstly, the exporter's product has not been listed in the Duty draw back schedule. Secondly, the exporter considers the listed rate of drawback is insufficient to fully neutralize the duties suffered by his export product. Here in both the above circumstances, exporter opts for the brand rate of duty draw back.

Under this brand rate scheme of drawback, the exporters are compensated by paying the amount of Customs, Central Excise duties and Service Tax incidence actually incurred by the export product. For this purpose, the exporter has to produce documents/proof about the actual quantity of inputs / services utilized in the manufacture of export product along with evidence of payment of duties thereon.

- The exporter can approach the Directorate of Drawback for fixation brand rates.
- Brand rates are fixed under Rule 6 for specific manufacturer exporter.
- The manufacturer has to submit the application to Directorate of Drawback within 30 days of their first shipment.

He also explained in details about the restriction on grant as detailed below.

### RESTRICTION ON GRANT OF DRAWBACK

(a) The amount or the rate of drawback should work out 2% or more of the f.o.b. value of the product except in cases where the amount of drawback exceeds Rs5000/- per shipping Bill.

(b) The f.o.b. value of the product should not be less than the value of all imported materials used in the manufacture of that product. In other words the value addition in respect of the particular product should not be negative

(c) No drawback is admissible where the amount of the drawback worked out is higher than the present market value of the goods export (Section 76(1) of the Customs Act)

(d) Drawback is not admissible where the total amount of drawback is less than Rs 50/- (Section 76(1)(b) of the Customs Act, 1962)

(e) No drawback is admissible in case of goods exported by land to any place in Burma, Tibet or Bhutan as specified in the Ministry of finance Notification 208 cus. dated 1/10/1977

He further explained that there are certain legislative references relating to drawback that should always be kept in mind while exporting

- Section 74 Of The Customs Act 1962 (Drawback Allowable On Re-Export Of Duty Paid Goods)
- Section 75 Of The Customs Act 1962 (Drawback On Imported Materials Used In The Manufacture Of Goods, Which Are Exported)
- Section 37 (Xvi) Of The Central Excises And Salt Act, 1944
- Section 75 A Of The Customs Act (Interest On Drawback)
- Section 76 Of The Customs Act 1962 (Prohibition And Regulation On Drawback In Certain Cases)
- Re-Export Of Imported Goods (Drawback Customs Duties) Rules 1995.
- Customs And Central Excise Duties Drawback Rules , 1995



### **The speaker explaining the concepts to the participants**

The details of Duty Exemption Scheme and Duty Remission Scheme 2015-20 are given in Chapter -4 of [FTP 2015-20](#).

The brief details of the scheme are given below:

#### **DUTY EXEMPTION SCHEME**

Duty exemption schemes enable duty free import of inputs for export production. Duty Exemption Schemes consists of:

1. Advance Authorization Scheme and
2. Duty Free Import Authorization (DFIA) Scheme.

The salient features of the schemes as mentioned above are given below:-

#### **SALIENT FEATURES OF ADVANCE AUTHORIZATION SCHEME**

##### **ADVANCE AUTHORISATION**

- (a) Advance Authorisation is issued to allow duty free import of input, which is physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, catalyst which is consumed / utilised in the process of production of export product, may also be allowed.

(b) Advance Authorisation is issued for inputs in relation to resultant product, on the following basis:

(i) As per Standard Input Output Norms (SION) notified (available in Handbook of Procedures);

or

(ii) On the basis of self-declaration as per paragraph 4.07 of Handbook of Procedures.





**Questions put up by the audience –**

**Q1. What are Duty Exemption and Duty Remission Scheme?**

Ans: Duty Exemption Schemes enable duty free import of inputs required for

export production. Duty Exemption Schemes consist of (a) Advance Authorization and (b) Duty Free Import Authorization (DFIA).

A Duty Remission Scheme enables post export replenishment / remission of duty on inputs used in export product. Duty Drawback (DBK) is a Duty Remission scheme.

**Q2. What is the procedure of claiming Duty Drawback?**

Ans: The Duty Drawback on export goods (whether AIR or Brand Rate) is to be claimed at the time of export and requisite particulars filled in the prescribed format of Shipping Bill/Bill of Export under Drawback. In case of exports under electronic Shipping Bill, the Shipping Bill itself is treated as the claim for Drawback. In case of manual export, triplicate copy of the Shipping Bill is treated as claim for Drawback. The claim is to be accompanied by certain documents as laid down in the Drawback Rules 1995. If the requisite documents are not furnished or there is any deficiency, the claim may be returned for furnishing requisite information/documents. The export shipment, however, will not be stopped for this reason.