

Finmin wants duty drawback rates to be lowered

The finance ministry is pushing for a cut in duty drawback rates as realization of exporters has gone up due to depreciation of rupee. It also wants the new rates to come into effect before October.

The current rates came into force on October 10, 2012. Since then the currency has fallen about 15.5%, resulting in higher rupee payment to exporters.

“Since duty drawback is percentage of FOB value (ex-factory price plus other costs), the amount being paid has gone up,” said a finance ministry official who did not wish to be identified.

Drawback on exports means refund of customs duty previously paid on imported inputs or payment of excise. Drawback is not a reward scheme. It is only for neutralization of duty. For example, if the drawback rate on a commodity was 10% and the exporter made Rs 115 on it, against Rs 100 last year, the drawback amount would go up from Rs 10 to Rs 11.5.

While exporters of some commodities have been asking for increase in drawback rates, saying they do not correctly measure the hidden taxes that exit, the government is planning to rationalise it keeping in mind Rupee fall.

The finance ministry is holding discussions with commerce ministry and Planning Commission. The issue was discussed in Finance Minister's meeting with CBEC officials this week.

Some of the suggestions made by the finance ministry include introducing the new rates from September and bringing down the excise component in the calculation of duty drawback rates. The issue was also raised during Finance Minister P Chidambaram's meeting with Chief Commissioners of Central Excise, Custom and Service Tax last month.

The Duty Drawback Committee headed by Saumitra Chaudhuri, Member-Planning Commission is looking into the issue. The panel, which carries out the exercise every year, is expected to submit its report this month.

The committee speaks to traders of various commodities across the country and takes weighted average of the duty on raw material. The duty has two parts—customs and excise. While exporting the trader gets refund of customs and excise duty in cash.

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