

Circular No. 13/ 2014-Customs

F. No. 609/118/2014-DBK

Government of India

Ministry of Finance, Department of Revenue
Central Board of Excise & Customs

New Delhi, dated 18th November, 2014

To

All Chief Commissioners of Customs / Customs (Prev.)

All Chief Commissioners of Central Excise/Customs & Central Excise

All Director Generals under CBEC

All Commissioners of Customs / Customs (Prev.)

All Commissioners of Central Excise/Customs & Central Excise/Service Tax

Subject: All Industry Rates of Duty Drawback effective 22.11.2014 - Reg.

Ma'am/Sir,

The Ministry has notified revised All Industry Rates (AIR) of Duty Drawback vide Notification No. 110/2014- Customs (N.T.), dated 17.11.2014. This notification comes into force on 22.11.2014.

2. Some of the broad aspects, from amongst the changes notified with respect to AIR of duty drawback and entries in the Schedule, are the following –

- (a) As before, the drawback rates have been determined on the basis of certain broad average parameters including, inter alia, prevailing prices of inputs, input output norms, share of imports in input consumption, the applied rates of central excise and customs duties, the factoring of incidence of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods, factoring incidence of duty on HSD/furnace oil, value of export goods, etc.
- (b) Many items already covered under the Drawback Schedule prior to incorporation of erstwhile DEPB items, shall see a change in the AIR. In continuation of a transitory arrangement, for the items incorporated in the drawback schedule from the erstwhile DEPB Scheme there is a reduction in the AIR.
- (c) Drawback caps continue on most tariff items with AIRs above 2%. The caps have been revised. At rates below 2% there is cap with respect to guar gum and frozen marine products.
- (d) Further, in the case of project exports, where export product is accompanied with ARE-1 and for which no drawback cap has been prescribed in the Schedule, the Note/Condition (6) in the AIR notification now specifies a cap. It has been provided that such cases shall be declared by the exporter and the maximum amount of drawback that can be availed under the Schedule shall not exceed the amount calculated by applying the ad valorem rate of drawback to one and half times the ARE-1 value. In such cases, before Let Export Order is made, the relevant ARE-1 value (s) are to be recorded in the "Departmental Comments" field which is to be also taken into account at the subsequent stage of drawback processing.

- (e) Several entries have been rationalized by merging them at respective four digit level or under the respective residuary sub-heading 'others'. Tariff item numbers have seen a change in many cases.
- (f) The hitherto residuary rate of 1% (composite) and 0.3% (Customs) is changed to 1% (composite) and 0.15% (Customs). Further existing residuary rates of 1.3% and 1.7%, have been increased to 1.4% and 1.9%, respectively, with some exceptions.
- (g) In chapter 57, the six digit tariff item (TI) under 5705 have been changed to refer to the composition of fibre as is under other four digit tariff items. Further, all caps have been made on the basis of per sq.mtr instead of earlier per kg (for some items) in the chapter.
- (h) Several entries have been modified /amended to address issues brought to Ministry's notice. Laptop bags and shopping bags have been specifically mentioned at six digit level below TI 4202. 'Cami' has been included with women's/girl's tops in TI 611402 and 621102; 'three fourth pants' along with 'capris' included in TI 610302, 610402, 620302, and 620402; and 'leggings' included in TI 610402. An entry for 'other jackets' below TI 6114 and 6211 has been made. Mountain terrain bicycles have been specified against TI 871203. Cricket bats made from English willow (TI 9506) have been distinguished from other cricket bats.
- (i) Separate entries have been created distinguishing certain export products such as cotton yarn of less than 50 counts or 50 or more counts (Chapter 52); core spun cotton yarn containing 3% or more of lycra /spandex/ elastane (TI 5205); flame retardant fabric treated with organic phosphorous compound (TI 5209); knotted/tufted woolen /fine animal hair carpets containing 15% or more by weight of silk (TI 5701, 5703); embroidery in the piece, in strips or in motifs, of flax/linen (TI 5810); cotton blankets (TI 6301); leather safety footwear with protective toe caps of composite/synthetic material (TI 6403); glass artware/handicraft made out of two or more ply glass with or without metallic fusion (TI 7020); delivery tricycles/cycle rickshaws (TI 8712); specified electrical apparatus, of aluminium (TI 8536) and parts of aluminium for specified electrical apparatus (TI 8538).
- (j) AIR has been provided to calcined kaolin packed in HDPE/ LDPE/ PP bags (TI 2507), umbrellas, etc. of Chapter 66 and artificial flowers, etc. (TI 6702). Composite rate of 7% has been provided for all agricultural machinery etc. of TI 8432.
- (k) AIR has been fixed as Rs. 219.9/gm for gold jewellery /parts and Rs. 3112.5/kg for silver jewellery /articles. Guar Gum has been provided ad valorem rate (composite) of 0.75% with a cap of Rs. 1270 per MT.
- (l) Note/Condition (20) in the AIR Notification specifies that "shirts" shall include "shirts with hoods". Similarly, Note (25) specifies that "vehicles" of Chapter 87 shall comprise completely built unit or completely knocked down (CKD) unit or semi knocked down (SKD) unit.

3. It has been made explicit that where the claim for duty drawback is filed with reference to the rate in the AIR Schedule, an application for fixation of Brand Rate under Rule 7 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 shall not be admissible. For this, para 2 of the Notification and amendment to the said Rule vide Notification No.109/2014-Customs (N.T.) dated 17.11.2014 may be referred.

4. In this context, it is also clarified that the exporters opting for claim of brand rate shall declare the figure "9801" as an identifier in the shipping bill under the Drawback Details on basis of which they may subsequently apply to Central Excise for determination of brand rate. The Commissioners of Central Excise shall facilitate such exporters in terms of paras 5A-5C of Instruction No. 603/01/2011-DBK dated 11.10.2013 with, interalia, the grant of provisional brand letters.

5. The Commissioners are expected to ensure that the due diligence is exercised to prevent any misuse. As before, it may be ensured that exporters do not avail of the refund of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods through any other mechanism while claiming AIR. Moreover, there is need for continued scrutiny for preventing any excess drawback arising from mismatch of declarations made in the Item Details and the Drawback Details in a shipping bill. Also, in case of claim of the composite (higher) rate of AIR, the processing at the time of export should specifically ensure availability of '*Non-availment of Cenvat certificate*' etc at that stage itself.

6. It is requested to download the notifications from the Board's website (www.cbec.gov.in) and carefully peruse them and thereby take note of all the specific changes notified.

7. With trade facilitation in view, tenure of the Drawback Committee constituted by Central Government has been temporarily extended. Therefore, if any inconsistency or error is noticed or difficulty faced, the Board may be apprised so that the appropriate action can be initiated.

8. Suitable public notice and standing order may also be issued for guidance of the trade and officers.

(Rajiv Talwar)
Joint Secretary to the Government of India