

F. No. 609/98/2015-DBK

Government of India

Ministry of Finance, Department of Revenue

Central Board of Excise & Customs

New Delhi, dated 16th November, 2015

To

Principal Chief Commissioners / Chief Commissioners (All under CBEC)

Principal Directors General / Directors General (All under CBEC)

Principal Commissioners/Commissioners (All under CBEC)

Subject: All Industry Rates of Duty Drawback and other Duty Drawback related changes - reg.

Madam/Sir,

The revised All Industry Rates (AIR) of Duty Drawback has been notified vide Notification No. 110/2015-Customs (N.T.), dated 16.11.2015 which comes into force on 23.11.2015. These AIRs broadly take into account certain broad average parameters including, inter alia, prevailing prices of inputs, input output norms, share of imports in input consumption, the 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.

2. The notification may be downloaded from Board's website and carefully perused for details of the changes. However, some of the changes are highlighted below

(a) The composite rates have been increased in many cases like frozen shrimps/ prawns (chp 3, 16), perfumed agarbatti (chp 33), finished/ lining leather (chp 41), leather hand bags/ wallet/ belts (chp 42), industrial gloves (chp 42), certain MMF yarn/ fabric (chp 54, 55), readymade garment made of cotton, wool & cotton with lycra (chp 61, 62), made-ups of cotton/ MMF (chp 63), hand tools (chp 82), etc.

(b) Separate entries have been provided in the Drawback Schedule for Accelerated Freeze Dried (AFD) shrimps, lobster/crab, pasteurized tinned chilled crab meat (chp 3, 16), fish oil (chp 15), fish meal (chp 23), potassium chlorate (chp 28), leather carpets (chp 42), polypropylene mats (chp 46), cotton yarn of 100 or more counts (chp 52), belting fabrics (chp 54), filtration fabric made of polyester filament yarn/ polypropylene filament yarn/ polybutylene terephthalate (chp 54), suits, jackets & trousers (chp 61 & chp 62)- by trifurcating existing single entry, protective industrial wear made of aramid fibre/ modacrylic fibre/ cotton fibre (chp 62), glass art-ware/ handicrafts with silver coating (chp 70), aluminium conductor steel reinforced (chp 76), turbo charger (chp 84), tractor parts (chp 87), self-loading or self-unloading trailers and semi-trailers of a type used for agricultural purposes (chp 87), leg guards (chp 95).

(c) Rate has been provided for granulated slag (chp 26) and the description under heading 6802 has been reworded with respect to constituent material for tiles, handicrafts, etc.

(d) Certain products earlier having only customs rates, have been provided with composite rates. These include bicycle tyres (chp 40), bicycle tubes (chp 40), woven fabrics of other vegetable textile fibres/ woven fabrics of paper yarn (chp 53), headgear (chp 65), umbrellas/walking sticks etc. (chp 66), artificial flowers etc. (chp 67), acrylic blankets (chp 63).

(e) Iron and steel (chp 72 from heading 7207 onwards), articles of iron and steel (chp 73), tools and parts of base metal (chp 82), miscellaneous articles made from steel (chp 83), machinery and appliances (chp 84),

electrical machinery (chp 85), rolling stock (chp 86) and ships (chp 89) have been provided with increased customs rate of 2%, with certain exceptions.

(f) Composite rates for wooden art ware (chp 44), papier mache (chp 48), yarn/ fabric/ garment of silk (chp 50, 61, 62), certain MMF yarn/ fabric (chp 54, 55), carpets (chp 57), brass artware/ articles (chp 74), certain sports goods (chp 95) etc. see a reduction.

(g) AIR has been fixed as Rs. 209.3/gm for gold jewellery /parts and Rs. 2790/kg for silver jewellery /articles.

(h) Rates on remaining of the erstwhile DEPB items are being aligned with residuary rates, except where higher rates were due.

(i) Drawback caps, wherever meaningfully possible, have been provided normally in entries with rates higher than 1.9% (the highest residuary rate). It may be noted that the drawback cap of the nature provided for certain project exports applies when the conditions specified in the relevant Notes and conditions are met and it does not apply to other cases.

2. The Customs, Central Excise and Service Tax Drawback Rules, 1995 have also been amended vide Notification No. 109/2015-Customs (N.T.) dated. 16.11.2015 effective from 23.11.2015. This notification may also be perused. The first of these amendments enables exporters of wheat to function under the brand rate mechanism. The second change relates to payment of provisional drawback in certain cases of export under claim for brand rate. Presently, after export, a complete application for determination of brand under rule 7 of these Rules has to be filed at the Central Excise office to enable issuance of provisional drawback letter. The sub-rule (3) of Rule 7 has been amended so that Central Government may specify an amount for payment as provisional drawback by proper officer of Customs. Notification No. 110/2015-Customs (N.T.), dated 16.11.2015 (paragraph 3) specifies this amount as equivalent to the Customs component of AIR corresponding to the export goods, if applicable, and subject to the same conditions as applicable to a claim for the B column in the Schedule. *The modified procedure for export under claim for brand rate under rule 7 of Drawback Rules 1995 is at Annexure 1.* The amount paid as provisional drawback under the above dispensation shall be taken into account by the Central Excise to authorize further provisional drawback, where necessary. The brand rate facilitation in terms of Para s 5A-5C of Instruction No. 603/01/2011-DBK dated 11.10.2013 would continue and there should be no delay by Central Excise formations in finalizing applications for fixation of brand rate.

3. The Commissioners are expected to ensure due diligence to prevent any misuse. The shipping bills with parameters considered to be sensitive should be handled with adequate care at the time of export itself. Further, in case of claim of the composite (higher) rate of AIR, the processing should specifically ensure availability of Non-availment of Cenvat certificate etc. at the export stage itself. There is also 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. It may continue to 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.

4. Suitable public notice and standing order should be issued for guidance of the trade and officers. Any inconsistency, error or difficulty faced should be intimated to the Board. Details may be informed in case of any specific product on which the new Schedule has resulted in removal of drawback cap which is accompanied by an increase in the relative drawback amount per unit of product.

Enclosure: Annexure 1

(Rajiv Talwar)
Joint Secretary to the Government of India

Procedure for export under claim for brand rate under Rule 7 of Drawback Rules

1. The exporters opting for claim of brand rate under rule 6 the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 shall continue to declare the figure 9801 as an identifier under the Drawback details in the shipping bills filed.

2. For shipping bills filed on or after 23.11.2015, the exporters opting for claim of brand rate under rule 7 of Drawback Rules, 1995 shall declare the figure 9807 (instead of 9801) as an identifier in the shipping bill under the Drawback details. Immediately after the said identifier, the tariff item number of goods as shown in column (1) of the Schedule shall be declared followed by the character B. For example, if Tractors (other than tractors of heading 8709) are exported under claim for brand rate under rule 7 and the related Drawback Tariff Item number for such tractors in the AIR Schedule is 8701, the declaration on the shipping bill would be 98078701B. Similarly, for Bicycle pump the related Drawback Tariff Item number in the AIR Schedule is 841403 and the declaration on the shipping bill would be 9807841403B. Such a shipping bill is to be processed by the Customs for payment of provisional drawback amount equivalent to the Customs component (B column of AIR Schedule consisting of rate and cap) for the said declared Drawback TI of AIR Schedule. This processing is subject to same conditions as applicable to AIR drawback wherein there is claim for only Customs component. Suitable change in EDI is being implemented by DG (Systems).

3.1 After goods are exported, the exporter may apply to the relevant Central Excise office for fixation of brand rate under rule 7. In case of a timely filed complete application for fixation of brand rate under rule 7, subsequent drawback payments may arise against such shipping bill on account of provisional brand rate letter issued by Central Excise in terms of para 5A-5B of Instruction No.603/01/2011-DBK dated 11.10.2013 and/or the final brand rate letter and here the above said provisional drawback amount already paid shall also be taken into account.

3.2 However, in case of a timely filed complete application for fixation of brand rate under rule 7, if the brand rate request is denied after verification, the rejection letter issued by Central Excise and endorsed to the Customs formation should carry the information about the details of the eligibility for the rate and cap specified in A column of AIR Schedule in terms of all the Notes and Conditions with the Schedule and on this basis the Customs shall update the record and after taking into account the payments already made, finalise the claim in terms of the AIR provisions.

3.3 It may be noted that only the first drawback amount processed through the EDI system is electronically validated with respect to Rule 8A of Drawback Rules, 1995. Therefore, wherever there is any subsequent EDI processing on basis of the AIR, this validation must be enforced by the Customs officer for the total drawback amount against relevant tariff item.

4. For shipping bills filed before 23.11.2015, the exporters opting for claim of brand rate under rule 7 of the Drawback Rules, 1995 would, as before, have declared the figure 9801 as an identifier in the shipping bill under the Drawback details. In such cases, if the Let Export Order date is to be on or after 23.11.2015, the exporter shall be facilitated to amend, prior to the actual LEO, the identifier along the lines mentioned in item 2 above. However, even if the LEO occurs on or after 23.11.2015 without such amendment, the exporter may provide the information to the Asst/Dy. Commissioner of Customs at the port of export that the option for claim of brand rate reflected in the shipping bill was intended to be under rule 7 of the Drawback Rules, 1995 and also indicate the Tariff Item number (as shown in column (1) of the AIR Schedule) corresponding to the export goods (exported in the shipping bill) and seek provisional drawback amount equivalent to the Customs component. The Customs shall enter this information in its records along with details of the calculation of the amount. The payment of the provisional drawback amount shall be processed with conditions as applicable to AIR drawback wherein there is claim for only the Customs component.