

Chairman's Pen

My dear fellow exporters,

The Ministry of Finance, Government of India has announced the revised All Industry Rates of Duty Drawback vide Notification No. 103/2008-Customs (N.T.) dated August 29, 2008. The new rates of the Duty Drawback have been made effective from September 01, 2008. The Notification is available on the EEPC Website for members who wish to peruse for details. The salient features of the new rates is that Duty Drawback rates have been decreased in most cases. For instance, the Duty Drawback rates of Semi-Finished Steel, Flat Rolled Product and Bars and rates of Stainless Steel and Alloy Steel have been reduced from 2% to 1% (Customs component). The Duty Drawback rate on Brass Builder Hardware and Handicrafts of Brass has been decreased from 18% with a cap of Rs. 135/- per kg to 15% with a cap of Rs. 113/- per kg. Similarly, the Duty Drawback rates of Bicycle and Bicycle Parts have been revised downwards. The new rates are 12% for Bicycle and 12%-13.5% on Parts thereof. In case of Machinery items falling under Chapter 84 and Electrical Machinery and Equipment under Chapter 85, the rates have been revised downwards marginally.

While due to the lowering in Customs Duty rates, there was possible indication that the rate would come down, it is surprising that the value caps too have been lowered, especially when the prices of all inputs has gone up considerably. Moreover, there has been no effort to include elements of high transaction cost, sharp escalation in overseas freight and non-compensation of various State level levies to be factored in the Duty Drawback rates.

The Council has been carrying out a quick Survey on the Growth in Volume of engineering exports in the first quarter of the current fiscal year. Our primary results show that despite value increases in exports, volume of exports with respect to 24 engineering tariff lines have been hit considerably. This in, indeed, cause for concern and the Council will take up the issues of slowdown in growth in volume of exports of engineering products with the Commerce Secretary at its meeting scheduled for September 05, 2008.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rakesh Shah'.

(RAKESH SHAH)