

Chairman's Pen



My dear fellow exporters,

I am glad to inform you that the Government has now reduced the Central Sales Tax (CST) from 3% to 2% with effect from June 01, 2008. This implies that notwithstanding the two month delay, the CST reduction has now been effected as was promised by the Hon'ble Finance Minister in his Budget Speech. We do hope that the VAT entry rate will not be raised from 4% to 5%, as media reports have suggested, to compensate the States for the lowering of the CST. This will, indeed, be detrimental for exporters given that VAT export refund is still a problem area in many states of the country.

The problem with Export Duty Notification No. 66/2008-Customs dated May 10, 2008 continues to be a problem area, given the fact that Council is getting reports on Customs wanting to levy export duty on products which are beyond the said notification. Further, the Government has issued Notification No. 64/2008-Customs (N.T.) dated May 29, 2008 wherein the Government has withdrawn the Drawback benefits for both CENVAT and Customs for all Chapter 72 exports. This seems rather unfortunate given the fact that the Export Duty has been levied on 14 ITC HS Codes at four digit level under Chapter 72. Thus, the Government seems to be signalling a confused approach with regard to exports under Chapter 72. The Council has been emphasising with the Government that export of primary iron and steel items which serve as inputs to engineering industry such as Billets, Rounds, Angles etc. and are classified as flat and long products manufactured by large public sector companies and a few private sector companies are the ones which have contributed to steel price increases in the domestic market. Thus, Government should attempt to moderate the prices if these products only since they are the main items to have contributed to the inflationary situation.

Clearly, therefore, exports of low value added engineering items manufactured and exported by the MSME sector should not be curbed under any circumstances since they do not in any way contribute to the inflationary situation in the steel sector. We do hope that the Government will clarify the situation in this regard at the earliest.

Yours sincerely,



(RAKESH SHAH)