

Chairman's Pen



My dear fellow exporters,

Friends, on June 8, 2007, the Council made a presentation to the Government on an Alternative DEPB Scheme. We have suggested that the present DEPB Scheme be allowed to continue till 2010 when the GST is expected to go on line. In fact, to take into account the Rupee appreciation, the high export credit cost as well as escalating prices of raw materials, the value addition norms should be reduced from 50% to 25%. This would then obviate the need for an alternative DEPB Scheme. We have also suggested that in case the Government finds it difficult to carry further with the DEPB Scheme for some reason, then the new DEPB Scheme must not only include Customs Duties but also all types of taxes and duties in lieu of the DEPB Scheme and must cover all items presently mentioned in the DEPB Schedule as also a deviation from a base rate of the exchange rate of Rupee vis-à-vis the USD. The scheme should have similar ease of operation as the existing DEPB Scheme and must not insist on the import content requirement. Further, it is imperative that a transition period of at least six months must be granted to the exporting community whenever it is decided to put in place the alternate scheme so that the exporters are in a position to incorporate the changes effected under the new scheme while negotiating their contracts with the overseas buyers.

The Council has also requested the Government to look at the possibility of devising a State Level Drawback Scheme so that CST, Electricity Duty, Octroi, Mandi Tax and a host of other local levels can benefit from duty drawback for exports of goods. Further, all State Governments should be requested to follow the Gujarat Government model of allowing input credit in the VAT chain for inter-state purchased of inputs for export purposes. The Council will also be recommending to the Government the need for a Special Packing Credit Scheme and the need to bring about comprehensive VAT reforms, particularly in light of the problem of VAT refunds faced by exporters in various States of the country.

The Council is currently in the process of making a series of policy recommendations on a range of issues with the Government during the ensuing week. This includes, among others, setting a target for engineering exports for the current fiscal year, making presentation on various procedural issues pertaining to engineering exports including the problem of Rupee appreciation, high cost of credit and sharp escalation in prices of raw materials. The Council is making detailed background papers on each of these issues and would be placing before the Government its suggestions on the above issues.

Finally, the Government has also requested the Council to send a detailed note on the various issues facing the engineering exporters. It seems that the Government has realized the acute crisis under which engineering exporters are operating and have in recent days acknowledged the need for compensating the exporters for the adverse circumstances that the exporters find themselves in. The Council hopes to play a proactive role in helping the Government formulate export friendly policies and we urge members to continue to keep us informed about the problems being faced at their end. This will enable the Council to adequately make its representations to the Government.

Yours sincerely,



(RAKESH SHAH)