



**F. No. 605/44/2006-DBK**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Excise & Customs**  
**New Delhi**

**Circular No. 18/2006-Cus.**

Dated 5th June, 2006

To  
All Chief Commissioners of Customs,  
All Chief Commissioners of Customs & Central Excise.  
All Commissioners of Customs/Customs (Prev.)/Customs &  
Central Excise/Central Excise.  
DG, CEIB, New Delhi.  
DG, Central Excise Intelligence/DGRI/DG (Export Promotion)/  
DGI/DG, NACEN/DG(Systems & Data Management),  
Chief Departmental Representative, Customs, Excise & Service  
Tax Appellate Tribunal, West Block-2, R.K. Puram, N. Delhi  
Sir/Madam,

**Sub : Levy of special additional duty of customs (CVD) @ 4%  
under Export Promotion Scheme - reg.**

I am directed to invite your attention to the above mentioned subject and to say that references have been received from the trade about different practices being followed by the Custom Houses regarding the levy of special CVD of 4% in respect of goods imported under various export promotion schemes like DFRC, DEPB, Target Plus and DFCE. A doubt has also been raised on the issue of levy of 4% special CVD on imports made against duty credit scrips issued under Vishesh Krishi & Gram Udyog Yojana. Further, a clarification has been sought whether the 4% special CVD debited in DEPB, DFCE, Target Plus and other such licences is eligible for cenvat credit or drawback.

2. The issues raised have been examined by the Ministry. In terms of Notification No.19/2006-Cus. dated 1.3.2006 a special additional duty of 4% [leviable under Section 3(5) of the Customs Tariff Act, 1975] is chargeable on all imported goods. In terms of Notification No. 20/2006-Cus. dated 1.3.2006 (vide Sr. No. 1 of the table to the said notification), all goods which are exempt from basic customs duty and additional duty [leviable under Section 3(1) of CTA, 1975] are exempt from the 4% special CVD. In view of this, it is clarified that the special CVD of 4% is not leviable in case of imports under advance licence, EOU and SEZ schemes. In the case of imports under EPCG Scheme it may be noted that Notification No.97/2004-Customs dated 17.9.2004 governing imports under the said scheme itself provides for exemption from additional duty whether the levy is under section 3(1) or 3(5) of the Customs Tariff Act, 1975. The special additional duty of 4% is, therefore, not leviable on imports under EPCG Scheme.

3. In so far as export promotion schemes like DEPB, Target Plus, Served from India, DFCE and Vishesh Krishi and Gram Udyog Yojana are concerned, the exemption from basic customs duty and additional duty (CVD) is available subject to a condition that the element of these duties is debited in the Duty Scrips/Entitlement Certificates issued under these Schemes. Further, there is no specific exemption of the said 4% special CVD allowed either in the Foreign Trade Policy or in the Customs Notification issued under all these schemes. Therefore, when goods are imported under any of these schemes, the exemption from duties in terms of the respective Customs Notifications shall only be available if the element of 4% special CVD is debited in the duty scrips/entitlement certificates. In this connection, attention is invited to Ministry's Circular No. 5/2005-Cus. dated 31.1.2005 whereunder it was clarified that even though imports under these schemes are governed by an exemption Notification, the fact remains that in case of such imports, the customs duties are required to be debited in the duty entitlement certificates issued under these schemes. In the case of import of goods under DFRC Scheme, the element of 4% CVD shall be payable because, the notification grants exemption from basic duty only.

4. As regards the issue raised as to whether the duty debited through DEPB, DFCE, Target Plus etc. schemes would be eligible for cenvat benefit or drawback facility by the licence holder, it has been made clear in the Finance Minister's Budget Speech that full credit of the 4% special CVD will be allowed to manufacturers of excisable goods. Therefore, it is clarified that the 4% CVD duty debited in DEPB, DFCE, Target Plus etc. certificates may be allowed to be taken back as drawback (brand rate). It may be mentioned here that under the Foreign Trade Policy, additional customs duty (CVD) debited in DEPB scrips/certificates issued under reward schemes is allowed to be taken as CENVAT/Drawback.

5. A suitable Public Notice and Standing Order may be issued for the guidance of the trade and staff. Difficulties faced, if any, in implementation of the Circular may be brought to the notice of the Board.

*Sd/-*  
(ANURAG BAKSHI)  
S. T. O. (DBK)