

## Chairman's Pen



My dear fellow exporters,

The Council has given proposal for the following facts need to be taken into account for taking a decision to extend the DEPB Scheme beyond June 30, 2011 :

- a) The DEPB Scheme has been continuing for the last 14 years and has served the Indian exporters/ India's export growth well. At present, as per the information, approximately \$ 55 billion worth of Indian exports are under DEPB Scheme. The total credit granted under the Scheme is estimated to be Rs.8520 crs for the year 2010-11 (as per the Union Budget papers). As a percentage of exports, the credit comes to less than 5% of total exports under DEPB.
- b) In case DEPB Scheme is discontinued, the exporters, who are presently using DEPB, would either go for Advance Authorization Scheme or Duty Drawback Scheme. For all products where DEPB is allowed, Standard Input Output Norms (SION) is also available. Thus, in all probability, the exporters would opt for Advance Authorization Scheme in place of DEPB Scheme. The duty exemption granted under Advance Licensing Scheme would perhaps be more than the duty remission granted under the DEPB Scheme.
- c) At present, the exporters are utilizing DEPB mainly for its ease of operation, specially, the small exporters for whom importing raw materials is a problem due to lack of economies of scale and they are ready to settle for a smaller benefit than the actual benefit available to them under Advance Licensing Scheme. Thus, the industry, are of the view that the removal of DEPB may not lead to any kind of significant revenue saving for the Government.
- d) You will kindly appreciate that the present system of taxation does not allow refund / remission of all types of State/Central Government levies. This include, among others, electricity duty, octroi, mandi tax etc. Further, receiving VAT refund is a major problem for exporters in many States of the country. The Government had earlier promised that phasing out of DEPB would be linked to a new Scheme to reimburse these residual taxes to the exporters. Thus phasing out of DEPB should be deferred till such an alternative Scheme is announced by the Government.
- e) The Strategy Paper for doubling exports in next three years also recommends certain measures to be taken by the Government to slow down the growth of imports in the country. Doing away with the DEPB Scheme, which may perforce be replaced by Advance Licensing Scheme, goes against this objective in the strategy paper. When the DEPB is discontinued, the exporters, who are at present utilizing domestically produced inputs (though procured at a higher prices), would be forced to import the same inputs under Advance Authorization Scheme. The measure would, in effect, increase the import intensity of our exports and affect the Balance of Trade adversely.
- f) For some other small exporters, doing away of DEPB Scheme, would be a loss which would not be compensated even by taking advance licences. In this scenario, the discontinuation of DEPB Scheme would erode competitive advantage of those small exporters and adversely affect the exports. When we are aiming to double our exports in the next three years, we perhaps cannot and should not jeopardize the growth of approximately \$ 55 billion worth of exports by withdrawing this measure.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Aman Chadha'.

(AMAN CHADHA)