PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA
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SCHEDULE OF ALL INDUSTRY RATES OF DUTY DRAWBACK (2011-12) TO BE NOTIFIED SOON; ADDITIONAL 1100 NEW LINE ITEMS TO BE INCORPORATIED RAISING THE NUMBER OF SUCH LINE ITEMS TO 4000

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The Government of India will shortly be notifying the schedule of AIR (All Industry Rates) of duty drawback for the year 2011-12. In this regard, the Government had constituted a Committee in January 2011 under the chairmanship of Shri Saumitra Chaudhuri, Member, Planning Commission for formulation of AIR of Duty Drawback. In view of the Government's decision to bring the DEPB scheme to an end by 30th September this year, the Committee had also been entrusted with the added responsibility of recommending drawback rates for those commodities which have traditionally been exported under DEPB (Duty Entitlement Passbook) Scheme . The Committee has had wide ranging discussions with various export councils to gain a better understanding of the issues involved. A number of export councils and associations have submitted data to the Committee which has been carefully examined and considered. The Committee has since submitted its report to the Government along with a Schedule of recommended Drawback rates. The recommendations of the Committee form the basis for the rates being notified.

The DEPB Scheme has been in existence since 1997. Presently, there are 2130 line items covered under this scheme. Incorporating these items within the drawback schedule and assigning appropriate duty drawback rates for these items was a challenge both from a product classification perspective as well as from a drawback rate perspective. Consequently, the new Drawback Schedule will incorporate an additional 1100 line items(approx.) which are being taken from the DEPB list. With this, the total number of items in the drawback schedule will number approximately 4000 line items, as against the present 2835 line items.

Broadly speaking, most of the items which are already covered under the duty drawback schedule will suffer a minor reduction in the existing drawback rates. The reduction is mainly on account of the reduction in basic customs duty on crude petroleum from 5% to Nil as well as a reduction in central excise duty on diesel from Rs 4.40 per litre.to Rs 2.40 per litre. Crude petroleum enters into the product chain of various products as petrochemical inputs and diesel is also consumed in captive DG power plants in a majority of industries. Further, there has been a steep reduction in import duty on silk yarn from 30% to 5%. This has resulted in an adverse impact on the duty drawback rates for the silk fabric, silk garments and silk carpet industries for which imported silk yarn is the main input. The extent of reduction has been limited to 30% to 50% . While, there would be a minor reduction in duty drawback rates for most other items, due care has been taken to ensure that this reduction is capped at 10% of existing duty drawback rates, wherever the reduction in percentage terms actually works out to be much more, so as to minimize the hardship faced by exporters. In certain items namely leather garments and leather bags, the duty drawback rates have actually increased.

In respect of items covered under the DEPB Scheme, it was observed that the major exporters operating under the DEPB Scheme were mainly from the Engineering sector including the auto and auto component industry, Chemicals , Pharma Sector, Textiles and the marine sector. Since the DEPB Scheme will not continue beyond September 30,2011, it has been decided to provide a smooth transition for these items while incorporating these in the drawback schedule. As a transitory arrangement, these items will suffer a modest reduction in the existing DEPB rates , to the extent of 1% to 3%, which represents the ad-hoc rates of DEPB introduced in 2007. Further, the appropriate duty drawback rates for the items under DEPB have been recomputed taking into account the prevailing customs duty rates. It has been observed that for most of the items under DEPB, the recomputed rate works out to be far lower than the existing DEPB rates, even after removal of the ad-hoc element, ranging from 1 to 3%. In order to ensure that this transition does not adversely affect exporters who were operating under the DEPB Scheme, the Government has decided that the drawback rate shall be capped at 5.5% for many items. However, there are 340 line items where , even after reduction of the ad-hoc rates (1 to 3%) from the existing DEPB rates, the recomputed rate works out to more than 5.5%. Some of these items are listed below as an illustration:

- Worsted woollen yarn

- Blanket, etc
- Nylon twine
- Cut polished chat stones
- Lacquer coated polyester film
- Hermetically sealed compressors
- Polyester metallised film

In such cases, Government has decided to provide the recomputed duty drawback rates. Further, for certain products in the marine products sector, namely frozen and chilled meat products, it has been decided to provide a transitional duty drawback rate , taking into account the large volumes of exports of these products in the DEPB and also considering the fact that a large number of exporters in these sectors are from the Medium and Small Scale Sector.

Presently, the DEPB rates are available for two wheelers, three wheelers, commercial vehicles and tractors. Drawback rates have been provided in the proposed schedule. However, exporters of passenger cars are presently opting for brand rate of duty drawback. Government has received requests from these exporters through SIAM (Society of Indian Automobile Manufacturers)for inclusion under the AIR drawback schedule and the same has been accepted. Consequently, the drawback schedule will now provide AIR rate of duty drawback for Passenger Car Exporters also. Further, Government has also decided not to impose any value cap on the transport sector. With these measures, it is hoped that the auto sector which are the primary beneficiaries under DEPB would be able to make a smooth transition into the drawback scheme.

In respect of overlapping items, (i.e. items which figure in both the DEPB Schedule as well as the drawback schedule) Government has decided that to the extent possible the drawback rates be aligned so as to provide uniformity to exporters who have been operating under either of these schemes.As a general policy, it has been decided that there will be no value cap for all items, where the duty drawback rate is less than or equal to 3%.

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