PUBLIC NOTICE 46/2006


Attention of all importers, Exporters, Customs House Agents (CHAs) and Members of the Trade is invited to the Boards Circular No.19/2006 Cus. dated 13.07.2006 wherein the Ministry has announced the revised All Industry Rates of Duty Drawback vide notification No. 81/2006-Cus (NT) dated 13.7.2006. These rates shall come into force with effect from 15.7.2006. The notification may be downloaded from CBEC website www.cbec.gov.in and perused for details.

2. Like the previous year, the drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/ output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The incidence of duty on HSD/Furnace Oil has also been factored in the drawback calculation.

3. A significant feature of the new Drawback Schedule is that the drawback rates now also take into account the incidence of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods. For this purpose, the Customs and Central Excise Duties Drawback Rules, 1995 have been suitably amended vide notification No. 80/2006-Customs (NT) dated 13.7.2006. The Commissioners may ensure that the exporters do not avail of the refund of this tax through any other mechanism while claiming the all industry rate of drawback.
4. The Drawback Schedule includes 84 new items. These include cotton bags, leather caps, aluminium artware, suit cases & handbags of plastics, tractor parts, compressors, table tennis tables and various other sports equipment/accessories. The Schedule may be perused for details.

5. The drawback rates have undergone changes in sympathy with the changes in prices of inputs, duties etc. The Schedule may kindly be perused for details. The more important changes are discussed below:

   i) **Textiles and Textile Articles (Chapters 50-63)**

   a) **Silk**: In the case of silk, the drawback rate for higher quality silk fabrics has been increased from 7.5% with a drawback cap of Rs. 140/kg to 8.3% with a drawback cap of Rs.250/kg. The rate for fabrics of noil silk has also been revised upwards.

   b) **Wool**: In the case of wool, the new drawback rate for woollen worsted yarn grey weaving quality is 7.2% with a cap of Rs.24/kg as against the existing rate of 6.5% with a cap of Rs.22/kg. The new drawback rate for woollen worsted yarn (dyed) weaving quality is 8.3% with a cap of Rs.29/kg. Likewise, the drawback rate on woollen worsted yarn (grey) hosiery grade has been revised upwards to 7.2% with a cap of Rs.19/kg from the existing rate of 6.5% with a cap of Rs.17/kg. The dyed yarn hosiery grade carries a higher rate of 8.3% with a cap of Rs.23/kg. The drawback rates on blended yarn and fabrics have been revised upwards accordingly.

   c) **Cotton Yarn and Fabrics**: The new drawback rate for grey cotton yarn of less than 60 counts is 4% with a cap of Rs.8/kg as against the existing rate of 3.5% with a cap of Rs.7/kg. The new rate for dyed cotton yarn of less than 60 counts is 5% with a cap of Rs.13.30/kg. In respect of cotton yarn of 60 counts and more, a higher rate of 6.8% / 7.8% with a cap of Rs. 20.40 per kg / Rs. 26 per kg has been provided depending upon whether the yarn is grey or dyed. As for cotton fabrics, the new rate is 4.7% (grey) / 5.7% (dyed) with a drawback cap of Rs.14 per kg (grey) / Rs.20.50 per kg (dyed). The new drawback rate for lungies and Real Madras Handkerchiefs is 5.7% with a cap of Rs.20.50/kg, the same as applicable for dyed fabrics. In the case of denim fabrics the new rate prescribed is 6.5% with a cap of Rs.24/kg as against the existing rate of 5.5% with a cap of Rs.20/kg.

   d) **Carpets and Floor Coverings**: The new drawback rate for hand knotted woolen carpets is 9.4% with a cap of Rs.565 per sqm. as against the existing rate of 8% with a cap of Rs.315 per sqm. For silk carpets, the new drawback rate is 11.8% with a cap of Rs.1600 per sqm. as against the existing rate of 10% with a cap of Rs.1080 per sqm. The drawback rate on cotton durries is fixed at 9.4% with a cap of Rs. 20/kg as against the existing rate of 8% with a cap of Rs.16/kg.
e) **Ready Made Garments**: In the ready made garment sector, the new drawback rate for knitted blouses/shirts/tops of cotton is 6.7% with a cap of Rs. 29 per piece as against the existing rate of 6% with a cap of Rs.25 per piece. The new rate for knitted blouses/shirts/tops of man-made fibre is 7.8% with a cap of Rs. 32 per piece as against the existing rate of 7.5% with a cap of Rs.30 per piece. For knitted blouses/shirts/tops of cotton and man made fibre blend, the new drawback rate is 7.2% with a cap of Rs.30 per piece as against the existing rate of 6.8% with a cap of Rs.28 per piece. The drawback rates on woven garments have been revised accordingly. As for ready made garments made up of silk and wool the rate provided is 6.7% with varying caps.

f) **Made Ups**: In the made up category, the new drawback rate for bed linen, table linen, toilet linen, kitchen linen and curtains of cotton is 6.4% with a cap of Rs.64 per kg as against the existing rate of 5% with a cap of Rs.50 per kg. The new drawback rates on made-ups of manmade fibres and made-ups of silk/wool have also been revised upwards. The new rates are 7.5% and 6.9% respectively as against the existing rate of 6%.

ii) **Leather and Leather Articles (Chapters 41-42 & 64)**

6. The new drawback rate for finished leather is 6.6% with a cap of Rs.7 per sq.ft. as against the existing rate of 6.3% with a cap of Rs. 5 per sq.ft. Likewise, the new drawback rate for leather footwear for adults is 9.5% with a cap of Rs. 85 per pair as against the existing rate of 8.3% with a cap of Rs.70 per pair. In the case of leather apparels the rate provided is 9.5% with a cap of Rs. 533 per piece as against the existing rate of 7.5% with a cap of Rs.400 per piece. The drawback rates on other leather items viz. suit cases, handbags and gloves have also been revised upwards.

iii) **Base Metals and Articles of Base Metals (Chapters 72-83)**

7. The new drawback rates for semi-finished steel, HR Coils, CR Sheets, GP Sheets and bars & rods are in the range of 2.7% to 3.7% (all customs) with drawback caps varying from Rs. 625/MT to Rs.1000/MT. In the case of stainless steel utensils, the rate has been revised upwards from 11% to 15% with varying caps depending upon the quality of utensils.

7.1 In Chapter 74 (Copper and Articles thereof), the drawback rates on copper cathodes, wire bars and rods have been calculated taking into account the duty incidence on copper concentrates. In view of reduction in the duty on copper concentrates the drawback rates on these items have registered a decrease from 5% to 2.2%. Taking into account the duty incidence and prices of inputs, the drawback rate on brass builder hardware and handicrafts of brass has been increased from 11% with a cap of Rs. 33/kg to 15% with a cap of Rs.75/kg. The same is the case with artware/handicrafts of copper where the drawback rate has been increased from 11% with a cap of Rs.44/kg to 15% with a cap of Rs. 110/kg.

7.2 In the case of stainless steel cutlery falling under Chapter 82, the drawback rate has been increased to 15% in line with duty drawback on stainless steel utensils. The same is the case with brass hardware items and other similar items under chapter 83 where the drawback rate is being provided at 15% on par with brass handicrafts.
iv) Machinery and Equipment (Chapters 84 and 85)

8. For machinery items falling within Chapter 84, the existing drawback rates are mostly in the range of 1.5%-3% (all customs). The rates have been reduced proportionately in line with reduction in peak duty from 15% to 12.5%. On gaskets (84.84) the new rate is 6.5% as against the existing rate of 7%. In Chapter 85 (electrical machinery and equipment and electronic products) the existing rates are in the range of 3% to 6% (customs). The rates have been reduced in line with reduction in the peak duty.

v) Bicycle and Bicycle Parts (Chapter 87)

9. The drawback rates on bicycles and bicycle parts were revised last year following a detailed study of the manufacturing process and the duty suffered on the inputs. This year the rates have been increased by 0.5 percentage point.

vi) Writing Instruments (Chapter 96)

10. The drawback rate on ball point pen has been increased from 6% (all customs) with a cap of Rs. 65 per 100 pcs to 7% with a cap of Rs.75 per 100 pcs. The drawback rate on felt tipped pen has also been increased from 11% with a cap of Rs.180 per 100pcs to 12% with a cap of Rs.200 per 100 pcs.

vii) Chemicals, Dyes, Essential Oils, Plastics and Rubber (Chapters 28-40)

11. In the case of various chemicals and pharmaceutical products falling within Chapters 29, 30 and 32, considering that the units exporting such products are in the CENVAT chain, only the customs component of the drawback rate has been indicated in the Drawback Schedule. Taking into account the duty incidence and prices of inputs the drawback rates on 24 dyestuffs, 20 dye intermediates and 5 polymers have been revised upwards. The new drawback rates provided for these items are mostly in the range of 2%-3%. In the case of zinc oxide IP / BP / USP Grade, the new drawback rate is 5.5% (customs) as against the present rate of 9.6% [5.7% (excise component) + 3.9% (customs component)]. Following a request from the Department of Commerce (DOC) and after examination of the cost data, for the first time a drawback rate of Rs.1050/MT (all customs) has been provided in respect of Furnace Oil and HSD supplied by domestic oil companies to the Units located in SEZs. Hitherto, the drawback was being determined and paid by DOC.

Drawback on Cotton Bags, Leather Caps and Plastic Combs

12. In the wake of switchover to HS classification system, three products viz. cotton handbags, leather caps and plastic combs became ineligible for drawback. It has been brought to the notice of the Ministry that prior to implementation of the new Schedule w.e.f. 5.5.2005, the exporters were availing of drawback on cotton handbags under Chapter 63 as made-ups, on leather caps under Chapter 42 as articles of leather and on
plastic combs under Chapter 39 as articles of polypropylene. With the adoption of HS classification, cotton handbags are now classifiable under heading 42.02 whereunder no drawback rate has been prescribed for this item. The same is the case with leather caps classifiable under heading 65.05. In the case of plastic combs, the product now falls under heading 96.15 carrying a lower drawback rate of 1% whereas, previously the exporters were getting drawback @ 10.5% as articles of polypropylene under Chapter 39. The drawback rates are now being prescribed @ 6.4% on cotton bags, 7% on leather caps and 11% on plastic combs.

12.1 Having regard to the difficulties being faced by the exporters, it has been decided to release drawback on cotton handbags, leather caps and plastic combs at the rate of 5% with a cap of Rs. 50/kg, 5% with a cap of Rs. 100/kg and 10.5% with a cap of Rs. 6.8/kg respectively w.e.f. 5.5.2005 and upto 14.07.2006. In this connection, notification No. 79/2006-Customs (NT), dt. 11.7.2006 refers. It may be mentioned here that these rates would have been available to the exporters under the existing Schedule but for the changes in classification as discussed above. The exporters are, of course, required to fulfill the stipulated conditions for availing of drawback.

All Importers/Exporters/CHAs/Trade are advised to comply with the instructions issued by Ministry in this regard. Difficulties faced, if any, may please be brought to the notice of the undersigned immediately.

Sd/-

(H.O. TEWARI)

COMMISSIONER OF CUSTOMS (EXPORT),

JAWAHARLAL NEHRU CUSTOM HOUSE.