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**PUBLIC NOTICE No. 67 /2008**

**Sub : All Industry Rates of Duty Drawback Reg.**

Attention of Exporters, Importers, CHAs and general trade is drawn to **Notification No. 103 /2008 - CUSTOMS (N.T.)** dated 29<sup>th</sup> August, 2008 vide which revised All Industry Rates of Duty Drawback have been notified. The rates of drawback are specified in the Schedule annexed to the Notification. The revised rates of drawback would take effect from 01.09.2008. The notification may be downloaded from CBEC website [www.cbec.gov.in](http://www.cbec.gov.in) and perused for details. All claims for duty drawback shall be filed with reference to the tariff items and descriptions of goods shown in columns 1 and 2 of the said Schedule. The All Industry Rates of Duty Drawback in the Schedule are subject to the notes and conditions specified in the notification. Some important notes and conditions are briefly mentioned below:-

- (1) The tariff items and descriptions of goods in the said Schedule are aligned with the tariff items and descriptions of goods in the First Schedule to the Customs Tariff Act, 1975(51 of 1975) at the four-digit level only.
- (2) The General Rules for the Interpretation of the First Schedule to the said Customs Tariff Act, 1975 shall mutatis mutandis apply for classifying the export goods listed in the said Schedule.
- (3) Notwithstanding anything contained in the said Schedule, all artware or handicraft items shall be classified under the heading of artware or handicraft (of constituent material) as mentioned in the relevant Chapters.
- (4) Drawback at the rates specified in the said Schedule shall be applicable only if the procedural requirements for claiming drawback as specified in rules 11, 12 and 13 of the said rules, unless otherwise relaxed by the competent authority, are satisfied.
- (5) **The rates of drawback specified in the said Schedule shall not be applicable to export of a commodity or product if such commodity or product is-**

(a) **manufactured partly or wholly in a warehouse** under section 65 of the Customs Act, 1962 (52 of 1962);

(b) manufactured or exported in **discharge of export obligation** against an Advance Licence or Advance Authorisation issued under the Duty Exemption Scheme of the relevant Export and Import Policy or the Foreign Trade Policy;

Provided that where exports are made against **Advance Licences** issued on or after the 1st April, 1997, in discharge of export obligations in terms of notification No. 31/97 - Customs, dated the 1st April, 1997, or against **Duty Free Replenishment Certificate Licence** issued in terms of [notification No. 48/2000-Customs](#), dated the 25th April, 2000, or against Duty Free Replenishment Certificate Licence issued in terms of [notification No. 46/2002-Customs](#), dated the 22<sup>nd</sup> April, 2002, or against Duty Free Replenishment Certificate Licence issued in terms of [notification No. 90/2004-Customs](#), dated the 10<sup>th</sup> September, 2004, drawback at the rate equivalent to Central Excise allocation of rate of drawback specified in the said Schedule shall be admissible subject to the conditions specified therein;

(c) manufactured or exported by a unit licensed as **hundred per cent Export Oriented Unit** in terms of the provisions of the relevant Export and Import Policy and the Foreign Trade Policy;

(d) manufactured or exported by any of the units situated in **free trade zones** or export processing zones or special economic zones;

(e) manufactured or exported by **availing the rebate** of duty paid on materials used in the manufacture or processing of such commodity or product in terms of rule 18 of the Central Excise Rules, 2002;

(f) manufactured or exported in terms of sub-rule (2) of **rule 19 of the Central Excise Rules**, 2002;

(g) manufactured or exported availing of the facility under the **Duty Entitlement Pass Book Scheme**.

(6) The rates of drawback are inclusive of drawback for packing materials used, if any.

(7) The term **dyed**, wherever used in the said Schedule in relation to textile materials, shall include yarn or piece dyed or predominantly printed or coloured in the body.

(8) The drawback shall be payable only if the amount is **one per cent** or more of free on board value, except where the amount of drawback per shipment **exceeds five hundred rupees**.

(9) Whenever a **composite article** is exported for which any specific rate has not been provided in the said Schedule, the rates of drawback applicable to various constituent materials can be extended to the composite article according to net content of such materials on the basis of a self-declaration to be furnished by the exporter to this effect and in cases of doubt or where

there is any information contrary to the declarations, the proper officer of customs shall cause a verification of such declarations.

(10) The term **article of leather** in Chapter 42 of the said Schedule shall mean any article wherein 60% or more of the outer visible surface area (excluding shoulder straps or handles or fur skin trimming, if any) is of leather notwithstanding that such article is made of leather and any other material.

(11) The term **dyed** in relation to fabrics and yarn of cotton, shall include bleached or mercerized or printed or mlangé.

(12) The term **dyed** in relation to textile materials in Chapters 54 and 55, shall include printed or bleached.

CBEC has issued [Circular No. 13 /2008-Cus.](#) (F.NO. 609/40/2008-DBK) Dated 29<sup>th</sup> August, 2008 highlighting the important changes in the revised drawback schedule. The same is hereby brought to notice of general trade as below.

- i). Like in previous years, 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), share of imports in the total consumption of inputs and the applied rates of duty. The incidence of **duty on HSD/Furnace Oil** has been factored in the drawback calculation. The **incidence of service tax** paid on taxable services which are used as input services in the manufacturing or processing of export goods has also been factored. It may be ensured that the exporters do not avail of the refund of this tax through any other mechanism while claiming the all industry rate of drawback.
- ii). The Drawback Schedule includes **several new items**. These include coffee (raw beans), in bulk, coffee (roasted and /or decaffeinated), in bulk, tea, in bulk, tea in consumer packs including tea bags(sachets), instant coffee, parts/components of harness and saddlery made of leather or non leather including textiles or synthetic materials, stainless steel jewellery, brass bushes and optical fibre cables.
- iii). The drawback rates have undergone changes in line with the changes in prices of inputs, duties etc. Thus the Drawback rates have been decreased in most cases. 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 decreased from 10.8% with a drawback cap of Rs. 325/kg to 9.8% with a drawback cap of Rs.295/kg. The rate for fabrics of noil silk has also been revised downwards.

b) **Wool:** In the case of wool tops, woollen yarn and fabrics the drawback rates have been decreased by 18% - 21% approximately. The caps have also been revised downwards.

c) **Cotton Yarn and Fabrics:** The earlier drawback rate for grey cotton yarn of less than 60 counts was 6% (grey) / 7.1% (dyed). The rate for cotton yarn of 60 counts and more was 9.5% (grey) / 10.6% (dyed). The new rate now is 4% for cotton yarn (grey) and 5% for cotton yarn (dyed) irrespective of the counts of the yarn. As for cotton fabrics, the new rate is 4.6% (grey) / 5.5% (dyed) with a drawback cap of Rs.14per kg (grey) / Rs.20per kg (dyed). The new drawback rate for lungies and Real Madras Handkerchiefs is 5.5% with a cap of Rs.20/kg, the same as applicable for dyed fabrics. In the case of denim fabrics the new rate is 5.7% with a cap of Rs.21.5/kg as against the earlier rate of 8.5% with a cap of Rs.32/kg.

d) **Man-made Filaments and Man-made Staple Fibres:** In the case of synthetic / artificial filament yarn (Chapter 54), only customs component of Drawback rates has been prescribed. The drawback rate for Synthetic Filament Yarn now is 2.2% (grey) / 2.6% (dyed) and for artificial filament yarn 2.1% (grey) / 2.5% (dyed) as against the earlier customs rate of 3% (grey) / 3.5% (dyed) for both types of filament yarn. In the case of woven fabrics of synthetic filament yarn, the new drawback rate is 8.4% (grey) / 9.4% (dyed). Insofar as synthetic / artificial fibres (Chapter 55) are concerned, again only the customs component of drawback rates has been fixed. The new drawback rate is 2.4% for synthetic staple fibres and 2% for artificial staple fibres. In the case of yarn of synthetic staple fibres, the rates fixed are 10.2% (grey) and 12.1% (dyed). In case of woven fabrics of synthetic staple fibres and/ or man-made filament yarn falling under drawback schedule tariff item 5515 the new rates are 9.2% (grey)/10.3%(dyed).

e) **Carpets and Floor Coverings:** The new drawback rate for hand knotted woolen carpets is 11% with a cap of Rs.616 per sqm. as against the earlier rate of 13.3% with a cap of Rs.745 per sqm. For silk carpets, the new drawback rate is 14.5% with a cap of Rs.2573 per sqm. as against the earlier rate of 17.5% with a cap of Rs.3105 per sqm. The drawback rate on cotton durries is fixed at 10.5% with a cap of Rs.29/kg as against the earlier rate of 11.5% with a cap of Rs.32/kg.

f) **Ready Made Garments:** In the ready made garment sector, the new drawback rate for knitted blouses/shirts/tops of cotton is 8.8% with a cap of Rs.42 per piece as against the earlier rate of 11% with a cap of Rs.53 per piece. The new rate for knitted blouses/shirts/tops of man-made fibre is 10.5% with a cap of Rs.44 per piece as against the earlier rate of 11.5% with a cap of Rs.48 per piece. For knitted blouses/shirts/tops of cotton and man made fibre blend, the new drawback rate is 9.8% with a cap of Rs.44 per piece as against the earlier rate of 11.2% with a cap of Rs.50 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 8.8% with varying caps.

g) **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 8.2% with a cap of Rs.99 per kg as against the earlier rate of 10.1% with a cap of Rs.122 per kg. The new drawback rates are fixed at 9.5% on made-ups of manmade fibres and 8.8% on made-ups of silk/wool as against earlier rates of 10.4% and 9.8%.

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

a) The new drawback rate for finished leather is 6.3% with a cap of Rs.6.7 per sq.ft. as against the earlier rate of 7.5% with a cap of Rs.8 per sq.ft. Likewise, the new drawback rate for leather footwear for adults is 10.5% with a cap of Rs.96 / 142 per pair as against the earlier rate of 11.5% with a cap of Rs.105/155 per pair. In the case of leather apparel the rate provided is 9.9% with a cap of Rs.575 per piece as against the earlier rate of 11.4% with a cap of Rs.650 per piece. The drawback rates on other leather items viz. suit cases, handbags and gloves have also been revised downwards.

b) The new drawback rate for saddlery and harness made of leather is 9%. The corresponding rate for saddlery and harness made of non-leather is 8.6%. A new entry has been incorporated to include parts/components of harness and saddlery made of leather or non leather including textiles or synthetic materials with a rate of 8.6% with a cap of Rs.90 per pc.

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

a) The drawback rates on semi-finished steel, flat rolled products and bars and rods of stainless steel and other alloy steels has been reduced from 2% to 1% (Customs component).

b) In Chapter 74 (Copper and Articles thereof), the drawback rates on copper cathodes, wire bars and rods have not undergone any change. The drawback rate on brass builder hardware and handicrafts of brass has been decreased from 18% with a cap of Rs.135/kg to 15% with a cap of Rs.113/kg. The same is the case with artware/handicrafts of copper where the drawback rate has been decreased from 18% with a cap of Rs.180/kg to 15% with a cap of Rs. 150/kg.

c) In the case of stainless steel cutlery falling under Chapter 82, the drawback rate has been decreased to 12.5% in line with duty drawback on stainless steel utensils. The drawback rate on brass hardware items and other similar items under chapter 83 has also been decreased to 15% on par with brass handicrafts.

### **iv) Machinery and Equipment (Chapters 84 and 85)**

In the case of machinery items falling within Chapter 84, by and large, the earlier drawback rates have been marginally reduced. In the case of electrical machinery and equipment under Chapter 85, the rates have been revised downwards marginally.

### **v) Bicycle & Bicycle Parts (Chapter 87) and Sports Goods (Chapter 95)**

The drawback rates on bicycles and bicycle parts have been revised downwards. The new rates are 12% for bicycles and 12%-13.5% on parts thereof. The drawback rates on sports goods have also been revised downwards by 12.5% to 20%. The drawback rate on the residual heading for sports goods has been decreased from 4% to 3.6%. The drawback rate on toys has also been decreased to 5.4% from the earlier rate of 6%.

### **vi) Writing Instruments (Chapter 96)**

The earlier drawback rate on ball point pen was 8.5% with a cap of Rs.225 per 100 pcs. The drawback rate on this item has been revised downwards to 7.1% with a cap of Rs.188 per 100 pcs. The drawback rate on felt tipped pens has also been decreased from 13.3% with a cap of Rs.275 per 100 pcs to 11.1% with a cap of Rs.230 per 100 pcs. Further, on high value fountain pens (Rs.500 & above) the drawback has been provided @ 2.7% as against the earlier rate of 3%.

**vii) Miscellaneous**

a) The new rates of duty drawback on MEG is 1.6% as against the earlier rate of 3%, on DEG 1.9% as against the earlier rate of 3% and on TEG 1.4% as against the earlier rate of 2.5%. The new rate of drawback on linear alkaline benzene (LAB) is 0.7% as against the earlier rate of 3%. The drawback rate on PTA has been kept at 1.8% as against the earlier rate of 1.9%.

b) In case of polymers (such as HDPE, LDPE, Poly Propylene) also drawback rates have been decreased.

c) For all kinds of zinc oxide the new drawback rate is 1% (customs) as against the earlier rates of 6.3% /3.5% / 1% . In the case of perfumed agarbattis, the drawback rate has been decreased from 12% with a cap of Rs.33/kg to 10.5% with a cap of Rs.29/kg.

**viii) Items on which drawback rates have been increased**

The drawback rates have been increased from 7.6% to 9% and 6.5% to 7.6% on **flax yarn and flax fabric**, respectively. Similarly in the case of **coffee, tea, wooden artware and optical fibres** the drawback rates have been increased.

**It is clarified that where All Industry Rate of Duty Drawback is prescribed as Nil, the exporters are eligible for claiming brand rate of drawback under Rule 6 or 7 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 subject to the conditions mentioned therein.**

The notification and the new Drawback Schedule may be gone through carefully to note the changes made therein. **It is requested that any error / omission noticed during the implementation of the rates may be brought to the notice of the Board immediately for suitable corrective action.**

Sd/-

(K.L. Goyal)

Commissioner of Customs (Export)