DUTY DRAWBACK SCHEME

CHAPTER X – DRAWBACK – SEC. 74/75
THE CUSTOMS ACT, 1962

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WHAT IS DUTY DRAWBACK SCHEME ?

- Under Duty Drawback Scheme (DBK) relief of **Customs and Central Excise Duties** suffered on the inputs/components used in the **manufacture of goods exported** is allowed to Exporters. It is one of the way to encourage the export.

- Drawback is also allowed for export of imported material u/s 74.

- "Drawback" in relation to any goods manufactured in India and exported, means the rebate of duty **excluding integrated tax leviable under sub-section (7)** and **compensation cess leviable under subsection (9)** respectively of **section 3** of the Customs Tariff Act, 1975 (51 of 1975) chargeable on any imported materials or excisable materials used in the manufacture of such goods;

DUTY DRAWBACK SCHEME - THE CUSTOMS ACT 1962

Drawback allowable on re-export of duty-paid goods
Section 74

When any goods capable of being easily identified which have been imported into India and upon which [any duty has been paid on importation

Drawback on imported materials used in the manufacture of goods which are exported.
Section 75

When any goods of any class or description [manufactured, processed or on which any operation has been carried out in India] which have been entered for export - a drawback should be allowed of duties of customs & Excise .

DRAWBACK ALLOWABLE ON RE-EXPORT OF DUTY-PAID GOODS – SEC. 74

According to section 74 of Customs Act 1962, when duty paid imported goods are re-exported

- **in used or unused condition within two years,**
- the importer **may claim refund** of import duty **up to maximum 98%** of the customs duty paid at the time of importation as duty drawback.

The following conditions to be satisfied in this regard:

a. The **goods are identified** to the satisfaction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs as the goods which were imported and

a. The goods are entered **for export within two years from the date of payment of duty on the importation** thereof. However, on sufficient cause being shown, 2 years time can be extended by the Board.

DRAWBACK ALLOWABLE ON RE-EXPORT OF DUTY-PAID GOODS – SEC. 74

Amended Notification No. 19/65-Cus.

- Amount of Drawback where **imported goods are used** before re- exportation: Where the imported goods are used after importation, the amount of **drawback will be at the reduced rates as fixed** by the Central Government having regard to the duration of use, depreciation in value and other relevant circumstances prescribed by notification.

Note- Even if imported goods are **merely tested though not used**, it will be **treated as "Used"** after importation.

S. No.	Length of period between the date of clearance for home consumption and the date when the goods are placed under Customs control for export	Percentage of import duty to be paid as Drawback
1.	Not more than three months	95%
2.	More than three months but not more than six months	85%
3.	More than six months but not more than nine months	75%
4.	More than nine months but not more than twelve months	70%
5.	More than twelve months but not more than fifteen months	65%
6.	More than fifteen months but not more than eighteen months	60%
7.	More than eighteen months	Nil";

DRAWBACK ALLOWABLE ON RE-EXPORT OF DUTY-PAID GOODS – SEC. 74

Amended Notification No. 19/65-Cus.

As per this notification, no drawback of import duty will be allowed in respect of the following goods, **if they have been used** after their importation in India:

i. Wearing Apparel;
ii. Tea Chests;
iii. Exposed cinematograph films passes by Board of Film Censors in India
iv. Unexposed photographic films, paper and plates, and X-ray

It implies that **if these goods are not used after their importation** into India and **subsequently re-exported in the condition they were imported, then they would be entitled to drawback.**

Amended Notification No. 19/65-Cus.

Special rate of drawback in respect of **motor vehicles** or goods imported by a **personal and private use,** :

- Cars are exported **after** the expiry of the period of **two years,** the drawback would be allowed only if The Central Board of Indirect Taxes and Customs, on sufficient cause being shown, extend the period for expiry beyond two years.

S. No	Year	Drawback of duty shall be calculated by reducing the import duty by
1.	1^{st}	4% per quarter or part thereof
2.	2^{nd}	3% per quarter or part thereof
3.	3^{rd}	3% per quarter or part thereof
4.	4^{th}	2% per quarter or part thereof

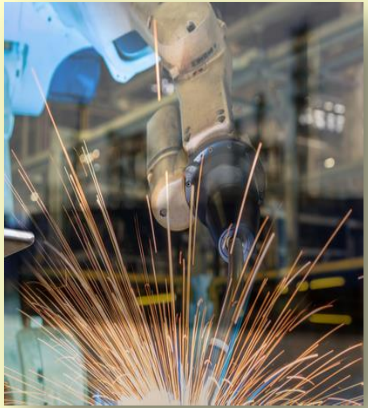
- No drawback shall be allowed if such motorcar or goods have been used for **more than four years.**

DRAWBACK ON IMPORTED MATERIALS USED IN THE MANUFACTURE OF GOODS WHICH ARE EXPORTED.– SEC. 75

The following important aspects should be remembered in this regard:

i. The goods exported are **entirely different** from the inputs.

ii. The input could be either imported goods on which **duty of customs** has been paid or indigenous goods on which **central excise duty** has been paid.



iii. The **existence of imported/indigenous excised** duty paid goods in the f inal product is **not capable of easy verification** at the point of export.

iv. The goods, namely the inputs might have undergone changes in **physical shape, property** etc.

v. The quantity of **inputs per piece of final product may not be uniform** and may not also be verification at the time of exportation

Customs and Central Excise Duties Drawback Rules, 2017.
Notification No. 88/ 2017-CUSTOMS (N.T.) -21st Sep., 2017 Effective -1st Oct ,2017.

The government **fixes a rate per unit of final article** to be exported out of the country as the **amount of drawback payable** on such goods. This amount is dependent upon prior verification of the **mode of manufacture, the quantum of raw material required, the average content of duty paid articles** in the final product and lastly, the standardization of the final product conforming to these norms.

Effective notification as on date - Notification No. 07/2020-CUSTOMS (N.T.) 28th January, 2020. All Industry rates of Drawback 20-21 notified wef 04-02-2020.

THANKS

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