

States not releasing duty drawback refund: Exporters

Duty scrip use in paying taxes curtailed

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State governments have effectively stopped paying tax refunds under the duty drawback scheme, compounding problems of exporters.

Exporters alleged that since the goods and services tax (GST) was introduced, refunds for the state component of taxes had dried up under the duty drawback scheme because the requisite mechanism was not in place.

"While it is still possible to get states to pay their share of

refunds under the integrated GST, refunds to be paid fully by them are not materialising," said Ajay Sahai, director-general of the Federation of Indian Export Organisations.

The problem was spread across the country, he added.

The duty drawback scheme seeks to rebate duty on any imported or excisable material and service used in the manufacture of goods for export. Customs, excise and service tax in respect of inputs are neutralised under the scheme.

The Central Board of Excise and Customs, which administers the scheme, had decided to extend it by three months once the GST was introduced on July 1. This was done after exporters had pointed out that

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the scheme seamlessly reimbursed tax incidence on inputs.

But to avail the duty drawback benefits exporters must not claim input credit under the GST, the government had said.

Exporters' costs have gone up by up to 1.25 per cent (freight on board) after the GST implementation, according to industry calculations.

Late refunds affect smaller players more and larger firms are facing difficulties in streamlining operations.

A similar issue is at play over duty scrips, the scope of which has been reduced as a tax-paying instrument. Exporters earn duty credits in the form of scrips at fixed rates of 2 per cent, 3 per cent and 5 per cent upon dispatching shipments. The scrips can be freely transferred or sold.

The government had in August, instituted a 12 per cent tax on sale of scrips received for export-incentive schemes such as the Merchandise Exp-

ort from India Scheme, the Services Exports from India Scheme and the Incremental Export Incentivisation Scheme.

The government's move had met with opposition from exporters, who claimed it had no justification and affected exports. The GST Council last week announced the tax was being reduced to 4 per cent. However, while scrips were earlier allowed to be used for payment of excise, service tax and VAT, they can only be used for payment of basic Customs duty now.

"This has added to the cash outgo for exporters," the Engineering Exports Promotion Council said. Exporters have demanded that the scrips be allowed to neutralise central and state GST or Integrated GST.