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Making the new regime clearer

EXIM MATTERS

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The government has introduced new Duty Drawback Rules and notified new drawback All Industry Rates (AIR). It has amended the customs valuation laws and postponed the date for compulsory electronic sealing of containers. It also said the problems of exporters are not as grievious as made out.

The new rules give drawback of only the customs and excise duties for export, as well as supplies to Special Economic Zones (SEZs). No drawback of integrated tax (IGST) or compensation cess will be available. The new AIR schedule rebates only the incidence of customs duty on inputs used and excise duty on specified petroleum products used for generation of captive power for manufacture or processing of export goods. The composite rates have been discontinued, as all exporters have to be registered under Goods and Services Tax (GST) laws and exports and supplies to SEZs are zero-rated. There is only one rate for each item notified, with the value cap specified for some. A separate table gives the rates for export of textiles under a special scheme.

The chief of the Federation of Indian Export Organisations says a lot of embedded taxes, such as on electricity and petroleum products, and taxes on exempted products that add to the burden of exporters should also be offset. Also, merchant exporters which export goods procured from Export Oriented Units and SEZs pay basic customs duty on the inputs used in such products and, therefore, should get drawback.

The Customs Valuation Rules, 2007, for import have been amended by inserting the definition of 'place of importation' as the customs station where the goods are brought for being cleared for home consumption or for being removed for deposit in a warehouse. Through another amendment, the loading, unloading and handling charges associated with delivery of imported goods "at" the place of importation (one per cent landing charge) will not be added to the CIF value of the goods. Only the charges incurred for delivery of goods "to" the place of importation (such as loading and handling charges incurred at the load port) will be includible in the transaction value.

More amendments impart greater clarity in computation of transport and insurance charges, when actuals of each individual element are not known, but the cumulative value of FOB and freight or FOB and insurance charges are known. Another amendment excludes cost related to trans-shipment of goods (from ports to ICDs, port to port, port to CFS, airport to airport, etc) within India, giving uniform treatment for trans-shipment to different destinations.

The date for mandatory self-sealing and use of RFID (radio frequency identification device) container seals is deferred to November 1. The existing practice continues till then. The Central Board of Excise and Customs (CBEC) has clarified many issues relating to electronic sealing of containers and asked RFID vendors to publicise the name of each port/ICD where they have provided readers. Custodians and customs brokers are advised to pro-actively engage with vendors regarding the availability of reading facilities at container terminals and ICDs. In a press release, the CBEC says the government is trying to help exporters, although for 66 per cent of the value of exports, there is no blockage of funds at all, and for others, the funds would earlier also get blocked for five to six months, except for those using advance authorisation. Big favour!

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