

Duty Drawback Scheme

Q 35. Is there any impact of GST on the Duty Drawback Scheme for exporters?

Ans. Following changes have been done in the Duty Drawback scheme in Customs:

- (i) No amendments have been made to the drawback provisions (Section 74 or Section 75) under Customs Act 1962 in the GST regime.
- (ii) However, the duty drawback rules have substantially been amended and new Customs and Central Excise Duties Drawback Rules, 2017 with effect from 01.10.2017, have been issued. (Notification No. 88/2017-Customs (N.T) dated 21st September, 2017)
- (iii) The definition of drawback has been amended to exclude Integrated Tax and GST Compensation Cess, hence no refund of any of the GST taxes.
- (iv) A new Duty Drawback schedule, comprising of only one rate for every product irrespective of whether ITC is taken by the exporter or not has been introduced with effect from 01.10.2017. (Notification No. 89/2017-Customs (N.T) dated 21st September, 2017)
- (v) The rates of drawback have substantially been reduced. The earlier rebate had been done away with. Instead now, refund of integrated tax, if paid by the exporter, is refunded by Customs.
- (vi) The refund of integrated tax is irrespective of whether drawback is taken by the exporter or not.
- (vii) The drawback scheme will continue in terms of both section 74 and section 75. Option of All Industry Rate (AIR) as well as Brand Rate under Section 75 shall also continue.
- (viii) Drawback under Section 74 will refund Customs duties as well as Integrated Tax and Compensation Cess paid on imported goods which are re-exported. However, a part of the Integrated Tax and Compensation Cess paid on imported goods would have gone to the respective States/UT, therefore, the same can only be refunded only if the concerned State/UT has not refunded it and the importer has not taken ITC of the same.

Q 36. Will drawback at higher rate be available to exporters who do not avail Input Tax Credit (ITC) like presently available to those who do not avail CENVAT credit?

Ans. Prior to GST, there were two All Industry Rates (AIRs) of duty drawback on exports. The higher rate rebated Customs duties, Central Excise duties and Service tax on inputs or input services used in the manufacture of export goods subject to the condition that no input credit i.e. CENVAT credit was claimed. The lower rate rebated Customs duties on inputs and Central excise duty on fuel for generation of captive power, used in the manufacture of export goods.

In the post GST era, as Central Excise duties and Service Tax have been subsumed in GST, for which full input tax credit is available, only single rate of AIRs have been continued. Therefore, there will be no difference in rate of Drawback for exporters not availing ITC in

GST regime. In GST regime, drawback will be admissible only at lower rate determined on the basis of customs duties paid on imported materials used in the manufacture of export goods.

However, as an export facilitation measure, for the transition period of 3 months from July to September, 2017, drawback at higher composite rates were continued to be granted subject to the condition that no input tax credit of CGST/IGST was claimed, no refund of IGST paid on export goods was claimed and no CENVAT credit was carried forward.

Q 37. Do state taxes also are refunded through duty drawback scheme?

Ans. No. The central taxes which are outside GST but are embedded in exports namely Customs, Central Excise are refunded under the Duty Drawback Scheme. The State taxes are only refunded in respect of apparel and clothing under the Refund of State Levies (RoSL) scheme wherein the amount is refunded from the budget of Ministry of textiles.