

Duty Drawback



Contact us:

Director (ICD)

Central Board of Indirect Taxes and Customs

North Block, New Delhi, 110001

Email: diricd-cbec@nic.in

www.cbic.gov.in

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Directorate General of Taxpayer Services,

C.R. Building, New Delhi-110109

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Duty Drawback

Duty Drawback is a trusted and time-tested scheme administered by CBIC to promote exports. It rebates the incidence of Customs and Central Excise duties, chargeable on imported and excisable material respectively when used as inputs for goods to be exported. This WTO compliant scheme ensures that exports are zero-rated and do not carry the burden of the specified taxes. Duty Drawback provides essential support to exporters.

The scheme comprises three categories, i.e. (i) All Industry Rate (ii) Brand Rate and (iii) Drawback on re-export of imported goods.

1. All Industry Rate (AIR) of Duty Drawback: The AIR of Duty Drawback for an export product is an average rate, based on the average quantity and value of material and average duties of Customs and Central Excise borne by each class of material, from which export goods are ordinarily manufactured. AIRs are normally reviewed annually on the Drawback Committee's recommendation. AIR of Duty Drawback is popular among exporters and mostly preferred by medium and small exporters because:

- o It is a simple mechanism for grant of Duty Drawback based on the shipping bill declaration, without requiring additional documentation
- o It involves end-to-end electronic processing of Duty Drawback
- o Disbursal of Duty Drawback directly to exporters' accounts helps to free up working capital for exporters
- o There is no need for producing separate documentary evidence realisation of export proceeds

2. Brand Rate of Duty Drawback: Brand Rate of Duty Drawback is a unique facility provided to exporters for a rebate of actual duty incidence suffered by an export product. Under the Brand Rate mechanism, a specific Duty Drawback rate can be applied for by the exporter if the export product does not have an AIR or the available AIR neutralises less than 80 per cent of the duties paid on materials used in the manufacture of export goods.

- o Brand Rates are fixed by the local Commissioners of Customs having jurisdiction over the place of export of goods on which Brand rate of Duty Drawback is claimed
- o Pending the fixation of Brand Rate, the AIR of Duty Drawback, where available, can be availed upfront by the exporter
- o Provisional Brand Rate can be allowed by the Commissioner of Customs on the exporter's request
- o Brand Rate of Duty Drawback is disbursed electronically directly to exporter's account in a manner similar to the disbursal of AIR of Duty Drawback

3. Duty Drawback on re-export of imported goods: Duty Drawback can also be claimed on the export of duty-paid imported goods. Under this facility, goods imported earlier may be exported and Duty Drawback of up to 98% of import duty paid can be claimed on such exports. Proof of duty paid on importation and identification of the export goods as those that were imported earlier are among the primary requirements under this scheme.

Key initiatives to ensure time-bound and expedited disbursal of Duty Drawback:

- o All field formations have been instructed to credit at least 90% of Duty Drawback within three days and complete deposits in the exporters' account within T+2 days
- o No deductions if export proceeds are short-realised upto 12.5% of FoB value on account of agency commission and foreign bank charges
- o Levies such as Education Cess, Social Welfare Surcharge, etc. have been included in Brand Rate of Duty Drawback

Rs.18,128 crore disbursed as Duty Drawback in FY 2020-21

65% of shipping bills filed under Duty Drawback in FY 2020-21

60% of total exporters availed Duty Drawback in FY 2020-21

86% of availed Duty Drawback goes to the manufacturer exporters in FY 2020-21