

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2552
ANSWERED ON:10.03.2000
CUSTOMS DRAWBACK SCHEME
CHANDRA NATH SINGH

Will the Minister of FINANCE be pleased to state:

- (a) the main features of customs drawback scheme;
- (b) whether it has come to the notice of the Government that a large scale corruption is going on in the customs drawback scheme by over-invoicing the exports;
- (c) if so, the details in this regard;
- (d) the total amount paid to exporters under the said Scheme during the last three years, year-wise; and
- (e) the steps taken to strengthen the export valuation system?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI V. DHANANJAYA KUMAR)

(a): Duty Drawback Scheme is intended to refund duties of Customs and Central Excise paid on raw materials/inputs/components used in the manufacture of a product which is exported out of India. As it is administratively not feasible to reimburse the actual incidence of duties of Customs and Central Excise on inputs used in the manufacture/packing of export goods, the Duty Drawback Scheme provides for fixation of what are known as all Industry Rates of Drawback. These are based upon Government's assessment of average duties suffered on inputs used in the export product. Where the exporter is not satisfied with the All Industry Rate of Drawback, subject to certain conditions, he can seek compensation of the actual higher incidence of duties suffered by claiming what are known as Brand Rates of Drawback.

The Drawback rates are generally fixed as a percentage of FOB value of export products. However, to check unintended claim, specially in cases of possible over-valuation, a maximum cap has been imposed on 152 export products. This limits the Drawback amount payable to exporters with reference to the cap mentioned in the drawback Table.

The All Industry Rates of Drawback are announced by the Department of Revenue in the Ministry of Finance once a year. They come into effect from a date three months after the date of presentation of the Central Government's Annual Budget in the Lok Sabha. For the year 1999-2000, they were implemented with effect from 1.6.1999. These rates remain valid till notification of fresh rates.

The Drawback Scheme also provides that wherever the sale proceeds of the export consignments are not repatriated by the exporters within a period of 6 months or within such extended period as may be permitted by the Reserve Bank of India, the exporter is liable to refund the drawback amount granted, along with interest.

Submission of a shipping bill for export of goods under claim for duty drawback by an exporter is automatically treated as a claim by the exporter for drawback against the export goods, which are described in the shipping bill. The amount of drawback payable to exporter is calculated at the rates notified/fixed by the Department of Revenue. In most of the major Customs Stations, the processing of drawback claims has been computerised and the drawback amount payable to the exporter is credited to the bank account of the exporter in the nominated banks, mostly within a few days of completion of exports.

(b) & (c): Few instances have come to the notice of the Government wherein the exporters have claimed unduly high drawback amount by over-invoicing exports. Brief details of such instances which have come to the notice of the Government during the last 3 years are given in the Annexure attached herewith.

(d): The total amount paid to exporters under the said Scheme during the last 3 years, year-wise is as under:

1997-98	Rs. 3660.95 crores
1998-99	Rs. 4081.03 crores
1999-2000 (till January, 2000)	Rs. 3981.43 crores

(e): As no export duties are levied on most export products, there are no detailed valuation rules laid down by law for checking and accepting declared values on exports. Central Board of Excise and Customs has, however, issued administrative directions to all the field formations to exercise great vigilance while accepting declared values in cases involving export incentives so as to ensure that unintended benefits are not claimed. Directorate of Drawback in the Department of Revenue also reviews from time to time the rates of drawback in industries prone to abuse, for fixing maximum drawback admissible per unit.

ANNEXURE

STATEMENT OF CASES WHERE UNDULY HIGH DUTY DRAWBACK WAS CLAIMED BY THE EXPORTERS OVER INVOICING THE EXPORT GOODS WHICH HAVE COME TO THE NOTICE OF THE GOVERNMENT DURING THE LAST THREE YEARS (1997-98, 1998-99 AND 1999-2000 - TILL FEBRUARY, 2000)

S.NO. OF CASES INVOLVED	TYPE OF CASES	NO. OF CASES	AMOUNT OF DUTY DRAWBACK	ACTION TAKEN
-------------------------	---------------	--------------	-------------------------	--------------

(RS. IN CRORES)

1.	Attempted over invoicing of export goods to obtain unduly high duty drawback	215	57.14	Over 100 of these cases involving Duty Drawback of Rs. 5.37 crores have been adjudicated. In all these cases goods confiscated were allowed to be redeemed against payment of redemption fine of Rs. 1.74 crores. Personal penalties of Rs. 1.52 crores were also imposed in these cases. In 58 of these cases, Duty Drawback of Rs. 3.73 crores was also denied.
----	--	-----	-------	---

In 58 of these cases involving Duty Drawback of Rs. 7.04 crores, show cause notices have been issued for denial of Duty Drawback. In four of these cases, goods valued at Rs. 4.02 crores have also been seized; and respective show cause notices also propose confiscation of these goods.

In 57 of these cases involving Duty Drawback of over Rs. 44.73 crores show cause notices are being issued.

2.	Fraudulent Claims of Duty Drawback involving over-invoicing of export goods in addition to other offences.	3	0.74	In these cases, 6 persons were arrested for their alleged involvement in the frauds. They have been released under Court's orders. In one cases, show cause notice has been issued. In two other cases, investigation are in progress.
----	--	---	------	--

