

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1613
ANSWERED ON:23.03.2012
HIGHER EXCISE DUTIES
Majumdar Shri Prasanta Kumar; Tirkey Shri Manohar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the difficulties faced by small scale drug manufacturers with respect to high excise duties, manufacturing costs, etc.;
- (b) if so, the reaction of the Government thereon;
- (c) whether any representation has been received from the Drug Manufacturing Association on this issue;
- (d) if so, the details thereof and the action taken by the Government thereon;
- (e) whether excise duty has been exempted in some of the States while the other States are still reeling under high excise duty; and
- (f) the reaction of the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

- (a): Excise duty on drugs was reduced from 16% to 8% in the year 2008 and thereafter retained at the merit rate of excise duty (6% ad valorem w.e.f. 17.03.2012) as compared to the standard rate (of 12% ad valorem w.e.f. 17.3.2012). In addition, specified life saving drugs and bulk drugs for manufacture of such drugs have been completely exempted from levy of excise duties.
- (b): Does not arise in view of (a) above.
- (c): In the budget exercise for 2012-13, no representation on this issue has been received from Drug Manufacturing Association.
- (d): Does not arise in view of (c) above.
- (e): Yes Madam. Excise duty exemption has been provided to new units and existing units undertaking substantial expansion in the States of Himachal Pradesh, Uttarakhand, Jammu and Kashmir, Sikkim and the North eastern states. However, as mentioned above, units outside these states also enjoy a concessional rate of 6% ad valorem as against the standard rate of 12% ad valorem.
- (f): The excise duty has been reduced and maintained at the concessional merit rate in order to mitigate the disability faced by drug manufacturers operating outside the excise exempted areas.