Import Incentives under Special Schemes.

Introduction

The Government of India offers many incentives to Indian importer under special schemes. These schemes are mostly available on those imported product, which will be latter on used for manufacturing of goods meant for export. This not only stimulates the industrial growth and development but also brings the foreign currency after the final export process. The following are some of the important import incentives offered by the Government of India, which significantly reduce the effective tax rates for the import companies:

Preferential Rates

Any type of import incentive under preferential rate is only applicable for the import o goods from certain preferential countries such as Mauritius, Seychelles and Tonga provided certain conditions are satisfied. The certificate of origin is very important in order to avail of the benefits of such concessional rates of duty.

DEPB

Duty Entitlement Pass Book in short DEPB is basically an export incentive scheme. The objective of DEPB scheme is to neutralize the incidence of basic custom duty on the import content of the exported products. Notified on 1/4/1997, the DEPB Scheme consisted of (a) Post-export DEPB and (b) Pre-export DEPB. The pre-export DEPB scheme was abolished w.e.f. 1/4/2000. Under the post-export DEPB, which is issued after exports, the exporter is given a Duty Entitlement Pass Book at a pre-determined credit on the FOB value. The DEPB allows import of any items except the items which are otherwise restricted for imports.

Duty Drawback

Duty Drawback rates in India is the special rebate given under the Section 75 of Indian Customs Act on exported products or materials. Duty drawback rates or concession are only applicable on products which are used in the processing of goods manufactured in India and then exported to foreign countries. Duty Drawback is not given on inputs obtained without payment of customs or excise duty. In case of re-export of goods, it should be done within 2 years from the date of payment of duty when they were imported. 98% of the duty is allowable as drawback, only after inspection. If the goods imported are used before its re-export, the drawback will be allowed as at reduced per cent.

All industry drawback rates are fixed by Directorate of Drawback, Dept. of Revenue, Ministry of Finance and Government of India and are periodically revised - normally on 1st June every year. Section 37 of Central Excise Act allows Central Government to frame rules for purpose of the Act. Under these powers, ‘Customs and Central Excise Duties Drawback Rules, 1995’ have been framed.

DFRC

Under the Duty Free Replenishment Certificate (DFRC) schemes, import incentives are given to the exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty. Such inputs shall be subject to the payment of additional customs duty equal to the excise duty at the time of import. Duty Free Replenishment Certificate (DFRC) shall be available for exports only up to 30.04.2006 and from 01.05.2006 this scheme is being replaced by the Duty Free Import Authorisation (DFIA).

DFIA

Effective from 1st May, 2006, Duty Free Import Authorisation or DFIA in short is issued to allow duty free import of inputs which are used in the manufacture of the export product (making normal allowance for wastage), and fuel, energy, catalyst etc. which are consumed or utilised in the course of their use to obtain the export product. Duty Free Import Authorisation is issued on the basis of inputs and export items given under Standard Input and Output Norms (SION).

Deemed Exports

Deemed Export is a special type of transaction in which the payment is received before the goods are delivered. The payment can be done in Indian Rupees or in Foreign Exchange. As the deemed export is also a source of foreign exchange, so the Government of India has given the benefit duty free import of inputs.

Agri Export Zones

Various importers that come under the Agri Export Zones are entitled to all the import facilities and incentives.

Served from India

In order to create a powerful "Served from India" brand all over the world, the government has provided different type of import incentive to the invisible export providers. Under the Served from India Scheme, import incentive is given for import of any capital goods, spares, office equipment and professional equipment.

Manufacture under Bond

Under the Manufacture under Bond Scheme, all factories registered to produce their goods for export are exempted from import duty and other taxes on inputs used to manufacture such goods. Against this the manufacturer is allowed to import goods without paying any customs duty. The production is made under the supervision of customs or excise authority.

Export Promotion Capital Goods Scheme (EPCG)

EPCG is a special type of incentive given to the EPCG license holder. Capital goods imported under EPCG Scheme are subject to actual user condition and the same cannot be transferred /sold till the fulfillment of export obligation specified in the license. In order to ensure that the capital goods imported under EPCG Scheme, the license holder is required to produce certificate from the jurisdictional Central Excise Authority (CEA) or Chartered Engineer (CE) confirming installation of such capital goods in the declared premises. Under Export Promotion Capital Goods (EPCG) scheme, a license holder can import capital goods such as plant, machinery, equipment, components and spare parts of the machinery at concessional rate of customs duty of 5% and without CVD and special duty.