

CHAPTER 7 DRAWBACK

Illustration 1

With reference to drawback on re - export of duty paid imported goods under section 74 of the Customs Act, 1962, answer in brief the following questions:

- (i) What is the time limit for re - exportation of goods as such?
- (ii) What is the rate of duty drawback if the goods are exported without use?
- (iii) Is duty drawback allowed on re - export of wearing apparel without use?

(Mock Test Paper, May 2015; exam question, Nov. 2013, Nov. 2020) (ICAI Material) (CA Final RTP Nov 2020)

Solution

- (i) As per section 74 of the Customs Act, 1962, the duty paid imported goods are required to be **entered for export within two years from the date of payment of duty on the importation.** This period can be extended by CBEC if the importer shows sufficient reasons for not exporting the goods within two years.
- (ii) If duty paid imported goods are **exported without use**, then **98% of such duty is re - paid as drawback.**
- (iii) **Yes**, duty drawback is allowed when wearing apparels are re - exported without being used. However, Notification No. 19/65 Cus. Dated 06.12.1965 as amended provides that if wearing apparels have been used after their importation into India, drawback of import duty paid thereon shall not be allowed when they are exported out of India.

Illustration 2

Calculate duty drawback in following cases:

- (i) Salman imported a motor car for his personal use and paid Rs.5,00,000 as import duty. The car is re - exported after 6 months and 20 days.
- (ii) Nisha imported wearing apparel and paid Rs.50,000 as import duty. As she did not like the apparel, there are re - export after 20 days.
- (iii) Super tech Ltd. imported 10 computer systems paying custom duty of Rs.50 lakh. Due to some technical problem, computer systems were returned to foreign supplier after 2 months without using them at all.

Solution

The amount of drawback is computed herein below:

Goods	Period of use	Import duty	Drawback rate	Drawback
Motor car for personal use	6 month 20 days i.e. 3 quarter	5,00,000	100% - 4% per quarter x 3 quarter = 88%	4,40,000
Wearing apparel	20 days (assumed that they were used)	50,000	Not allowed on wearing apparel re - exported after use	0
4,90,000	Nil	50,00,000	98.00%	49,00,000

Illustration 3

Abdul Overseas Pvt. Ltd. was erroneously refunded a sum of Rs.30,000 in excess of actual drawback on 16.6.2017. A demand for recovery of the same was issued by the department on 24.8.2017. Abdul Overseas Private Limited returned the erroneous refund to the Department on 16.10.2017. You are required to calculate the amount of interest chargeable from Abdul Overseas Pvt. Ltd.

Provide brief reasons for your answer. (CA Final Nov. 18 Exam Old) (ICAI Material)

Solution

Computation of interest chargeable from Abdul Overseas Pvt. Ltd.

Particulars	
Duty drawback erroneously refunded	Rs.30,000
No. of duty of delay (17.6.2017 to 16.10.2017) (Refer Note)	122 days
Rate of interest (refer note)	15%
Quantum of interest (rounded off) Rs.30,000 x 122/365 x 15/100	1,504

Note: Where any drawback has been paid to the claimant erroneously or it becomes otherwise recoverable under this Act or the rules made there under, **the claimant shall, within a period of two months from the date of demand, pay in addition to the said amount of drawback, interest at the rate 15% p.a. and the amount of interest shall be calculated for the period beginning from the date of payment of such drawback to the claimant till the date of recovery of such drawback.**