

## CHAPTER 7 DRAWBACK

### **Illustration 1**

M/s Deepak Business Ltd., had imported goods during 2017. Custom duty has been paid for Rs.20,00,000 at the time of import. These goods were used and later re - exported after 23 months of import. Is M/s Deepak Business Ltd., eligible for refund of customs duty paid at the time of import. If so, how much?

### **Solution**

**Illustration 2**

Calculate the amount of drawback allowable under the Customs Act, 1962 in the following cases:

- (a) Jaggi Mehta imported a car from U.K. for his personal use and paid Rs.4,50,000 as import duty. However, the car is re - exported immediately without bringing it into use.
- (b) Meenakshi imported a music player from Dubai and paid Rs.12,000 as import duty. She used it for four months but re - exports the same after four months.
- (c) XYZ Ltd. exported 1000 kgs of a metal of FOB value of Rs.1,00,000. Rate of duty drawback on such export is Rs.60 per kg. m arket price of goods is Rs.40,000 (in wholesale market). (RTP Nov. 2013 & May 2016)

**Solution**

**Illustration 3**

Pinnacle Pvt. Ltd. imported five mainframe computer systems from Deliheights Computers, USA on 31.01.20XX paying customs duty of Rs.50 lakh. The computers worked for some time but in June 20XX some technical faults developed in the systems resulting in complete closure of work.

On being informed about the problem, Deliheights Computers sent his technicians from USA, to repair the systems in June 20XX itself. However, since no solution was found, the Management of Pinnacle Pvt. Ltd. re - shipped / returned the goods to Deliheights Computers, USA on 31.12.20XX. You are the Financial Controller of the Pinnacle Pvt. Ltd. Board of Directors has approached you for advising whether import duty paid can be taken back from the Central Government when goods are sent back. Advise, in the light of the provisions of Customs Act, 1962. (CA Final MTP Mar. 19)

**Solution**

**Illustration 4**

M/s. RIL Ltd. claimed duty drawback in respect of its export products. Over 97% of the inputs by weight of the product were procured indigenously and were not excisable. All Industry Rates under the Customs & Central Excise Duties Drawback Rules, 1995 were fixed taking into account the incidence of customs duty on imported inputs.

Explain briefly with reference to clause (ii) of second proviso to rule 3 of the said rules whether the claim of M/s RIL will merit consideration by the authorities. (CA Final MTP Apr. 19) (ICAI Material)

**Solution**

**Illustration 5**

What is the minimum and maximum rate or amount of duty drawback prescribed under customs and central excise duty drawback rules 2017 made under Section 75 of custom act 1962. Explain with brief notes (Nov. 2008) (ICAI Material)

**Solution****Illustration 6**

Mr. X filed a claim for payment of duty drawback amounting to Rs.1,50,000 on 30<sup>th</sup> July, 2018 but the amount was received on 28<sup>th</sup> October, 2018. You are required to calculate the amount of interest payable to Mr. X on amount on duty drawback claimed.

**Solution**

**Illustration 7**

Nirvana Ltd. has exported following goods to Sri Lanka. Write a brief note with reason whether any duty drawback is admissible under section 75 in each of the following cases:

Products	FOB value of Exported goods Rs.	Market price of goods Rs.	Duty drawback rate
A	4,30,000	3,50,000	30% of FOB
B	6,00,000	7,00,000	3.5% of FOB
C	1,20,000	60,000	0.75 of FOB
D	3,00,000	3,50,000	150% of FOB

**Note:**

- (1) Imported value of Product B is Rs.8,00,000
- (2) Product D is manufactured out of duty free inputs
- (3) Working notes should form part of the answer (May 2017)

**Solution**

**Illustration 8**

Infinity Corporation has imported goods and the following particulars are available for claiming duty drawback under section 74 & 75 of Customs Act, 1962:

a)	Custom duty has been paid on goods imported for use and have been out of customs control for 14 months	Rs.14,00,000
b)	Raghuveer exports manufactured goods having FOB value Rate of duty drawback on FOB value of exports Market Value of the export product	Rs. 86,000 40% Rs.96,000

Determine duty drawback with explanations in the above cases. (CA Final May 2018 Old) (ICAI Material)

**Solution**