

Export Procedures

Question 1

Under what circumstances is the rebate of excise duty paid on goods exported to Nepal granted to the Government of Nepal?

Answer

Rebate of excise duty paid on goods exported to Nepal is granted to the Government of Nepal if the following conditions are fulfilled:

- (a) rebate does not, in each case, exceed the aggregate of the duty of Customs and additional duty of Customs levied by His Majesty's Government of Nepal on such goods when they are imported into Nepal from any country other than India;
- (b) the excisable goods are exported after payment of duty, directly from a factory or warehouse except as otherwise permitted by the Central Board of Excise and Customs by a general or special order;
- (c) the excisable goods are **exported within six months** from the date on which they were cleared for export from the factory of manufacture or warehouse or within such extended period as the Commissioner of Central Excise may in any particular case allow;
- (d) when the goods are **exported by land**, the export takes place through any of the prescribed land customs stations or such other check-post as may be specified by the Central Board of Excise and Customs.

Question 2

Mention briefly the provisions regarding export under bond to Nepal where payment of duty is in freely convertible currency.

Answer

Export to Nepal under bond where payment is in freely convertible currency is governed by **Notification No. 45/2001-C.E. (N.T.) dated 26.6.2001 as amended**. The provisions are as under:

- (1) The importer in Nepal before the export of goods takes place shall:
 - (i) make full payment to the exporter by furnishing Foreign Inward Remittance Certificate from any bank authorized to deal in foreign exchange by Reserve Bank of India, or
 - (ii) open an irrevocable letter of credit in favour of the exporter in India.

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- (2) This condition does not apply if the excisable goods other than consumer goods but excluding motor vehicles, are exported without payment of duty as:
 - (a) supplies to projects financed by any United Nations Agency, the International Bank for Reconstruction and Development, International Development Association, the Asian Development Bank or any other multilateral agency of like nature;
 - (b) to all diplomatic missions in Nepal provided the Indian Embassy or the Ministry of External Affairs certifies that the import is for the personnel of the diplomatic community.
- (3) The exporter shall furnish a bond before the Assistant/Deputy Commissioner of Central Excise having jurisdiction over the factory, warehouse, or the approved premises or such other officer as authorised by the Board on this behalf from where the goods are removed, for export to Nepal.
- (4) Where the export is against an irrevocable letter of credit, the exporter shall furnish a certificate from the Reserve Bank of India or any other bank authorized to deal in foreign exchange by the Reserve Bank of India showing that full payment has been received in freely convertible currency.
- (5) On receipt of such a certificate and on the satisfaction that the goods have been exported in terms of bond, the bond accepting authority shall discharge the exporter of his liabilities under the bond.

Question 3

What is CT-1 certificate?

Answer

CT-1 certificate is the document on the basis of which a **merchant-exporter can procure excisable goods for export without payment of duty**. Such a certificate has to be obtained from the Superintendent of Central Excise. CT-1 forms are issued to the merchant-exporter in lots of 25 covering a period of 1 to 3 months depending on his track record. The merchant-exporter has to send the CT-1 form to the manufacturer from whom the goods are to be procured for exports and should specify the estimated amount of duty liability in the said certificate. CT-1 is valid for one year from the date of issue.

CT-1 contains the details of bond amount, quantity of goods to be received, value and duty involved.

Question 4

Write a short note on the procedure in respect of exported goods subsequently re-imported and returned to factory.

Answer

Exported excisable goods, which are re-imported for carrying out repairs, reconditioning, refining, remaking or subject to any similar process, may be returned to the factory of manufacturer for carrying out the said processes and subsequent re-export.

Notification No. 42/2001-CE (NT) as amended prescribes the procedure in respect of exported goods subsequently re-imported and returned to the factory as under:

- (i) The manufacturer shall **maintain separate account** for return of such goods in the daily stock account and shall make suitable entry in the said account after the goods are processed, repaired, reconditioned, refined or remade.
- (ii) Such re-import and re-export shall be governed by the provisions of the Customs Act, 1962.
- (iii) Any **waste or refuse arising as a result of the said processes shall be removed from the factory after the payment of appropriate duty or destroyed** after informing the proper officer in writing at least 7 days in advance and after observing such conditions and procedure as may be specified by the Commissioner of Central Excise.
- (iv) Thereafter, the duty payable on such waste or refuse may be remitted by the said Commissioner of Central Excise.

Question 5

Under what circumstances it may be beneficial to pay duty and claim rebate under Rule 18 of Central Excise Rules, 2002.

Answer

It is usually preferable not to pay duty rather than to pay it and wait for refund from the government. However, in the following situations, it is beneficial to pay duty and claim rebate under Rule 18 of Central Excise Rules, 2002:

- (A) If assessee has balance of duty in Capital Goods CENVAT Credit Account, it is advisable to pay duty and claim refund, as balance in Capital Goods CENVAT Credit Account is never refundable. The said situation may take place if duty paid on capital goods is heavy and assessee may not be able to utilize the credit.
- (B) An SSI Unit may pay excise duty and claim rebate, as getting refund of CENVAT Credit of inputs is not an easy preposition. Further, he is not entitled to get refund of duty paid on capital goods.
- (C) When duty paid goods are proposed to be exported.
- (D) Claiming rebate is comparatively easy procedure than claiming refund of duty paid on inputs under CENVAT Credit Rules, 2004.

Question 6

Answer in brief the following questions relating to export without payment of duty other than to

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Nepal and Bhutan under Rule 19 of the Central Excise Rules, 2002:

- (i) *What is the type of bond to be executed? Who is exempted from furnishing such bond?*
- (ii) *What is the export document for export clearance? How many copies are required to be prepared for it?*
- (iii) *Is it necessary to prepare an invoice also? If yes, how should it be prepared?*
- (iv) *What will be the duty payable, if goods are not exported within six months after clearance?*

Answer

Procedures and conditions for export without payment of duty to all countries except Nepal and Bhutan are specified in **Notification No.42/2001 C.E. (N.T.) dated 26.6.2001**. Part-wise answers to the questions are given below:

- (i) A bond in Form B-1 is required to be executed by a **merchant exporter** in case of export without payment of duty. The bond should be at least equal to the duty chargeable on the goods, with such surety or security as the excise officer may approve. **Manufacturer-exporter** is exempted from furnishing such bond. He can furnish an annual Letter of Undertaking (LUT) in Form UT-1.
- (ii) **ARE-1** is the export document for export clearance which shall be prepared in **five copies (quintuplicate)**. The fifth copy is the optional copy which the assessee can use for claiming other export incentives.
- (iii) Yes, the goods have to be cleared from the factory under **an invoice** which shall be prepared in terms of rule 11 of the Central Excise Rules, 2002. The invoice should be prominently marked as "FOR EXPORT WITHOUT PAYMENT OF DUTY".
- (iv) Goods must be exported within 6 months from the date of clearance for export, unless extension is granted by Assistant Commissioner/Deputy Commissioner. If goods are not exported within 6 months from the date of clearance for export, the exporter **should deposit the applicable excise duty on such goods along with the interest**. As per **rule 5** of the Central Excise Rules, 2002, the applicable duty shall be computed **as per the rate and tariff value applicable on the date of removal of such goods from the factory**.

Question 7

Write a brief note on "Cancellation of Export Documents" with reference to Central Excise Act, 1944 and the Rules made thereunder.

Answer

If the excisable goods cleared under A.R.E. 1 are not exported for any reason and the exporter intends to divert the goods for home consumption, he may request in writing the authority which accepted the Bond or Letter of Undertaking [LUT] to allow cancellation of application, and diversion of goods for consumption in India. He will be permitted to do so if he pays the duty as specified in the application along with interest on such duty from the date of

removal for export from the factory or warehouse till the date of payment of duty. The permission shall be granted within three working days. Since duty assessment on A.R.E. 1 has to be done in normal course, there will not be any need for re-assessment by the Department or the assessee unless there are reasons to believe that the assessment was not correct. After discharge of duty, the exporter may take credit in his running bond (where bond is furnished) on the basis of letter of permission, invoice and GAR-7 Challans on which duty is paid. He shall also record these facts in the Daily Stock Account.

If the exporter, after clearing the goods for export without payment of duty, **intends to change the destination or buyer or port or place of export**, he may do so provided he informs the Bond/LUT accepting Authority in writing about the changes and makes necessary changes in all the copies of A.R.E. 1 and the invoices. **If he intends to cancel the original export documents and issue fresh ones**, the same may be done under permission and authentication by bond/LUT accepting authority which will ensure that the serial no. and date of the initial documents are endorsed on the fresh documents. In such cases, if bond was furnished for single consignment, fresh bond may not be asked.

Selected Self-Examination Questions

Question 1

What are the conditions to be followed while exporting to Bhutan under bond, where payment is in freely convertible currency?

Question 2

Discuss the provisions in respect of re-entry of the goods cleared for export under bond but not actually exported in the factory of manufacture.

Question 3

What are the conditions to be followed while exporting to Bhutan under bond, where payment is in freely convertible currency?

Question 4

Discuss the provisions in respect of re-entry of the goods cleared for export under bond but not actually exported, in the factory of manufacture.

Question 5

Answer the following questions relating to export of excisable goods under Rule 18 of the Central Excise Rules, 2002 to countries other than Nepal or Bhutan?

- (i) Should a bond be executed in such export? Support your answer with proper reason.
- (ii) What is the form for clearance of excisable goods in such export?
- (iii) How can the rebate of duty on the exports be claimed? Is there any time limit for the same?
- (iv) Is there any duty limit below which the rebate of duty cannot be granted? If yes, then,

what is the limit? Is there any other restriction on the grant of rebate?

- (v) Which duties of excise are eligible for rebate under Rule 18?
- (vi) Is it necessary that in order to claim rebate, excise duty should be paid in cash?

Answer/Hint

Under Rule 18 of Central Excise Rules, 2002, the rebate of excise duty paid on exported goods is granted. Procedures and conditions for export of excisable goods under claim of rebate to countries other than Nepal or Bhutan are specified in Notification No.19/2004 C.E. (N.T.) dated 06.09.2004. Answers to each part of the question are as follows:

- (i) There is no need to execute a bond in such a case as the goods are exported under claim of rebate after full payment of duty under an invoice.
- (ii) Export under claim for rebate should be made under ARE-1 form.
- (iii) A claim of rebate of duty paid, along with the original copy of the ARE-1, shall be lodged with the Assistant/Deputy Commissioner of Central Excise having jurisdiction over the factory of manufacture or warehouse or, as the case maybe, the Maritime Commissioner. As per section 11B of the Central Excise Act, 1944, the claim must be filed within one year from the date of export.
- (iv) The rebate will not be granted if amount of rebate of duty is less than ₹500. Further, the rebate will also not be granted if the market price of the excisable goods at the time of exportation is less than the amount of rebate.
- (v) Following duties are eligible for rebate:
 - (a) duties of excise collected under the Central Excise Act, 1944;
 - (b) duties of excise collected under the Additional Duties of Excise (Goods of Special Importance) Act, 1957;
 - (c) duties of excise collected under the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978;
 - (d) the National Calamity Contingent duty leviable under section 136 of the Finance Act, 2001, as amended from time to time;
 - (e) special excise duty collected under a Finance Act;
 - (f) additional duty of excise as levied under section 157 of the Finance Act, 2003;
 - (g) education cess on excisable goods levied under Finance (No.2) Act, 2004;
 - (h) additional duty of excise leviable on pan masala and specified tobacco products under Finance Act, 2005.
- (vi) No. It is not necessary that rebate can be obtained only if duty is paid in cash. Duty on final products can be paid either through cash or PLA or Cenvat credit [CBE&C Circular No. 262/96/96-CX 6 dated 06.11.96].