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Details of India's Duty Drawback Facility on Rice Exports not Clear

Feb 13, 2015



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Oryza.com - The government of India has yesterday notified that it would allow duty drawback (DBB) facility on rice exports on brand basis but there are few issues that are not clear in the government's directive.

The facility allows the exporters to claim back the amount of sales and customs taxes paid by them at a flat drawback rate. But the government removed the duty drawback facility in 2008 and since then has been maintaining a "0%" drawback rate for rice. The rate is "0%" even for the 2014-15 financial year (April - March). So, at what rate the facility will be provided to exporters is not specified precisely. According to government regulations, duty drawback facility should not exceed 1% of fob value. In that case, basmati rice exporters would get a maximum benefit of around \$10-\$12 per ton and non-basmati rice exporters will get a benefit of around \$3 - \$4 per ton.

The government's idea behind providing the duty drawback facility on only certain brands is to subsidize the exporters' expenses for branding a "made in India" product, says an India-based Grain Analyst. A number of brands exist for basmati rice, most of which are exported. However, it is not clear if the facility is applicable to brands created and registered in overseas markets or brands registered in India only, he says.

On the other hand exporters would want the government to extend the facility to all exports (including basmati and non-basmati) rather than limiting it for certain brands of basmati rice as local taxes are equally applicable to both types.

The government is yet to clearly specify its stance on the above issues related to duty drawback facility on rice exports.



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