Module 21 · Duty drawback P19 · topic 21

SM pp. 1173–1192 (exercise 1193–1195). **MCQ (xiv) is drawback in the last three papers** (D24 maximum rate, D25 part of a machine, J26 used machine after 15 months) and **J26 Q7(a)** was a s.74 sum (expected ~3 marks). J23 Q4(b) asked interest on delayed / erroneous drawback; MQP Q7(a) drawback at specified rates with a weight shortfall (unused).

s.74 · RE-EXPORT OF IMPORTED GOODS

- Conditions: goods were imported and **duty paid**; identifiable as the same goods; inspected and not prohibited; DC / AC satisfied about identity; exported within **two years** of paying duty (CBIC may extend). [SM 1176]
- **Unused** goods → **98%** of the duty (Illus. 3(c): 98% × ₹50,00,000 = ₹49,00,000). [SM 1176, SM 1192]
- **Used in business** (Notification 23/2008): ≤ 3 months **95%** · 3–6 **85%** · 6–9 **75%** · 9–12 **70%** · 12–15 **65%** · 15–18 **60%** · over 18 months **NIL**. [SM 1176–1177]
- **Personal use** (cars etc.) — per quarter or part: year 1 less **4%** a quarter (96 / 92 / 88 / 84), year 2 less **3%** (81 / 78 / 75 / 72), year 3 less **2.50%**, year 4 less **2%**; beyond 2 years only if CBIC extends; none after 4 years. [SM 1177]
- Claim within **three months** of the order permitting clearance and loading; extendable (fee: 1% of FOB or ₹1,000, lower). [SM 1179]

s.75 · DRAWBACK ON INPUTS OF EXPORTED GOODS

- Refund of customs (and pre-GST excise / service tax) on inputs at **average-incidence rates**; **"No drawback is allowed on GST"**. [SM 1173]
- **All Industry Rate** set by the Drawback Directorate (usually 1st June); **Brand rate** where none exists or AIR covers less than **80%** of duties actually paid — apply within **30 days** of export (rule 7); not if already claimed AIR. [SM 1173–1175]
- No drawback if the amount is below **₹50**, or the rate is below **1%** of FOB unless the amount is ₹500 or more; maximum **33%** of FOB. [SM 1185–1186]
- Recovered if sale proceeds are not realised within the FEMA time (rule 16A), unless ECGC pays, RBI writes off and the Indian Mission certifies non-recovery. [SM 1180–1181]

s.75A · INTEREST

- Drawback not paid within **one month** of the claim → interest **6%** p.a. to the exporter. [SM 1187]
- Excess / erroneous drawback → return it with interest from the date of payment (no separate notice needed): ₹30,000 × 15% × 123 / 365 = **₹1,516** (SM Illus. 5). [SM 1183, SM 1192]

PROBLEMS BOX · DRAWBACK SUMS (RECOMPUTED BY SCRIPT)

WORKED PATTERN · SM ILLUSTRATIONS 1, 3

- Car for private use, used 6 months 20 days (3rd quarter) → 88% × ₹5,00,000 = **₹4,40,000**; garments used → nil; computers unused → 98%. [SM 1191–1192]
- AIR 11% capped at ₹80 a pair: lower of ₹1,65,000 and ₹1,60,000 = **₹1,60,000** = 82.05% of actual duty ₹1,95,000 → above 80%, no brand rate. [SM 1191]

JUN'26 Q7(a) (OUR WORKING ON THE SM TABLES)

- (i) Music player, personal use 5 months (2nd quarter) → 92% × 24,000 = **₹22,080**.
- (ii) Car, personal use 16 months 17 days (6th quarter) → 78% × 5,28,000 = **₹4,11,840**.
- (iii) Machine, business use 16 months → 60% × 98,000 = **₹58,800**.
- J26 MCQ: business use 15 months → **65%**.

PRACTISE THESE

J26 Q7(a) · J23 Q4(b) · MQP Q7(a) · PTP MCQ (xiv) · SM Illus. 1–6 (SM 1178, SM 1191–1192) · **ICMAI Practice Workbook Ch18 illus. 1–13** · MCQ bank Q88, Q166–Q168.

MEMORY HOOK

"98 unused; business 95-85-75-70-65-60 then nil; personal lose 4-3-2.5-2 a quarter; 2 years to export, 3 months to claim, 1 month before interest."