

No Refund of 4% Spl CVD for Textile Sector if Final Product is at Zero Excise

Subject: Refund of 4% Additional Duty of Customs (4% Special CVD) in pursuance of Notification No.102/2007-Customs dated 14.9.2007 – Applicability to manufacturers in textile sector.

34-CBEC Your kind attention is invited to the
15.09.2010 Notification No.102/2007-Customs
(DoR) dated 14th September 2007
 whereby exemption from Special

CVD of 4% leviable under sub-section (5) of Section 3 of the Customs tariff Act, 1975 has been provided subject to the fulfillment of certain conditions.

2. Representations have been received from trade and industry (especially the textile sector) through the Department of Commerce to allow the benefit of this exemption to manufacturer-importers, especially those who have opted out of the CENVAT Credit Scheme and do not pay excise duty on their final products.

3. The matter has been examined. Special CVD is one of the duties specified under sub-rule (1) of rule 3 of the CENVAT Credit Rules, 2004. Credit of this duty, when paid on inputs (imported) used in or in or in relation to the manufacture of excisable goods, is available. This credit can be used for payment of duty on the final product. Hence a textile manufacturer who opts to pay excise duty on his final product can avail of CENVAT credit of 4% Special CVD paid on his inputs. But this benefit obviously cannot be extended to a manufacturer who opts to avail of full exemption (and hence not pay excise duty) on his final product. Further, if the imported inputs on which 4% Special CVD has been paid are used by such a manufacturer for the manufacture of final products, the benefit of exemption (by way of refund) under notification no 102/2007-Customs dated 14th September 2007 would also not be available. This is because the condition regarding payment of State VAT on imported inputs cannot be fulfilled in this situation where inputs are consumed and not sold as such

4. A suitable Public Notice and Standing Order may be issued for the guidance of the trade and staff. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board at an early date.

F. No. 354/138/2010-TRU