

20th April, 2006

F.No. 268/4/2005-CX-8

Government of India

Ministry of Finance

Department of Revenue

Central Board of Excise & Customs

Subject: Simplified procedure for sanction of refund of unutilised credit/rebate claims in cases of export.

It may be recalled that notification no. 11/2002 Central Excise (NT) dated 1st March, 2002 was issued under Rule 5 of the CENVAT Credit Rules, 2002 prescribing safeguards, conditions and limitations for allowing refund of unutilised input credit to manufacturers. The said rule has been substituted by a new Rule 5 vide notification no. 4/2006 Central Excise (NT) dated 14th March, 2006 to enable refund of unutilised input/input service credit to manufacturers and service providers. Consequently notification no. 11/2002 Central Excise (NT) dated 1st March, 2002 has been superseded by notification no. 5/2006 Central Excise (NT) dated 14th March, 2006.

2. Further, based on various representations received from trade to draw up a scheme aimed at facilitating quick and regular refund of service tax/excise duty to exporters, the Economic Advisory Council to the Prime Minister has recommended that as an immediate reform, Department of Revenue should draw up a scheme to provide for making adhoc interim refunds, say 80 percent of the amount due, based on the refund/rebate claims filed by the exporters, subject to firm settlement within a short time frame from the date of filing such claims. Accepting the recommendations, the Board has decided that the following simplified procedure for sanction of refund of unutilised credit under rule 5 of the Cenvat Credit Rules, 2004/rebate to exporters may be adopted:-

3. The claim for refund of such unutilised credit/rebate will be filed with the Assistant Commissioner of Central Excise or the Deputy Commissioner of Central Excise having jurisdiction over the factory of manufacturer or warehouse or EOU or the respective Maritime Commissioner as the case may be. The refund/rebate sanctioning authority shall immediately scrutinize the refund/rebate claim and check whether the refund/rebate application is complete and is covered by all the requisite documents. Once the preliminary scrutiny is completed, 80% of the rebate claimed will be sanctioned within 15 days of (a) filing of the rebate claim; or (b) filing of document evidencing payment of duty including the periodical return,

which ever is later, provided all the documents filed along with the claim are, prima-facie, found to be in order. In case of refund of unutilised credit under rule 5 of the CENVAT Credit Rules, 2004, 80% of the refund amount will be sanctioned within 15 days of filing of the claim, provided the requirements of Notification no. 5/2006 C.E.(NT) dated 14.3.2006 are complied with. The balance amount shall be paid after completion of the verification and other formalities in the prescribed manner within 45 days from the date of filing of the claim. Pre/Post Audit will be completed as per the norms laid down in this regard vide Circular no. 809/6/2005 CX dated 1.03.2005. Subsequently, if any discrepancy is noticed at the time of scrutiny of the periodical returns, necessary action for recovery of erroneous refund would be initiated in accordance with Rules.

4. This simplified procedure for sanction of refund/rebate is applicable only to the following categories of exporters having good track record i.e. exporters against whom no offence case has been booked by the Department during the preceding three years or/and where no recovery of short levy is pending on date.

- (a) All exporters who have an export turnover of Rs. 5 crores in the current year or the preceding financial year.
- (b) Public Sector Undertakings including PSUs of the State Government.
- (c) Star Export Houses as specified under Chapter 3.5 of the Foreign Trade Policy, 2004-2009.
- (d) Manufacturer-exporters registered with Central Excise who have been exporting during the previous two financial years and have minimum export of Rs. 1 crore or more during the preceding financial year.
- (e) Manufacturer-exporters registered with Central Excise who has paid duty of Rs. 1 crore or more during the preceding financial year.
- (f) All Export Oriented Units.

5. Field formations may be informed suitably.