

CBEC delay in duty-refund claims irks pharma companies

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Small and medium scale pharmaceutical companies have complained that arbitrary decisions taken by field offices of the Central Board of Excise and Customs (CBEC) have resulted in the non-clearance of over ₹200-crore worth duty refund claims in the last two years.

The unutilised working capital lying in the central value added tax (CENVAT) credit account is affecting their competency as compared to big players, who do not utilise this duty rebate window, they said. CENVAT Credit is the amount that can be reclaimed by a manufacturer or producer of final products or a provider of tax-

able service for various exemptions provided under law.

According to the laws dealing with Central Excise Duty, manufacturer-exporters have the option to export excisable goods without payment of duty, or on payment of duty against a claim of rebate.

Since most of the pharmaceutical companies export excisable medicines and sell the same products locally, the companies prefer to pay 10 per cent duty of the assessable value of exported goods and claim the refund. However, pharmaceutical manufacturers complain CBEC officials are interpreting the rules differently and have sought to circumvent the claim for rebate by allowing only partial refund to the tune

of four per cent. The balance of the duty paid, i.e. six per cent of the assessable value of the exported goods, was allowed by way of re-credit to the CENVAT Credit account, the industry sources said.

They alleged in certain other jurisdictions, field formations have denied cash refund of the entire duty paid, and only allow partial refund of four per cent of the assessable value, and treat the balance as deposit and in terms of Section 11B of the Central Excise Act, 1944 credited to the Fund.

The manufacturers say that the Excise department has raised no fundamental objection over the availability of rebate to the manufacturer-exporter, but are taking different positions with

regard to the quantum of rebate and the manner of payment of the rebate claim.

Indian Drugs Manufacturers Association (IDMA), the representative body of SMEs in drug sector, says the "arbitrary and patently incorrect action of the field formations need to be examined to bring in uniformity in dealing with such claims for rebate".

"Re-crediting to the CENVAT credit account, instead of cash refund, has led to accumulation of CENVAT credit, which has led to an adverse implications on the cash flow of the assesses and interest expenses and affect the competitiveness of the products in the international markets," the IDMA said.

