

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:1036
ANSWERED ON:01.08.2006
CONCESSIONS TO EXPORTERS
Yerrannaidu Shri Kinjarapu

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government has given some concessions to exporters on payment of Tax dues on profits from sale or transfer of credits under Duty Entitlement Pass Book Scheme and Duty-free Replenishment Certificate Scheme;
- (b) if so, the details thereof;
- (c) whether penalty and interest on outstanding dues are likely to be waived and payment of dues would be spread over a period of five years; and
- (d) if so, the manner by which the business community is likely to be benefited?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH)

(a) & (b) Yes, Sir. Prior to amendment of section 80 HHC of the Income tax Act by Taxation Laws (Amendment) Act, 2005, profit on transfer of credits under the Duty Entitlement Pass Book Scheme and Duty-free Replenishment Certificate Scheme was not eligible for deduction under section 80-HHC of the Income-tax Act. As a result of the amendment of the said section an exporter having export turnover not exceeding Rs. 10 crores is eligible for deduction under section 80 HHC on profit on transfer of credits under the Duty Entitlement Pass Book Scheme and Duty free Replenishment Certificate Scheme. Besides, an exporter having export turnover exceeding Rs.10 crores is also eligible for tax benefit under section 80 HHC if he fulfils the following conditions that –

- (i) he had an option to choose either duty drawback or duty entitlement pass book scheme; and
- (ii) the rate of drawback credit attributable to the customs duty was higher than the rate of credit allowable under duty entitlement pass book scheme.

OR

- (i) he had an option to choose either duty drawback or duty free replenishment certificate; and
- (ii) the rate of drawback credit attributable to the customs duty was higher than the rate of credit allowable under duty free replenishment certificate.

(c) No penalty shall be levied or interest shall be charged in respect of any demand raised on account of variation in the returned / assessed income attributable to profits on sale of DEPB credits or DFRC. Further, such demand shall be recovered over a period of 5 years.

(d) Consequent to amendment of section 80 HHC of the Income-tax Act by Taxation Laws (Amendment) Act, 2005 the exporters having export turnover not exceeding Rs.10 crore shall be eligible for deduction under Section 80-HHC of the Income Tax Act. Besides, the exporters having export turnover Rs.10 crore shall also be eligible for the said tax benefit subject to fulfillment of certain conditions as mentioned above.

The above reply is based on the inputs received from Ministry of Finance.