

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:1673
ANSWERED ON:04.12.2006
EXEMPTION OF EXCISE DUTY
Barman Shri Hiten

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether small scale drug manufacturers are facing difficulties due to high excise duties, manufacturing costs, etc.;
- (b) if so, whether any representation has been received from the Drug Manufacturing Association of West Bengal and Maharashtra in this regard;
- (c) if so, the details thereof and the action taken by the Government thereon;
- (d) whether excise duty has been exempted in some of the States while the other States are still reeling under high excise duty; and
- (e) if so, the reasons for such discrimination?

Answer

CMINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS & MINISTER OF THE STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI B.K. HANDIQUE)

(a) to (c):The Government has received representations regarding the problems being faced by small scale drug manufacturing units in some of the states, consequent upon the levy of central excise duty on drugs on the retail prices in lieu of the earlier practice of levying central excise duty on ex-factory price. The problem has accentuated due to existing Central excise duty exemption to the states of Himachal Pradesh , Uttaranchal and Jammu and Kashmir.

These representations were examined by the Government. In order to mitigate the rigours of excise duty regime and to provide a level playing field for small units, this Department has proposed the following measures to be considered by the Department of Revenue:

- i) Reduction of the excise duty on all pharmaceutical products from 16 to 8 percent;
- ii) Enhance the exemption limit of small scale units from the present Rs.1 crore to Rs. 5 crore.

(d) & (e):As per the decision earlier taken by the Government the Central Excise duty has been exempted on manufactured goods including drugs, in notified areas of Uttaranchal, Himachal, Jammu and Kashmir, Sikkim, Kutch, and North Eastern states.