



Rationalization of Concessional Duty Rules

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- Procedural Simplification of Customs Exemptions
- Mechanism for disposal of old and used capital goods, imported at exempted rates introduced

India has been using fiscal incentives for promotion of sectoral growth for more than 50 years. These incentives have come in the form of concessions in duties and taxes on the goods and services required by the production or service units. The beneficiaries have included producers of semi-conductors, telecom equipment, cellular mobile phones, video games, electronic toys, medical equipment, aircraft, ocean going vessels, batteries, electrically operated vehicles, silk textiles, soaps and oleochemicals, fertilizers and others. With a view to ensure that the incentives reach the intended recipients, the procedural framework was notified by the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.

As per CBIC Circular dated May 17, 2021, the Customs (Import of Goods at Concessional Rate of Duty) Amendment Rules, 2021 notified vide Notification No. 09/2021-Customs (N.T.), dated 02.02.2021, have been introduced to meet the changing needs of trade and industry, and to create an enabling environment to promote domestic manufacturing in furtherance of “Atmanirbhar Bharat” i.e. self-reliant India. The Amendment Rules seek to address practical difficulties faced by importers on issues like disposal of used capital goods, and flexibility to avail services of job workers in relation to exempted goods.

Provision for Disposal of Used Capital Goods

Capital goods often outlive their utility due to changes in technology or consumer preferences or other reasons. While the 2017 Rules provided for re-export or clearance of unutilized or defective goods, but they did not have a mechanism for disposal of used capital goods. The Rules allowed the concessional duty benefit only till such time, the capital goods were in use by the importer, and even old and obsolete goods could not be sold. The Amending Rules give an option to import capital goods for a specified purpose at a concessional rate of duty and after having put such capital goods to use for the said purpose,

to clear the same after payment of the differential duty and interest, at a depreciated value. This was not allowed earlier, and manufacturers were stuck with the imported capital goods after having used them, as they could not be easily re-exported. This not only solves the problem of old and used capital goods, but also permits import of capital goods, which are required only for a limited period, giving much needed flexibility to Indian industry.

Benefit Extended to Job Work

The Amended Rules also extend the benefit of the end use exemptions to importers, who may not have their own production facilities, but outsource a part or the whole of the production process to a job worker. This relaxation has been extended to all sectors other than sectors such as gold, articles of jewellery and other precious metals or stones.

Procedural Relaxation

Further, the procedure for availing the concessional Customs duty under these rules have been reviewed and rationalized. The required intimations and records can be sent by email to the jurisdictional Customs officer thereby obviating any physical interface.

The amendments in the Concessional Duty Rules are significant and will considerably facilitate the availment of end use exemptions.

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