

No requirement to pay back the amount availed as exemption on procurement of inputs in case the manufactured goods are cleared to Advance License/Authorization

Second proviso to Para 6 of Notification No.22/2003-CE dated 31.03.2003 deny the exemption from central excise duty on inputs, in case goods are cleared into DTA are either non-excisable or in case of imports attract Nil rate of Customs duty and additional Customs duty.

Further, vide SI.No.22 of Notification No.23/2003-CE dated 31.03.2003, exemption from excise duty has been provided where goods manufactured by EOU's are cleared to an Advance License/Authorization Holder. However, in such cases export obligation is cast upon the Advance License/Authorization Holder and in case of default, recovery would be done from the License Holder. Consequently, it can't be said to pay back the amount of exemption availed on inputs and the same is disadvantageous for EOUs as compared to DTA unit.

Now, it has been clarified that such denial of exemption is not applicable to EOUs where goods are removed by it to Advance License/Authorization Holder in DTA, without payment of Central Excise Duty.

[Circular No.1046/34/2016-CX dated 16.09.2016]