

**Government of India
Ministry of Finance
Department of Revenue**

**LOK SABHA
UNSTARRED QUESTION NO. 2817
TO BE ANSWERED ON FRIDAY, DECEMBER 2, 2016
AGRAHAYANA 11, 1938 (SAKA)**

TAX EXEMPTIONS TO EXPORTERS

2817: SHRI AJAY NISHAD:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides tax exemptions to Indian exporters to promote exports;
- (b) if so, the details thereof and the tax exemption benefit provided during the last three years and the current year; and
- (c) the extent to which such exemption has boosted exports?

**ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SANTOSH KUMAR GANGWAR)**

(a): Yes, Madam.

(b): The details of the tax exemption benefit provided during the last three years and the current year are as follows:-

Direct Tax

10 A section deduction in respect of such profits and gains as are derived by an undertaking from the export of the articles or things or computer software for ten consecutive assessment years beginning with the assessment year relevant to the previous year in which undertaking begins to manufacture or produce such articles or things or computer software, as the case may be. This deduction shall not be allowed to any undertaking for the assessment year beginning on 01.04.2012 and subsequent years.

10AA section deduction in respect of such profits and gains as are derived by a unit from the export of the articles or things or providing any service by newly established units in Special Economic Zones who begins to manufacture or produce articles or things or provide any services. 100% deduction is allowed for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the unit begins to manufacture or produce such articles or things or services. For the next five consecutive years deduction of 50% on such profits can be claimed. This deduction is available to unit commencing manufacture or production of article or thing or start providing any services during the previous year relevant to any assessment year commencing on or after the 1st day of April, 2006 but before the first day of April 2021.

10B section deduction in respect of such profits and gains as are derived by a 100% export oriented undertaking from the export of the articles or things or computer software for ten consecutive assessment years beginning with the assessment year relevant to the previous year in which undertaking begins to manufacture or produce such articles or things or computer software, as the case may be. This deduction

shall not be allowed to any undertaking for the assessment year beginning on 01.04.2012 and subsequent years.

The tax benefits are allowed subject to the fulfilment of conditions prescribed under the respective sections.

Indirect Tax

In general, goods meant to be exported out of India are exempt from payment of central excise and service tax. Also, apart from certain commodities, there is no export duty on goods exported out of India. Further, the Government of India has several schemes in place that allow the exporters to import inputs/capital goods at concessional rate of customs duty for manufacture of export goods. In addition to above, the exporters can claim reimbursement of the customs, central excise and service tax paid on the inputs used in the manufacture of export goods.

Apart from the general export related customs, central excise and service tax exemptions as mentioned in Part (a) above, the Government has, in the last three years, provided the following further tax exemptions to promote exports, namely-

- i. In Budget 2016-17, Basic Customs Duty was exempted on import of specified fabrics, of value equivalent to 1% of FOB value of exports in the preceding financial year, for manufacture of textile garments for exports, subject to the specified conditions;
- ii. In Budget 2014-15, the list of specified goods required by handicraft exporters was expanded so as to include wire rolls in the same for the purpose of granting the facility of duty free import;
- iii. In Budget 2014-15, non-fusible embroidery motifs or prints were included in the list of items eligible to be imported duty free for manufacture of garments for export;
- iv. In Budget 2014-15, the duty free entitlement for import of trimmings & embellishments and other goods used by the readymade textile garment sector for manufacture of garments for export was increased from 3% to 5% of FOB value of exports in the preceding financial year;
- v. In Budget 2014-15, fusible embroidery motifs or prints, anti-theft devices like labels, tags and sensors, pin bullets for packing, plastic tag bullets, metal tabs, bows, ring and slider and rings were included in the list of items eligible to be imported duty free for manufacture of handloom made ups or cotton made ups or manmade made ups for export;
- vi. In Budget 2014-15, full exemption from Basic Customs Duty was granted to pre-forms of precious and semi-precious stones to encourage export.

(c): The exemption/neutralization of domestic duties and taxes on final products exported, or of taxes borne on inputs/input service used in the manufacture of export goods, is provided so as to not export taxes with the goods. This zero-rating of taxes provides exports with a level playing field in the international market.
