



INDIAN DRUG MANUFACTURERS' ASSOCIATION

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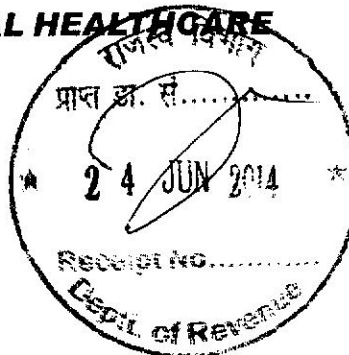
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PARTNERS IN GLOBAL HEALTHCARE

23 June 2014

The Member Budget,
Central Board of Excise and Customs,
Ministry of Finance,
North Block,
New Delhi 110 011.



Kind Attn.: Shri Kaushal Srivastava, Member Budget (CBEC)

Sub: Our Proposals for Union Budget 2014-15 and Pre-budget Meeting on 9 June 2014

Dear Sir,

In continuation of our letter dated 13 June 2014, we wish to further clarify our proposals regarding the accumulated CENVAT credits in the accounts of manufacturers and on life-saving drugs.

We request you to set aside our earlier suggestions at bringing parity between input and output costs, as they could adversely impact certain sections of manufacturers. We are not in favour of either lowering the Excise Duty on Bulk Drugs from 12% to 6% nor increasing the Excise Duty on Formulations from 6% to 12%. The core issue is to defreeze the CENVAT Credits accumulated in the manufacturers' accounts, so that it may be put to more constructive use.

As you will agree, manufacturers need to maintain a constant supply of funds for working capital, setting up new units, upgrading machineries, equipments etc. A major hurdle in maintaining funds in hand is the accumulation of CENVAT credit due to mismatch in input and output costs, which blocks funds without benefitting.

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To resolve this, we suggest the following:

1. The CENVAT credits accumulated by the manufacturers be refunded to them at the end of every financial year.
2. Alternatively, the unutilized CENVAT credit may be allowed to be utilized for paying statutory taxes such as Service Tax and other Taxes to the Government so that the burden on the Pharmaceutical Industry can be reduced.
3. In the Customs Tariff there are many Bulk Drugs attracting nil or concessional customs duty without CVD or excise. This has deterred indigenous production of Bulk Drugs because, all raw materials for production of Bulk Drugs, either imported or indigenously procured, have either standard import custom duty or excise of 8.2% custom duty plus CVD & SAD totalling 26%. Providing further concessional duty or nil custom duty on lifesaving Bulk Drugs will result in stoppage of manufacture of lifesaving drugs in India as there is a preferential indirect tax benefits to the imported Bulk Drugs and Formulation.

We seek your urgent indulgence and request you to consider our suggestions favourably. We look forward to your support and co-operation.

Thanking You,

Yours sincerely,



S V Veerramani
President



B G Barve
Chairman, Excise & Taxation Subcommittee

CC: Ms. Aradhana Johri,
Secretary to the Government of India,
Department of Pharmaceuticals,
Shastri Bhavan, New Delhi 110 001.