

Rice exports at risk amid huge tax demand

Indian exporters have received notices from the customs department demanding payment of duty differentials on rice exported in the last 18 months, four exporters told *Reuters*, a rare tax demand that could cripple rice shipments from India. The world's biggest rice exporter imposed a 20 per cent export duty on white rice in September 2022, followed by a similar duty on parboiled rice in August 2023 to control domestic rice prices ahead of key 2024 state and national elections.

Exporters were paying a 20 per cent duty based on the free on board (FoB) value of rice. However, the customs department now requires them to consider the transaction value and pay any resulting duty difference.

“It is informed to pay the export duty along with applicable interest by exporters on the amounts received over and above the FOB value declared in the shipping bills,” the customs department informed exporters, in tax demand notices seen by *Reuters*.

Exporters don't have the financial muscle to pay the duty difference for nearly two years; instead, they would close the business, said an exporter based in southern state of Andhra Pradesh.

“The government is now demanding additional duty, which no overseas buyer will pay to us. How could we then pay the additional duty to the government?” he asked.

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