

Circular No.46 /2007-Cus.
F.NO.605/95/2007-DBK

Government of India
Ministry of Finance
Department of Revenue

New Delhi, the 20th December, 2007.

To

**All Chief Commissioners of Customs,
All Chief Commissioners of Customs & Central Excise.
All Commissioners of Customs/Customs (Prev.)/Customs & Central Excise/Central Excise.
DG, CEIB, New Delhi.
DG, Central Excise Intelligence/ DGRI/ DG (Export Promotion) /DGI/ DG, NACEN/ DG
(Systems & Data Management),
Chief Departmental Representative, Customs, Excise &
Service Tax Appellate Tribunal, West Block-2, R.K. Puram, New Delhi.**

Sir/Madam,

**Sub: Correlation of Technical Characteristics, Quality and Specification of the Inputs with
the Export Product under the DFIA Scheme.**

I am directed to invite your attention to the provisions of paragraph 4.55.3 of the Handbook of Procedures, Vol.I 2004-09 and condition (i) of notification No.40/2006-Cus dated 1.5.2006 regarding correlation of technical characteristics, quality and specification of the inputs with the export product under the DFIA Scheme. In this connection, representations have been received from trade stating that the importers are facing difficulties in regard to clearance of material under DFIA Scheme because of insistence by the Customs to establish correlation between the imported goods and the exported product in all cases of imports under the said scheme.

2. The matter has been examined by the Board. In terms of paragraph 4.55.3 of the Handbook of Procedures, Vol.I 2004-09, in respect of some 22 items specified therein, the exporters are required to give a declaration with regard to technical characteristics, quality and specification in the Shipping Bill. This position has also been captured in Circular No. 16/2006-Cus dated 9.5.2006. Further, condition (i) of notification No. 40/2006-Cus dated 1.5.2006 states that in respect of the resultant product specified in paragraph 4.55.3 the materials permitted in the DFIA shall be of the same quality, technical characteristics and specification as the materials used in the said resultant product and that in respect of the said resultant product, the exporter shall give declaration with regard to the quality, technical characteristics and specification of materials used in the Shipping Bill. The position is thus clear that only in respect of products specified in paragraph 4.55.3 of the Handbook a correlation of technical characteristics, quality and specification of the inputs with the export product is required to be established under the DFIA Scheme. Such correlation is not required to be established in other cases unless the SION prescribes for the same.

3. It is, therefore, clarified that except for the items specified in paragraph 4.55.3 of the Handbook of Procedures, Vol.I 2004-09, in all other cases a correlation between the inputs under import with those used in the exported product is not required to be established and that clearance under DFIA scheme may be allowed if other conditions of the scheme and Customs notification referred to above are fulfilled.

4. A suitable Public Notice and Standing Order may be issued for the guidance of the trade and staff. Difficulties faced, if any in implementation of the Circular may be brought to the notice of the Board at an early date.

Receipt of this Circular may kindly be acknowledged.

Yours faithfully,

(P.V.K. Rajasekhar)

OSD(Drawback)