

Circular No.76/1999-Cus date 17th November 1999

EOUs/EPZ etc. Units -B-17 Bond -BG and Surety -Clarification on

Sub: Execution of a Single B-17 Bond by EOU/EPZ/EHTP/STP Units -Clarification Reg.

Sir,

I am directed to refer to Board's Circular [Nos. 14/98-Cus](#), dated 10th March, 1998, [42/98-Cus](#), dated the 19th June, 1998, [66/98-Cus](#), dated the 15th September, 1998 and Board's letter F. No. 305/46/97 -FTT , dated 23-9-98, on the above subject.

2. It has been brought to the notice of the Board by Trade as well as the Ministry of Commerce that the B-17 bond with 100% surety or Bank Guarantee at 5% of the bond amount, instead of simplifying the procedure, has made the operations of the EOU/EPZ/STP/EHTP units more expensive and the units find it difficult to organise the said surety/bank guarantee. Particularly in the cases where the units have to make huge investment on capital goods.

3. The issue has been examined by the Board and it has been decided that the bond amount will not be equivalent to 25% of the duty leviable on the sanctioned requirement of imported and indigenous capital goods plus the duty forgone on the raw materials to be held in stock for three months only.

4. It has also been brought to the notice of the Board that the trade finds it difficult to operate under B-17 bond mainly because of differences in interpretation/misconception prevailing in the field formations. Some of the issues as mentioned below have been brought to the notice of the Board:

(i) At the port of import in some of the Customs Houses, a certificate showing balance credit against B-17 bond for clearance of import consignment is being demanded.

(ii) Units are being asked to execute separate bond for the purposes of (a) supply/transfer of goods under 9.12 of the Exim Policy, (b) Re-import & re-export of goods (c) Movement of duty free indigenous goods procured duty free under CT -3.

(iii) The B-17 bond is not being accepted at all ICD/Air Cargo Complexes.

(iv) End-use certificate in respect of consignment already warehoused is being insisted by Customs Authorities at the time of fresh imports by such units.

(v) Escort is being insisted for movement of duty free goods from the port/ICD to the EOU/EPZ/STP/EHTP unit.

5. The points have been examined by the Board and I am directed to clarify the issues as under:

(i) The B-17 bond is required to be executed before the jurisdictional Assistant Commissioner of Customs/Central Excise in charge of unit and the jurisdictional Assistant Commissioner will issue certificate which will indicate only description and classification of goods and on the strength of such certificate, clearance under exemption notification will be allowed to the EOU/EPZ/STP/EHTP units at the port of import. The value and quantity of goods to be imported and the bond amount shall be monitored by jurisdictional Assistant Commissioner of Customs or Central Excise. Hence, it is clarified that no other certificate other than the certificate annexed to Circular No. 14/98, dated 10-3-98, is required to be produced at port of import by EOU/EPZ/STP/EHTP units. It is further clarified that the monitoring at the port of import shall be limited to the extent of ensuring that the goods imported by the units are warehoused in the units within the prescribed time limit and re-warehousing certificate is submitted to the Assistant Commissioner of Customs at the port of import within the prescribed time limit. For this purpose, no separate bond alongwith surety or security should be asked from the EOU/EPZ/STP/EHTP units at the port of import.

(ii) As already clarified, the B-17 bond is an all-purpose bond. The supply/transfer of samples as provided under Para 9.12 of the EXIM Policy is covered by para 9 of the Central Excise Notification 6/98(NT). Exports and Imports includes re-export and re-imports, and therefore, the later category is also covered under the said Bond. For replacement of indigenous goods procured duty free and found to be defective/damaged or otherwise unfit for use, no separate bonds other than B-17 bond, would be required.

(iii) The question of accepting B-17 at ICD/Airports etc. does not arise. As stated about the bond is to be executed before the jurisdictional Asstt. Commissioner of Customs or Central Excise and clearance will be allowed at port of import on the strength of the certificate issued by the jurisdictional Assistant Commissioner officer in charge of EOU/EPZ/STP/EHTP unit.

(iv) It is clarified that there is no need for asking end-use certificate from the unit at the time of fresh imports. The units will have to submit only re-warehousing certificate to the Assistant Commissioner in charge of the port of import within 90 days of issue of certificate by jurisdictional Assistant Commissioner. In case such re-warehousing certificate is not furnished within the specified period, the Assistant Commissioner in charge of the port of import shall intimate the Assistant Commissioner of Customs or Central Excise in charge of the units for issuing a demand notice to recover the duty/penalty etc.

(v) As stated above, B-17 bond is an all-purpose bond, thus it is also a transit bond. Hence, no Customs escort shall be insisted upon for movement of duty free goods from the Airport/ICD etc. to the unit or from unit to Airport/ICD or to any other place, say, job worker's premises, provided the same is permitted by jurisdictional Assistant Commissioner. It is further clarified that:

(i) Only single B-17 bond may be insisted from the units and requests for execution of multiple bonds as existed earlier should not be entertained. .

(ii) The B-17 bond does not cover advance DT A sale and for this purpose separate bond as Prescribed in the Handbook of Procedure (Appendix 42) shall have to be executed.

(iii) The basic purpose of the B-17 bond is to safeguard Government revenue and to ensure that action is taken against the unit to recover the same in case of non-fulfilment of the conditions of the exemption notification.

(iv) The value for the bond amount shall be worked out on the basis of projected requirement i.e. equivalent to 25% or duty leviable on sanctioned requirement of imported and indigenous capital goods plus the duty on raw materials to be held in stock for three months, projected, calculated and certified by the unit. Since this is on the basis of sanctioned requirement of capital goods and raw materials, initially the Bond amount would be on the basis of the projected value of the goods. However, if later, the bond amount falls short of the actual import or local procurement made by the unit, the actual amount of bond may be worked out and the unit may be asked to submit revised bond.

(v) The B-17 bond is a running bond and would be debited, whenever there is fresh import or local procurement of the raw materials/capital goods. However, the value debited from the bond amount in respect of raw materials, will be credited again when the raw material is used in the manufacture of finished product and the same is either exported or cleared into DTA as per provision of the EXIM Policy. However, the bond in respect of capital goods shall not stand discharged on arrival of the capital goods within the unit/warehouse and the security/surety shall not be discharged so long as the capital goods are in the unit. The duty for debiting the bond amount in respect of capital goods/raw materials will be as per duty forgone amount given in the Bill of Entry/AA-3. This monitoring will be done by Assistant Commissioner in charge of the unit and on broad basis rather than going into intricate details of input-output norms etc.

(Please refer [CUS CIR NO. 16/2004](#) DATE 16/02/2004)