

**Circular No. 87/98- Customs
dated 18/11/1998**

F.No. 305/170/98 - FTT

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject: Evasion of duty by 100% EOU - Misuse of CT-3 facility regarding.

The Dte. General of Anti-evasion have unearthed duty evasion of over Rs. 50 crores by certain EOUs. The *Modus Operandi* used by the EOUs was as under.

2. The defaulting EOUs were supplying finished goods to other EOUs as deemed exports. However, the alleged supplies made to the recipient EOUs were diverted into the local market. The EOUs have entered into a conspiracy with the supplier EOU for procurement of goods on strength of the CT -3s. However, the goods were disposed of in the domestic market and did not reach the user EOU. To satisfy the range officer in charge of the supplier EOU, the user EOU arranged forged AR- 3A indicating rewarehousing of the goods supposedly received.

3. *Prima -facie*, it appears that the duty evasion had largely been on account of the fact that as per prevalent practice AR - 3A is / are being sent by one range officer to another under sealed cover by hand to the officer of the EOU and not by post. This had facilitated forging the rewarehousing certification by the user EOUs AR- 3A. As stated above, the goods have, in fact, not been rewarehoused.

4. In this aforesaid background, you are directed to alert the concerned staff in your charge suitably to ensure that actual supply and rewarehousing of the goods by EOUs takes place. The procedure prescribed for movement of goods under AR-3A should scrupulously be followed. It may be ensured that Range Officer sends the relevant copy of AR-3A to the Range Officer through registered post and receives the rewarehousing certificate by post.

Sd/-
(O.P. Khanduja)
Sr. Technical Officer (FTT)
