

Circular No. 7 /2006-Cus

13th January, 2005

F. No.305/69/2005-FTT

Government of India

Ministry of Finance

Department of Revenue

Central Board of Excise & Customs

Sub: Procedural relaxation under EOU and Gem and Jewellery Export Promotion Schemes- Reg.

I am directed to invite your attention to the various measures taken subsequent to the issue of Annual supplement to Foreign Trade Policy (FTP) 2004-2009. In order to implement the changes brought in respect of EOU/EHTP/STP Schemes and Gem & Jewellery Export Promotion Scheme necessary amendments have been carried out in the notifications governing duty free import/ procurement of goods and DTA sale of goods by EOU/EHTP/STP as well as in notifications relating to Gem and Jewellery Schemes. In this regard notification No. 50/2005-Cus. and 28/2005-C.E., both dated 20.05.2005, may please be referred to. Further the following changes are introduced in order to simplify and prescribe uniform procedures.

Time bound certification for de-bonding from EOU scheme:

2. Paragraph 6.18(e) of the FTP has been amended in order to rationalize and simplify the procedure for de-bonding. As per the new procedure, the EOU/EHTP/STP units proposing to de-bond would intimate the Development Commissioner and jurisdictional Customs/ Central Excise authority in writing. The unit would itself assess the duty liability and submit the details of such assessment to jurisdictional Customs/ Central Excise authority. The Deputy/ Assistant Commissioner of Customs/ Central Excise would be required to confirm the duty liability on priority within 15 working days of receipt of details of assessment from the unit. Further he shall issue 'No Dues Certificate' to the unit after payment of duties and other dues. In case of any discrepancy, it should be conveyed to the unit within the said 15 days. On receipt of the above mentioned 'No Dues Certificate', the unit shall apply to the concerned Development Commissioner for de-bonding.

DTA Sale:

3. The paragraph 6.8 (a) of the FTP provides that EOU/EHTP/STP may sell goods upto 50% of FOB value of exports in DTA on payment of concessional duty subject to fulfillment of positive NFE. It also provides that within the entitlement of DTA sale, the unit has to sell in DTA its products similar to the goods, which are exported or expected to be exported. There has been doubt as to what constitutes 'similar goods'. Further, when the units are not required to take any permission for DTA sale under paragraph 6.39.9, it is felt necessary to provide definition of "similar goods" to bring clarity and uniformity. Therefore, it has been decided that the definition of 'similar goods' would be based on the definition of similar goods as provided in the Customs Valuation (Determination of Price of Imported Goods) Rules,

1988. The term 'similar goods' means "goods which is although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable with the goods which have been exported or expected to be exported having regard to the quality, reputation and the existence of trade mark and produced in the same unit by the same person who produced the export goods". The Board's Circular No. 85/95 dated 26-7-95 issued in this regard stands rescinded.

Verification of Premises of EOU/EHTP/STP:

4. Development Commissioners are required to verify the premises of the EOU before issuance of LOP. However, on many occasions it was found that proper verification could not be conducted by them on account of non-availability of sufficient manpower and infrastructure. Therefore, based on request of the Board to issue LOP only after necessary site verification, the Department of Commerce have suggested that the site verification may be conducted through the office of the jurisdictional Deputy/ Assistant Commissioner of Customs or Central Excise, as the case may be. Therefore, it has been decided that the office of the jurisdictional Deputy/ Assistant Commissioner of Customs or Central Excise, as the case may be, would undertake the site verification on such requests from the Development Commissioner and would send the factual report to the Development Commissioner. In view of this, in case any such request is received from the Development Commissioner for verification of premises, the same may be attended on priority keeping in mind that LOP has to be issued within a fixed time frame.

Dispensing with the requirement of ARO for supply of goods by EOU/EHTP/STP units to advance License Holders

5. Paragraph 4.1.11 of FTP allows the holders of Advance License and DFRC to source goods from EOU/EHTP/STP against Advance Release Order (ARO) issued by DGFT or Back to Back inland letter of credit issued by banks. These are instruments for sourcing goods from indigenous sources against Advance License and DFRC. The Notification No 23/2003-CE governing DTA sale of goods manufactured by EOU/EHTP/STP on concessional rate of duty, also provides that EOU/EHTP/STP may sell the goods against Advance Release Order (ARO) issued against Advance License or DFRC. In the amended FTP the provision of ARO has been done away with. It has been provided that Advance License Holders or DFRC holder can source goods from EOU/EHTP/STP on the basis of Advance license or DFRC itself. Therefore, in order to implement the provision of FTP, the Notification No 23/2003-CE dated 31-3-2005, was suitably amended. Henceforth the goods manufactured in EOU/EHTP/STP may be sold to Advance License Holders/ or DFRC holders on the basis of Advance License or DFRC itself. However, the jurisdictional Assistant Commissioner shall make endorsement on the reverse of the original copy Advance License/DFRC so as to clearly indicate the extent of the value already utilized. A copy of the advance license or DFRC after making endorsement shall be sent to the licensing authority and concerned Deputy Commissioner/Assistant Commissioner of Customs/Central Excise of the licensee. In addition to that, the procedure as applicable for duty free import of goods against advance license /DFRC would continue to apply.

Simplified procedure for Inter-unit Transfer of Manufactured goods:

6.1. Paragraph 6.13(a) of FTP provides for transfer of manufactured goods from one EOU/EHTP/STP to another EOU/EHTP/STP unit. It has been brought to the notice of the Board by DGFT that for such inter-unit transfer, no uniform procedure is followed in the field. For the purpose of uniformity, it is decided to prescribe the following simplified procedure in respect of such inter-unit transfer of manufactured goods.

6.2. Since goods manufactured in EOU/EHTP/STP are excisable goods and inter unit transfer of goods from one unit to another is only bond to bond transfer, it has been decided that in all such cases, goods would be removed from one EOU/EHTP/STP to another under the cover of ARE-3. However, the goods to be transferred shall be properly examined by the bond officer and sealed in his presence before dispatch to the other EOU/EHTP/STP unit. The jurisdictional customs/ central excise officer in-charge (bond officer) of the receiving unit shall examine the seal on receipt of the goods in the premises of receiving unit and if the seals are found intact, issue necessary re-warehousing certificate. In case of discrepancy in seals the goods may be examined to verify proper receipt before issue of such re-warehousing certificate. The copy of the re-warehousing certificate along with examination report shall then be sent to the jurisdictional customs/ central excise officer in-charge of the transferor unit.

Sharing of Goods between EOU/STP units:

7.1. The provision for sharing of specified goods (common facilities) were allowed between the STP units belonging to the same owner, located in the same compound or adjoining premises. Requests have been received from trade and industry, to allow sharing of specified goods between STP and EOU. The sharing of common facilities between the STP units were allowed on the ground that it would optimize the utilization of IT infrastructure between two units of the same owner and thus would make the projects cost effective. The STPs are nothing but sector specific EOUs. In order to meet the requirement of dynamic nature of IT industry, it has been found justified to allow sharing of certain common facilities between/ amongst EOU /EHTP/ STP units belonging to same owner.

7.2. Accordingly, the notification No.52/2003-cus and 22/2003-CE both dated 31.3.2003 was amended to allow sharing of specified goods viz, diesel generating sets or captive power plants, central air conditioning equipments, uninterrupted power supply system, net-working equipments, EPABX, fax, photocopier equipments, data transfer protocol equipments and security system between EOU/EHTP/STP units belonging to the same owner and irrespective of their location. However, such goods shall not be removed from the unit, which had imported or procured such goods.

Import/procurement of DG Sets:

8. The notification Nos. 52/2003-Cus and 22/2003-CE both dated 31-3-2003 governing duty free import and procurement of goods by EOU/EHTP/STP units provided for import/procurement of DG sets/captive power plant on the recommendation of Development Commissioner/Designated officer. Para 6.39.6 of HOP relating to Fast Track Clearance provides that procurement of DG sets of capacity commensurate with the actual requirement of the unit shall be permitted to status holder EOU/EHTP/STP unit under intimation to the Development Commissioner and the jurisdictional Central Excise authority. Therefore, in order to align the notification Nos. 52/2003-Cus and 22/2003-CE both dated 31-3-2003 with the provision of HOP, suitable amendment in these notifications was carried out. Hence the recommendation of Development Commissioner need not be insisted and this facility may be permitted on the basis of simple intimation as above.

Re-warehousing Certificate:

9. Instances have come to the notice of the Board that, in many cases, the field formations issue re-warehousing certificates in respect of imported /indigenously procured goods with out any physical

verification of receipt of such goods leading to misuse of exemption notification. It may be noted that inputs and capital goods are allowed to be imported and procured from indigenous sources on the condition that such goods shall be used within the bonded premises of EOU for specified purpose. It is the responsibility of bond officer to ensure that duty free goods are received in the premises of EOU/EHTP/STP units and are duly accounted for. Therefore, it is reiterated that re-warehousing certificate should be issued only after physical verification of the goods.

CT-3 and Procurement Certificate:

10.1. Please refer to the Board's letter dated 17-10-2002 issued from F. No 305/119/2000-FTT, wherein it was suggested that in case any serious discrepancies are noticed against any EOU, immediate action may be taken by way of suspension of facility of issuance of CT-3/procurement certificates.

10.2. The matter has been revisited. The withdrawal of CT-3/ Procurement certificate facility causes a great hardship and adversely affects the day-to-day operations of the unit by denying exemption on inputs meant for production of export goods. It also impinges upon the livelihood of the labour engaged in manufacturing and production activities of the affected EOUs. Therefore it has been decided that in case any gross misuse/abuse of the EOU Scheme by any EOU/EHTP/STP is noticed or any evidence suggesting prima facie evasion of substantial duty by EOU/EHTP/STP comes to light, the CT-3 procurement certificate facility to the EOU/EHTP/STP may not be suspended with immediate effect. Instead the jurisdictional Deputy/ Assistant Commissioner may withdraw the facility of pre-authenticated CT-3 certificate for a period for six months at a time, and allow the unit to import/ procure goods duty free on the basis of individual CT-3 certificates/ procurement certificates subject to the condition that the unit furnished additional bank guarantee to cover the 100% duty foregone on such duty free import/ procurement. However, this executive order of the jurisdictional Deputy/ Assistant Commissioner may be reviewed or amended by the jurisdictional Commissioner of Customs or Central Excise, on receipt of any request from the unit. It is further clarified that while deciding to withdraw the facility of pre-authenticated CT-3 certificate, proper care may be taken that the withdrawal is not done for mere procedural violations.

Re-import of rejected jewellery:

11. In the FTP, 2004-2009, that came into effect in 31st August, 2004, a provision was made in the Hand Book of Procedures (HOP) vide paragraph 4.83 to allow exporters of plain/studded precious metal jewellery for re-import of duty free jewellery, rejected and returned by the buyer, upto 2% of FOB value of exports in the preceding licensing year. The notification No. 94/96-Cus dated 16-12-96 already allows re-import of goods. The re-import of rejected jewellery is covered under Sl. No 3 of the Table to the said Notification. Hence this facility may be extended to such cases of re-import by Gem and Jewellery exporters. However, if any export incentives have been availed on the export of goods, which have been re-imported, the same has to be paid back as the re-import has nullified the effect of export.

Increased limit of duty free import of sample by Gem & Jewellery sector:

12. The notification No 154/94-Cus dated 13-07-94 allows duty free import of commercial samples valued upto Rs 60,000 or 15 units in number within a period of 12 months, as personal baggage by bonafide commercial travelers or businessmen are imported by post or air. New Paragraph No. 4A.31 has been inserted in HOP so as to enable exporters of Gem & Jewellery sector to import samples without payment of duty up to Rs. Three lakhs or upto 0.25% of average 3 years export, whichever is lower. In order to implement the provision of HOP, notification No.154/94-Cus dated 13-07-94 was amended suitably by notification No.50/2005-Cus. However to obviate chances of misuse, the notification imposes a condition that the importer shall produce a certificate from the Gem & Jewellery Export Promotion Council certifying the value of export made during three immediate preceding three years and also the value and quantity of goods already imported under this notification during the last twelve

months. The information provided by the Gem & Jewellery Export Promotion Council may be used to ensure that the notification is properly implemented.

Import of plain/studded/metal jewellery for the purpose of jobbing and subsequent export.

13. The Customs Notification No. 32/97-Cus dated 1-4-97 allows duty free import for execution of export order placed on the importer. It has been brought to the notice by the DGFT that overseas manufacturers and traders prefer sending the semi-finished jewellery for job work / processing in India and subsequent export thereof. Therefore such semi-finished gold jewellery of 18 carat and below & platinum and silver jewellery may also be imported duty free under the Notification No 32/97-Cus subject to the conditions of the notification. Hence this facility may be extended to such cases of job work/processing undertaken by Gem and Jewellery exporters.

14. Wide publicity may please be given to these instructions by way of issuance of Public Notice.