

Circular No. - 12/2011-Customs

Dated: 01 /03/2011

Subject: Assessment under Project Import Regulations, 1986 - Requirement of cash security in lieu of bank guarantee.

I am directed to refer Board's Circular No. 89 dated 9-8-1995 issued from F.No. 528/ 73/ 92 - (TU), in partial modification of letter F.No.521/192/ 90-Cus.(TU) dated 9.1.1992, advising Customs Houses / Commissionerates to take cash security equivalent to 2% of the CIF value of goods sought to be imported, subject to a maximum of Rs. 50 lakhs, at the time of registration of Project Contract under Project Import Regulations, 1986. It was further advised that in cases, where cash security of 2% of the value of the contract exceeds Rs. 50 lakhs, importers may be given an option to furnish cash security of Rs. 50 lakhs and balance amount by a bank guarantee, backed by an undertaking to renew it till the finalisation of the contract. Government Departments and Public Sector Undertakings, however, continued to be exempted from furnishing the above cash security in terms of the practice in vogue, Vide Board's letter F.No. 521/192/90-Cus.(TU) dated 14.3.1993.

2. The issue regarding furnishing of a cash security equal to 2% of the CIF value of the goods sought to be imported under Project Import has further been examined by the Board. In view of the reduction in import duty and the inordinate delay associated with finalisation of the said project imports, it has been decided to do away with the practice of taking cash security. Henceforth, subject to a maximum of Rs. 1 Crore, only a bank guarantee, equivalent to 2% of the CIF value of goods sought to be imported, would be taken at the time of registration of the Project Contract under Project Import Regulations, 1986. The said bank guarantee shall be backed by an undertaking that it would be renewed from time to time.

However, the said bank guarantee need not be renewed on completion of a period of six months from the date of submission of necessary documents, from the jurisdictional Central Excise authority or any other specified authority, as proof of utilisation / installation of goods for the finalisation of the contract. The project import of Government Departments and Public Sector Undertakings would continue to be covered by Board's letter F.No. 521/92/90-Cus.(TU) dated 14.3.1993.

[F.No.334/3/2011 - TRU]

Sanjeev Kumar Singh
Under Secretary to the Government of India