

INSTRUCTION
Government of India
Ministry of Finance
Department of Revenue

New Delhi, 18th January, 2011.

Sub: Need for detailed Verification Mechanism of scrips issued Reward Schemes and Monitoring of Export Obligations (EO) in respect of Advance Authorization/Duty Free Import Authorization (DFIA)/ Export Promotion Capital Goods (EPCG) Schemes with Shipping Bills-reg.

The undersigned is directed to invite your attention to circular Nos. 26/2009-Cus. dt. 30.09.2009 and 5/2010-Cus. dt.16.03.2010 wherein instructions were issued regarding verification mechanism and monitoring of Export Obligation(EO) under duty exemption/reward schemes.

2. To recapitulate, para 2(e) of the Circular No. 5/2010 clarified that verification of genuineness of Duty Credit Scrips issued under Chapter 3 of the FTP should be carried out before allowing registration in terms of para 3.11.3 of the HBP Vol.1 (2009-14). Further, the Commissioner could cause random verification of the Shipping Bills based on which said Duty Credit Scrip had been issued.

3. As regards Export Obligation Discharge Certificate (EODC) issued by DGFT under EPCG Scheme, the Circular No 5/2010-Cus. dated 16.03.2010 provided that fulfillment of export obligation prescribed for the first Block which is atleast 50% of the overall export obligation, be verified in detail and if found satisfactory, the EODC issued by the Director General of Foreign Trade(DGFT) at the end of 2nd Block was to be accepted without further verification unless there was a specific intelligence suggesting the need for detailed verification.

4. As regards, Advance Authorization / DFIA Schemes, the circular stipulated that EODCs may be accepted and detailed verification conducted if there was a specific intelligence suggesting need for such detailed verification.

5. A review of the implementation of the said circular in the field formations was conducted. It was observed that detailed verification of reward scrips and the EODCs was being conducted inspite of the instructions contained in the Circular No.5/2010-Cus. dt.16.03.2010.

6. The issue was discussed in consultation with the field formations. It was pointed out that detailed verifications are being carried because of the RLA's endorsement on the EODCs that the Customs authorities should cause verification of the Shipping Bills and other documents. It was also informed that detailed verification of EODCs issued against EPCG authorisations is carried out in cases where fulfillment of Export Obligation prescribed for the first block was not verified by the Customs and the exporter has submitted the final EODC.

7. The issue has been examined. It has been decided that:-

(i) The Circular No.5/2010-Cus. is to be implemented rigorously by all field formations. For past EPCG cases where the exporter had not come forward for verification after the 1st Block and has submitted the final EODC, the EODCs / Scrips issued by the DGFT should normally be accepted unless there is a reason for detailed verification; the AC / DC shall record the reasons in writing in file for such verification. However, random verification of at least 5% of EODCs issued in such past cases may be carried out.

(ii) In cases where Regional Licensing Authority has endorsed on the EODC that customs should verify the Shipping Bills and other documents, the field formations will continue to verify such EODCs till the issue is resolved in consultation with DGFT.

(iii) All the Commissioners may immediately formulate an action plan to monitor the Export Obligation in all cases,-

(a) where the Export Obligation Period (EOP) and the time prescribed for furnishing the EODC has expired but the exporter has not furnished the EODC; and

(b) for EPCG authorizations where the 1st block has expired and the time prescribed for furnishing evidence regarding the extent of block-wise EO fulfillment has expired but the exporter has not furnished the same.

If the EODCs / evidence regarding the extent of EO fulfillment are not furnished, timely action to safeguard revenue may be taken.

(iv) The Customs would strengthen its intelligence machinery and check, in detail, at least 5% of the EODCs / installation of capital goods / availability of inputs imported duty free under the Advance Authorization. An institutional mechanism should be set up whereby the customs officials and the officials of the local RLA meet at least once every quarter, or as per mutually agreed period, to exchange intelligence, check misuse and pursue issues such as EO fulfillment status in cases where Export Obligation period has expired in that quarter/ previous quarter so that concerted action can be taken against the defaulters.

8. These instructions may be brought to the notice of all the concerned officers by issuing suitable Standing orders/instructions. Difficulties faced, if any, in implementation of these instructions may please be brought to the notice of the Board at an early date. Receipt of these instructions may kindly be acknowledged.

F.NO.609/119/2010-DBK

Yours faithfully,

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