

F.No.605/71/2015-DBK
Government of India
Ministry of Finance: Department of Revenue
Central Board of Excise and Customs
(Drawback Division)

New Delhi, dated 14th October, 2016

To
Pr. Chief Commissioners/Pr. Directors General (All)
Chief Commissioners/Directors General (All)
Pr. Commissioners/Commissioners (All)

Madam/Sir,

Subject: Rationalization of procedures in handling exporters obligations under EPCG authorizations -reg.

The undersigned is directed to say that as a part of further rationalizing procedures and avoiding duplication of work based on feedback on outcomes of applying extant procedures, taking into account the conditions prescribed in the Foreign Trade Policy and Customs notifications, the Board reviewed certain aspects of the directions given to field formations in Circular No. 5/2010-Cus, Instruction No. 609/119/2010-DBK dated 18.01.2011 and Circular No. 14/2015-Cus insofar as they relate to EPCG scheme. The details are given in succeeding paragraphs.

2. At present the correctness of the installation certificates issued by Chartered Engineers are to be verified on random basis in at least 5% cases through the Central Excise Division. The Board has decided that this verification be restricted to 5% cases.

3A. In the Circular of 2010 it was prescribed that first block EO (export obligation) should be verified in detail and if it has been found satisfactory then EODC issued at end of second block should be accepted without further verification. The Instruction of 2011 confirmed that this is to be implemented; however, for past cases where exporter had not come forward for first block verification but had submitted the EODC, the EODC may be accepted subject to random verification of at least 5% of EODCs issued in such past cases. It further directed that the Customs check, in detail, at least 5% EODCs. In this connection, it was noted that not meeting the block-wise EO attracts composition fees or payment of duty with interest and this find mention in HBP and is also referred in Customs notifications.

3B. On consultation, the DGFT has informed that the provisions of para 5.14 of HBP 2015-20 that provides *"5.14(c)HBP: Where EO of the first block is not fulfilled in terms of the above proportions, except in cases where the EO prescribed for first block is extended by the Regional Authority subject to payment of composition fee of 2% on duty saved amount proportionate to unfulfilled portion of EO pertaining to the block, the Authorization holder shall, within 3 months from the expiry of the block, pay duties of customs (along*

with applicable interest as notified by DOR) proportionate to duty saved amount on total unfulfilled EO of the first block”, and the similar provisions in previous FTP/HBP 2009-14 and 2004-09 are strictly followed by Regional Authorities before issuing EODC/redemption/closure letters; and also that cases of condoning / delay in fulfillment of block-wise EO are considered by Regional Authorities only when exporter has obtained relaxation in terms of DGFT’s powers under the FTP. The DGFT has also advised its Regional Authorities to ensure that these provisions are strictly followed in respect of all unredeemed EPCG authorization issued during the FTP 2004-09, 2009-14 and 2015-20.

3C. In the light of this, Board has decided that Customs authorities need not replicate the verification of export obligation of the first block that is being conducted by Regional Authorities and that the EODCs received under EPCG Scheme in terms of FTP/HBP 2004-09, 2009-14 and 2015-20 be normally accepted without further verification, except in 5% cases where they be verified in detail before acceptance.

4. The foregoing aspects remain subject to detailed verification of EODC when there is such a need suggested by specific intelligence. Further, if Regional Authorities endorse verification of shipping bills/other documents on an EODC, such verification shall be carried out. Moreover, it remains mandatory to verify genuineness of non-EDI shipping bills/bills of export on which an EODC may be based.

5. The guidelines issued in the past on the subject shall be modified to the above extent. It should be noted that monitoring of progress of block-wise EO fulfillment is to continue and as clarified in Circular No. 14/2015-Cus the field formations can view the EPCG authorization-wise all India export details in EDI.

6. The Commissioners are also directed to ensure transparent random selection criteria and selection for 5% check being made at least at Joint/Additional Commissioner level and the relevant exporter being invariably informed, on the date of selection itself, via official email communication that its case is selected for detailed checks. Credibility and transparency may be brought into the Bond cancellation process which may be made speedier. The exporter should not be asked to routinely produce information that can be sourced from the Customs EDI system.

7. The above aspects should be given publicity through issuing public notice. Standing order should be issued to suitably arrange the work and guide the personnel. The Chief Commissioners are requested to monitor the functioning on a monthly basis and ensure effective implementation.

(Dinesh Kumar Gupta)
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