

Circular No. 12/2016-Customs

F.No.605/67/2015-DBK

Government of India

Ministry of Finance, Department of Revenue

Drawback Division

New Delhi, 28th March, 2016

To

Principal Chief Commissioners/Principal Directors General

Chief Commissioners/Director Generals

Principal Commissioners

Commissioners, all under CBEC

Madam/Sir

Subject: Prevention of use of non-genuine transferable duty credit scrips or DFIA (duty free import authorizations)

Instances of unscrupulous persons being able to put to use non-genuine transferable duty credit scrips or duty free import authorizations (purported to relate to chapters 3/5 or 4, respectively, of the respective Foreign Trade Policy) have been noticed in the field formations. Accordingly, the Board has decided to sensitize field formations on the issue. This is based on the extant instructions contained broadly in Board's Circulars 25/2003-Cus, 5/2010-Cus, 17/2012-Cus and 14/2015-Cus related to duty credit scrips, the Circulars 16/2006-Cus (read with 33/2000-Cus & 59/2000-Cus) related to DFIA, while taking into account the status of, and developments in, the mechanism of issuing scrips, the respective notifications issued governing usage of such scrips and authorizations, common prudence and balance between trade facilitation and enforcement.

Pre-registration stage

2. The issuing authority specifies a port/Custom House where the freely transferable varieties of reward duty credit scrips (other than related to SEZ) or duty remission duty credit scrips under post export EPCG scheme or DFIA (duty free import authorizations) are to be registered. The presentation of the scrip/DFIA, along with their annexure/condition sheet, allows registration which, inter alia, involves ruling out existence of any alerts that could cause delay in use of such financial/fiscal instruments.
3. Field formations are to verify the genuineness, of the duty credit scrips/DFIA, from the issuing authority, through fast and reliable means. This verification is not to be done by Custom Houses when scrip/DFIA is simultaneously received online through electronic transmission from DGFT.
4. Where export of goods under specific shipping bills/bills of export (not filed electronically in Customs EDI) shown in annexure/condition sheet of the reward duty credit scrip is involved, the backing shipping bills need to be verified for genuineness. However, if the shipping bills were filed electronically in Customs EDI but scrip was not received simultaneously online through electronic transmission from DGFT, such verification of genuineness of shipping bills shall be restricted to not more than 5% randomly selected scrips for which EDI shipping bill details (irrespective of port of export) shall be viewed in-house using the role *enq_cntry* in ICES v. 1.5, without seeking documents from exporter. The Custom Houses need not verify genuineness

of shipping bills when the reward scrip has been simultaneously received online through electronic transmission from DGFT.

4A. It may be seen from the foregoing that in certain situations pertaining to reward scrips the Custom Houses are not required to verify genuineness of the scrip and/or its backing shipping bills (if any). Such situations require only check of absence of alert before registration. Registration, in such cases, should be ensured within 3 hours of presentation of reward scrip. In other cases of registration of reward scrips, a norm of registration within one day, excluding time taken if any at end of the Issuing Authority, should be adopted by Custom Houses.

5. At present certain reward duty scrips are registered at office of Development Commissioner of an SEZ as that may be the port of export. These offices issue physical release advices to CBEC's field formations for usage of duty credit in relation to these scrips. To illustrate, such a release advice may be received in relation to VKGUY/FPS scrip issued in relation to exports to SEZ units under FTP 2009-14. In the case of FTP 2015-20, an example would be MEIS scrip issued for direct overseas exports made by SEZ units for which release advice may be received by the field formation. While the Systems Directorate shall examine the feasibility of integrating such scrips/release advice in Customs EDI, meanwhile, prior verification of genuineness (from issuing authority) of such physical release advice should continue to be done.

6. Verifications beyond that prescribed in the above paragraphs in relation to reward duty credit scrips leading to non-acceptance and/or undertaking of detailed/complete checks before registration should be conducted by field formations only when there is alert or intelligence suggesting misuse or requirement of an investigation. For this, the proper reasons must be recorded in writing in the specific individual cases by officer not below rank of Assistant Commissioner.

7. In the case of duty remission duty credit scrip under post export EPCG duty credit scheme, the checks prescribed in Circular No.10/2013-Customs read with the relevant notification are to be conducted before registration. For transferable DFIA, prior to registration, it is to be verified that the details of exports given along with the DFIA matches the record of exports and is genuine. For both, the discrepancy, if any, found needs to be first referred to Regional Authority of DGFT.

8. In registering duty credit scrip or DFIA which is not simultaneously received online through electronic transmission from DGFT, care should continue to be exercised that correct particulars are entered in the Customs EDI system so that there is no room for mismatch of details.

Clearance stage

9. The respective notifications issued under Customs Act 1962, inter alia, prescribe that the scrip/authorization shall be presented before the proper officer of customs at the time of clearance for debit. This is, inter alia, for preventing non-genuine usage, for example, arising from difference between scrip/DFIA particulars *vis a vis* particulars shown on bill of entry, or from scrip of one scheme getting used for clearance under another scheme, etc. The absence of dematerialized system for recording issuance and transfer of scrips/DFIA issued by DGFT also necessitates presentation of the scrip for ensuring that use is by a genuine transferee holder-importer.

10. Field formations are directed to align their practices along the above lines. If there are aspects in these Instructions which require a review, they may be immediately brought to the notice of the Board.

Yours faithfully,
(Dinesh Kumar Gupta)

Director

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