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2003 - 2004

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One sparrow does not make a summer

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A Major revision in the norms for Bank Guarantee / Bond for the Advance licences / EPCG schemes has been silently introduced by the Board through its Circular No. 48/2003-Cus dt. 06.06.2003 vide F No.605/41/2003-DBK - 2003 (56) RLT M109.

The said Circular superceded its base circular No.45/96-Cus dt. 28.08.1996 and 71/98-Cus dt. 15.09.1998. The Board has decided to incorporate additional safe guards based on some reported misuse. In the process of tightening the rope, the Board has also strangled the tender necks of genuine manufacturer exporters, who operate on a small/medium scale and the spinal card of Indian Export Industry.

As the Bond value is always for the duty foregone, the base Circular 45/96 provided for 25% of Bank guarantee for the manufacturer exporters in case of DEEC and 50% in case of EPCG scheme. The much celebrated circular 71/98 provided further concession of bank guarantee under the DEEC and EPCG schemes to the manufacturer exporters who are registered with the Central Excise Department. It provided total exemption from the bank guarantee for the manufacturer exporters who were having an export turnover of Rs.1 Crore or more during the preceeding financial year and also having an unblemished track record under the provisions of Customs Act, Central Excise Act, Foreign Regulations Act or Foreign Trade (Development and Regulation) Act during the last two financial years. The other condition was that there shall be a surety to the bond, certified by the Bank or a Chartered Accountant that such surety is solvent. Even as per the said Circular the manufacturer exporters, who did not have an export turnover of Rs.1 Crore, were required only to furnish bank guarantee to the extent 25% of the Bond amount.

But with the advent of the latest Circular No.48/2003, a new segment of manufacturer exporters who have paid Central Excise duty of Rs.1 Crore or more during the preceeding financial year have been identified and given a total waiver of Bank guarantee. It has also been made that only the bank is the certifying authority for solvency of surety. Welcome decision. But in the process, the Board has dispensed with the existing 25% bank guarantee status to the manufacturer exporters registered with the Excise Department and has made them to fall in line with "others" with the requirement of 100% Bank guarantee. The Board has not adduced enough or any reasoning to substantiate such dispensation of concessional bank guarantee to the manufacturer exporters. The preamble to the said circular is apprehensive about the reported frauds committed by some unscrupulous importers of POY/ PFY fabrics etc. of Mumbai and Gujarat Areas. Can such frauds by few miscreants lead to the dispensation of the facility for the rest? In such larger issues the Board has to be considerate and not conservative. Is it the intention or just a slip?