

MINUTES OF THE DG LEVEL TALKS HELD IN JUNE 1998

As per the decision taken during the India –Bhutan Plan Talks held in New Delhi March 1998, a GOI excise delegation visited Bhutan from June 2-8, 1998 to review the excise refund procedure under Article VIII of the Agreement on Trade and Commerce between India and Bhutan.

The Indian delegation visited the Indian Customs checkpoint at Jaigaon and the RGoB's Regional Revenue and Customs Office (RRCO) at Phuentsholing on June 2-3 June, 1998. The delegation familiarized itself with the import procedures, documentation and computerisation of data being followed by RGoB and collected samples of import documents maintained by RRCO, Phuentsholing.

Prior to the commencement of the talks in Thimpher on June 4, the Indian delegation called on H.E.Lyonpo D.Tshering, Hon'ble Minister of Finance of the RGoB. Welcoming the delegation to Bhutan, the Hon'ble Minister referred to the close ties of friendship and cooperation between India and Bhutan and India's contribution to Bhutan's development.

At the very outset of talks, the two sides noted that the system of excise refunds needed improvements to bring it as close to actuals as possible. Both sides emphasized the desirability of streamlining the existing procedure or excise refund of evolving a revised system which would take into account Tariff, Commodity-wise, based on Chapters under the H.S.coding system and for downsizing the import value to exclude taxes, freight, profit-margin etc. which may have been included in the assessable value of commodities exported to Bhutan.

After examining samplings of invoices obtained from the Phuentsholing check post and details of trade statistics compiled by RGoB, it was noted that the approximately 55% of RGoB's total imports from India consisted of finished goods, equipment and machinery that was sourced from factories directly or through their depots, etc. However, only a small percentage of invoices received in respect of such imports reflected the actual excise amount paid on the goods. The Indian side pointed out that whenever excise was paid on ex-factory consignments, an excise invoice reflecting actual excise amount paid was issued. This invoice was required to be presented by the consigner/exporter at the time of entry of the goods into Bhutan. However, in most cases, it appeared that consignments/exporters submitted only sales invoices to RGoB's Customs authorities that did not reflect the actual excise duty paid to GOI. At RGoB's request, the Indian delegation agreed to provide a letter reiterating GOI's instructions requiring that all ex-factory consignments be accompanied by the invoice reflecting the excise component. The RGoB

on its side would insist upon importers to procure excise invoices based on which GOI agreed to refund excise on actual basis.

The Indian side also suggested that details of quantity etc. should be shown while compiling import data in respect of goods chargeable to specific rate of central excise duty such as petroleum, oil, lubricants (POL), cement etc. This would enable the actual excise levied on such products to be calculated and refund to be effected on actual basis. The trade statistics to be printed by RGoB would show separately transactions in hard currency and imports for Tala, Dungsom and Kurichu GOI aided projects.

Both sides felt that the identification of import items, as detailed above, and on which the excise component could be determined or calculated accurately, would narrow down the adhoc element in excise refunds to the minimum. For the balance imports accounting for approximately 30% where the invoices showed only the purchase value and did not show the amount of central excise duty paid on the goods, it was agreed that the earlier formula, involving the downsizing of 40% from the original import value to take into account taxes, freight, margins etc. included in the assessable value of the goods, would be applied. Since it would be possible to implement the revised scheme prospectively only, it was decided that refunds on pending claims i.e. 1996, as well as for 1997 and 1998, would continue to be calculated on the existing basis. Even in respect of past claims where RGoB can provide details of bulk purchases, an effort will be made by the GOI to ascertain the actual amount of duty paid on such goods, so as to refund the exact amount.

With regard to the issue of excise free flow of goods for the Tala, Dungsom and Kurichu Projects, separate agreed proposals were arrived at in a meeting with H.E. Lyonpo Om Pradhan, Hon'ble Minister of Trade, Industry and Power, RGoB. These delegation level proposals will be subject to the approval of GOI. The RGoB excise delegation endorsed the proposals and requested that these may be processed by GOI at the earliest.

The delegation of RGoB requested for an adhoc release against their pending claim for 1996 before the end of the Bhutanese fiscal year on 30 June 1998.

Both delegations felt that with the application of the new scheme for calculation of excise refund, the element of adhocism would be minimized and would apply only to goods purchased from retailers and wholesalers not supported by documentation indicating excise amount involved. It was recognized that the nature of imports as well as the quantum of trade would vary over time and accordingly the percentage of

imports for which claims were calculated on adhoc basis would decrease further.

It was decided that there would be a periodic exchange with regard to excise related issues and functioning from both sides with atleast one exchange of visit a year as this would enable a better understanding of the refund procedures involved and expedite finalisation of the refund claims.

The Indian delegation thanked the RGoB for their warm welcome and hospitality extended. Both sides expressed satisfaction over the outcome of the talks and felt that they reflected the spirit of goodwill and cooperation existing between India and Bhutan.