

1.4 MINUTES OF THE DG LEVEL TALKS HELD IN MARCH 2002

A GOI Excise delegation led by Shri M.C.Kaul, Director General, Inspections visited Bhutan from 18th March to 24th March 2002 to discuss the pending excise refund claims for the years 1998 and 1999 and also to further streamline the refund procedure for the future claims so as to approach as close to actuals as possible.

The delegation called on H.E.Lyonpo Khandu Wangchuk the Honourable Minister for trade and Industries and Dasho Ugen Tsering Secretary, Ministry of Foreign Affairs prior to the formal meeting. The Bhutanese delegation was led by Dasho Wangdi norbu, Secretary, Ministry of Finance.

At the outset, leader of the Bhutanese delegation, Dasho Wangdi Norbu, Secretary, Ministry of Finance, RGoB welcomed the GOI Excise delegation and thanked them for trouble of visiting Bhutan. He expressed that such meetings between the two sides would positively contribute to further promoting closer understanding and mutual cooperation.

Mr.M.C.Kaul, Director General, leader of the GOI delegation expressed his appreciation for the warm reception and hospitality extended to them. He further stressed the friendly relation between the two countries and hoped that close cooperation and understanding shall continue.

After the introductory remarks by leaders of the respective delegation, discussions took place on the agenda items.

1. RGoB's DUTY REFUND CLAIMS FOR 1998 & 1999

The RGoB delegation enquired on the status of the Excise refund claims for the years 1998 and 1999 which were submitted to the GOI. The GOI delegation observed that the documentation provided for the claims for refund had improved substantially from the past. However, there were still some shortcomings in the compilation of the trade statistics, GOI delegation informed, inter-alia that the values of excisable and non-excisable goods are not properly worked out in the trade statistics, the effective rates of duties are not correctly shown in some cases, the unit of measurement for levy of central excise duty are not shown correctly in case of goods attracting specific rates of duty, there is no indication to show that the goods mentioned in the trade statistics are of Indian origin only, the currency code for the values are not shown etc. The RGoB delegation noted the points and assured that the future claims of refund would be submitted without any such defects. It was further pointed out

by GOI delegation that the trade statistics should be certified/authenticated by RGoB authorities as it used to be in the past.

It was further observed by GOI delegation that the trade statistics are based on calendar year whereas excise duties are levied on financial year basis by the GOI. The trade statistics for the year 1998 indicates rates of duties based on central excise tariff for the year 1998-99 whereas the Budget for the year 1998-99 was presented on 1st June, 1998. The rates of duties for clearances made prior to June 1998 would therefore attract duty as per central excise tariff 1997-98 and those cleared after May 1998 till December 1998 would attract rates of duty as per tariff 1998-99. The GOI delegation stated that the refund claim for the year 1998 would have to be worked out accordingly. The RGoB delegation stated that they are not in a position to segregate the values in the trade statistics for pre and post Budget 1998-99. To this, the GOI delegation informed the RGoB delegation that the refund amount based on 1997-98 tariff has been worked out amounting to Rs.21.66 crores and if RGoB authority can submit split up values for pre and post Budget, the GOI authorities can further work out the refund amount on the basis of the supplementary refund claims of RGoB. However, RGoB delegation expressed its inability to provide such details and stated that the refund amount as worked out on the basis of 1997-98 tariff was acceptable to them.

The GOI delegation pointed out that in the Minutes of the Meeting of June 1998 it was agreed that the refund claims for the year 1999 onwards would be based on the revised scheme as mentioned in the Minutes i.e. 55 percent of the claim would be based on manufactures invoice, 30 percent would be based on downsizing of value by 40 percent and remaining 15 percent pertaining to goods attracting specific rate or duty would be claimed at the rate of 25 percent without downsizing the value. The GOI delegation pointed out that the refund claim for the year 1999 are not in terms of the aforesaid agreed Minutes of the Meeting and therefore the refund claims could not be processed. The RGoB delegation informed that although they were working out a procedure to adhere to the norms prescribed in the Minutes of 1998, still they are not in a position to submit the refund claims for the year 1999 in terms of the said Minutes. They suggested that the refund claims for the 1999 may also be processed as per previous practice. However, they assured that the refund for the years 2000 onwards would be submitted as per agreed procedure during the Meeting.

2. PROCEDURE FOR REFUND CLAIMS FOR THE YEARS 2000 AND ONWARDS

Both the sides felt that the excise refunds should be close to actuals for which a procedure should be laid down. However, keeping in view the difficulties faced by RGoB in data capturing at their check posts and also the fact of absence of any prescribed documents accompanying the goods, both the sides felt that the following procedures may be followed till a procedure is prescribed by GOI and RGoB based on a Notification in this regard.

- (i) Excise duty refund claims for imports made directly from the factory will be on actual basis based on GOI Excise documents and the trade statistics would accompany such documents.
- (ii) For imports made from the open market and where Excise documents are not available, old scheme of downsizing the value by 40 percent would be applied for the goods attracting ad valorem rates of duty.
- (iii) For goods attracting specific rate of duty, the trade statistics will show the correct unit of measurement as per tariff and duty refund amount will be calculated applying specific rates of duty commodity wise based on tariff.

However, the RGoB delegation assured their commitment for improvement of trade statistics so that the data furnished therein is based on manufacturers invoices so that the competent arising out on the strength of Para 2(ii) above is gradually reduced.

3. COOPERATION BETWEEN THE TWO ADMINISTRATIONS

The RGoB delegation suggested for the regular exchange of visits between the two administrations of Bhutan and India in order to familiarize with the system adopted in the respective administrations which was fully appreciated by the GOI delegation.

The RGoB delegation also requested the GOI delegation for institutional the tips in training the Bhutanese Customs & Excise officials in India. The GOI delegation suggested that instead of sending the officials from Bhutan, a few resource persons could be invited from India to train the Bhutanese Customs and Excise officials in Customs and Excise matters with particular emphasis on data capturing, documentation

and tariff related matters. This would enable the Bhutanese Customs administration to train more officials.

Finally, the Secretary, Ministry of Finance thanked the GOI delegation for the valuable suggestions made by them and wished them a pleasant and enjoyable stay in Bhutan.

1.5 STATISTICAL DATA FOR BHUTAN REFUND

YEAR	VALUE OF IMPORT GOODS(Rs.IN CRORES)(EXCISABLE GOODS)	REFUND CLAIMED (Rs.IN CRORE)	REFUND WORKED OUT (Rs. IN CRORES)
1995	147.52	23.80	16.88
1996	189.90	26.82	20.42
1997	234.04	24.96	23.68
1998	241.26	29.77	21.66
1999	414.72	32.30	31.57

1.6 LIST OF CHECK POST IN BHUTAN

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|-----|-------------------------|-----|----------------------|
| 3. | Transit Office, Thimphu | 10. | Customs House,P/ling |
| 4. | Paro Airport | 11. | Kalikhola |
| 5. | Sibso | 12. | Sarpang |
| 6. | Jitti | 13. | Gelephu |
| 7. | Samtse | 14. | Nangalam |
| 8. | Trashijong | 15. | Samdrup Jongkha |
| 9. | Gomtu | 16. | Bhangtar |
| 10. | Pugli | 17. | Samrang |
| 11. | Phuentsholing | 18. | Daifam |

1. EXPORT TO BHUTAN UNDER NOTFN.45/2001-CE(NT) DATED 26.6.2001

As per notification the respective project authorities for the projects mentioned in the notification have to apply in writing to DGICCE for registration of contract through MEA as soon as the contract has been concluded with the suppliers. Kurichu & Tala Hydro Electric Projects have been specified in the said notification. These two Hydro Electric Projects are registered in DGICCE and the related work is being carried out by DGICCE which, inter-alia, includes assigning a number for

registration of the contract and communicating the same to the Jurisdictional Commissioner of Central Excise, finalisation of the contract and closing the entry in the register after reconciling quarterly statement of supplies received from the project authority and the statement from the Jurisdictional Commissioner of Central Excise.

2.1 **NOTIFICATION NO.45/2001-CE(NT) DATED 26.6.2001**

In exercise of the powers conferred by sub-rule(3) of rule 19 of the Central Excise Rules 2001 the Board hereby specifies the conditions, safeguards and procedures for export of all excisable goods without payment of excise duty from the factory of production or manufacture, warehouse or any other premises as may be approved by the Commissioner of Central Excise, namely:-

1. **Conditions and safeguards :-**

(1) **Export under bond to Nepal or Bhutan where payment is in freely convertible currency** – Export under bond to Nepal or Bhutan where payment is in freely convertible currency, shall be subject to following conditions, namely:-

- (i) the importer in Nepal or Bhutan, as the case may be, shall open an irrevocable letter of credit in favour of the exporter in India, before the export takes place;
- (ii) condition (i) shall not apply if the excisable goods other than consumer goods, but excluding motor vehicles, are exported without payment of duty as :-
 - (a) supplies to projects financed by any United Nations agency, the International Bank for Reconstruction and Development, International Development Association, the Asian Development Bank or any other multilateral agency of like nature;
 - (b) to all diplomatic missions in Nepal or Bhutan provided the Indian Embassy or the Ministry of External Affairs certifies that the import is for the personnel of the diplomatic community;
- (iii) the exporter shall furnish a bond in Form before the Asstt.Commissioner of Central Excise or the Deputy Commissioner of Central Excise having jurisdiction over the factory, warehouse, or the approved premises or such

other officer as authorized by the Board on this behalf, from where the goods are removed for export to Nepal, as the case may be, or Bhutan.

- (iv) the exporter shall furnish a certificate in Form from the Reserve Bank of India or any other bank authorized to deal in foreign exchange by the Reserve Bank of India, showing that full payment for the goods has been duly received in freely convertible currency. On receipt of such a certificate and on the satisfaction that the goods have been exported in terms of the bond referred to in sub-condition (iii), the Asstt. Commissioner of C.Ex. or the Dy. Commissioner of C.Ex. or the such other officer as authorized by the Board on this behalf shall discharge the exporter of his liabilities under the bond;

Explanation – “Freely convertible currency” means Australian Dollars, Austrian Schillings, Baharin Dinars, Belgian Francs, Canadian Dollars, Danish Kroners, Deutsche Marks, French Francs, Hongkong Dollars, Italian Lire, Japanese Yen, Kuwaiti Dinars, Malaysian Dollars, Netherlands Guilders, Norwegian Kroners, Pounds Sterling, Singapore Dollars, Swedish Kroners, Swiss Francs and USA Dollars (and includes Indian Rupees bought by the Asian Development Bank by payment to the Reserve Bank of India in foreign exchange).

- 2. **Export to Nepal in bond against payment in Indian rupees-**

- 3. **Export in bond of petroleum oil and lubricant products to Nepal –**

- 4. **Export in bond for supplies to Government of India Aided Projects in Nepal and the Embassy Cooperative Store and Embassy Petrol Pump located in Nepal for the bona fide use of officers and staff of the Embassy in Nepal –**

- 5. **Export of all excisable goods without payment of duty to Kurichu Hydro Electric Project and Tala Hydro Electric Project in Bhutan-**
Export of all excisable goods without payment of duty to Kurichu Hydro Electric Project and Tala Hydro Electric Project in Bhutan shall be subject to the following conditions, namely:-

- (i) the exporter shall furnish a bond in form before the Asstt. Commissioner of C.Ex. or the Dy. Commissioner of C.Ex. or such other officer as authorized by the Board on this behalf;
- (ii) the goods are supplied against one or more specified contract which have been registered with the Directorate General of Inspection, Customs and Central Excise in the manner specified in Annexure-III
- (iii) the goods are covered by a release order issued by an officer authorized by the General Manager of the concerned project authority.
- (iv) The exporter furnishes a bond in the Form to the Asstt. Commissioner of C.Ex. or the Dy. Commissioner of C.Ex. having jurisdiction over the factory, warehouse or the approved premises or from where the goods are removed for export to the specified project or such other officer as authorized by the Board on this behalf.

ANNEXURE-III

Registration of Contracts

1. Every Project Authority specified in the notification desirous of obtaining supplies under benefits of this notification shall apply in writing to the Director General, Directorate General of Inspection (Customs and Central Excise (hereinafter referred to as DGICCE), 5th Floor, Drum Shape Building, I.P.Estate, New Delhi for registration of the contract through Ministry of External Affairs as soon as the contract has been concluded with the suppliers;
2. The application shall be accompanied by the original deed of contract and list of items duly approved by the Ministry of External Affairs.
3. The Project Authority shall also furnish such other documents or other particulars as may be required by the DGICCE in connection with the project.
4. DGICCE, on being satisfied, shall register the contract by entering the particulars in a Register maintained separately for each project and shall assign a number in token of registration and communicate the same to the Project Authority and shall also return to the project authority all

original documents which are no longer required. This number shall be indicated on all the invoices and other related documents.

5. A copy of the contract so registered along with the approved list of items shall be forwarded to the Commissioner of Central Excise having jurisdiction over the factory/warehouse to which the contract pertains for extending benefits under this notification and consequent benefits under sub-rule (18) of rule of the Central Excise CENVAT Credit Rules, 2001 to the supplier.

Amendment of Contract

1. If any contract referred to hereinabove is amended, whether before or after registration, the Project Authority shall make an application for registration of amendments to the said contract to the DGICCE.
2. The application shall be accompanied by the original deed of contract relating to the amendment and a list of items pertaining to amendment, if any, duly approved by the Ministry of External Affairs.
3. On being satisfied that the application is in order the DGICCE shall make note of the amendments in the relevant entries.
4. The DGICCE shall forward copy of the amended contract and the amended list of items, if any, to the concerned Commissioner of Central Excise.

Finalisation of Contract

1. Each Project Authority shall submit a statement of supplies received on quarterly basis along with relevant invoices and other documents to the DGICCE within one month from the last date of the quarter.
2. The Commissioner of Central Excise to whom a registered contract has been forwarded shall forward a statement, after all the items covered under the contract have been exported, to the DGICCE.
3. The DGICCE shall, on receipt of the statement, reconcile both and, if satisfied, finalise the contract and close the entry in the register.