

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:6654  
ANSWERED ON:10.05.2005  
MMTC  
Appadurai Shri M.;Selvi Smt. V. Radhika

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) whether MMTC suffered huge loss by way of sales tax on packing materials (Gunny bags) on purchase of Wheat and Rice from FCI during 2000-2004 for export purpose?
- (b) If so, the details thereof;
- (c) Whether such collection of sales tax on packing materials by FCI is contrary to legal provisions;
- (d) If so, steps taken to refund claim from FCI;
- (e) Whether MMTC has entered into litigations in India and Overseas;
- (f) If so, the details thereof alongwith current status of each litigation including amount involved;
- (g) Whether MMTC has provision for the same in the audited Balance Sheet; and
- (h) If not, steps initiated to incorporate in the Balance Sheet?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY ( SHRI E.V.K.S. ELANGO VAN)

(a) No, Sir.

(b) Does not arise.

(c) Food Corporation of India (FCI), which is a Public Sector Enterprise and Registered under the Sales Tax Act, have collected sales tax in respect of gunnies supplied for wheat and rice dispatched to ports. Thus, collection of sales tax by FCI is not contrary to legal provisions.

(d) Does not arise.

(e)&(f): The handling agents nominated by Overseas buyers and Indian agents of Overseas buyers have initiated litigations against MMTC and others, and the matter is pending in Arbitration/various Courts in India. No case, however, is pending outside India. The details are as under:

(i) Arbitration for godown rent with Regional Office, Chennai:

Amount claimed is Rs. 81,52,402 plus 18% per annum, proceedings are in progress.

(ii) Arbitration for godown rent with Regional Office, Vizag:

The Arbitrator has given award in favour of the claimant to pay Rs. 27,23,865 with interest at 18% per annum, MMTC has challenged the Award in the District Court, Vizag.

(iii) Towards market fee of Rs. 12 lakhs (approx.):

The party has filed a case in Andhra Pradesh High Court, Hyderabad. MMTC has already filed its reply. Reply from FCI and the Andhra Pradesh Government is pending.

(iv) Towards Sales Tax on Gunny Bags - Rs. 19 lakhs (approx.):

For sales tax the party has filed a writ in the Delhi High Court against FCI and others. MMTC is Respondent No.2 case is pending.

(g)&(h): As per Accounting Standards, the liability/provision is made only upon the final verdict by Arbitrator/Court.