

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:122

ANSWERED ON:11.03.2005

DUTY EVASION

Vasava Shri Mansukhbhai D.;Yadav Shri M. Anjan Kumar

Will the Minister of FINANCE be pleased to state:

- (a) the details of duty evasion through misuse of export incentive schemes as detected by various agencies during the last three years in Delhi and other metros;
- (b) the number of cases pending for disposal without issue of show cause notice;
- (c) the preventive measures being adopted in the form of policy changes or Amendments to the relevant Act;
- (d) whether a system of computerised networking among intelligence agencies viz. DRI, CEIB, ED, RI, etc. is in place to pre-empt the economic crimes committed; and
- (e) if not, whether a time frame could be fixed for the above purpose?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a), (b), (c), (d) and (e): A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (A), (B), (C) (D) & (E) OF LOK SABHA STARRED QUESTION NO. 122 TO BE ANSWERED ON 11th MARCH, 2005.

1491 cases of evasion of duty through misuse of export promotion schemes have been detected by the various agencies during 2001-02, 2002-03, 2003-04 and April 2004-February 2005 in Delhi and other metros. Out of these, in 1108 cases, show cause notices have been issued and the same are at the various stages of adjudication, appeals etc. In 383 cases, show cause notices have not been issued, as the investigations are yet to be completed.

Changes in the policy and amendments in the relevant Acts are made from time to time to prevent misuse of export promotion schemes. In fact, there are in-built safeguards in the schemes to prevent their misuse. Some of these are as follows: -

- (i) Licences issued under Advance Licensing Scheme are subject to actual user condition and are non-transferable.
- (ii) Capital goods imported under Export Promotion Capital Goods Scheme are subject to actual user condition till the fulfilment of export obligation.
- (iii) In the case of specified export items of sensitive nature under Duty Free Replenishment Certificate Scheme the exporter is required to give declaration with regard to technical characteristics, quality and specification in the Shipping Bill. This has been done to ensure that the inputs to be imported under the Scheme have nexus with the goods exported.
- (iv) Value caps have been fixed for various export items under the Duty Entitlement Passbook Scheme to help prevent misuse by over-invoicing. In respect of products where the credit entitlement is 10% or more, the amount of credit is restricted to 50% of the Present Market Value (PMV).
- (v) All Industry Rates of Drawback for most of the products have been expressed in terms of weight to preclude the possibility of misuse through over-invoicing. Wherever ad valorem rates are there, drawback caps have been imposed.

Apart from the safeguards provided in the Schemes, other steps taken to prevent their misuse are: -

- i) Enhancing the effectiveness of intelligence-based checks by the Directorate General of Revenue Intelligence (DRI).
- ii) Special targeting of risk-prone commodities and exporters for critical examination of the goods/declarations.

iii) Critical verification of market value of export goods.

iv) Parameter-based selection of export consignments for examination and scrutiny. Higher examination norms for goods exported to sensitive destinations.

At present, there is no computerized networking among the various intelligence agencies. However, the intelligence agencies interact with one another as and when required. The interaction is need-based. Besides, the Central Economic Intelligence Bureau (CEIB), through the medium of Regional Economic Intelligence Committee (REIC) meetings, provides a forum for exchange of information among the various intelligence agencies.