

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

UNSTARRED QUESTION NO:222

ANSWERED ON:01.08.2011

CONTRIBUTIONS OF EXPORT HOUSES

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

- (a) the percentage-wise share of industrial export-oriented units to the total exports of the country during the last three years;
- (b) the value-wise details of tax rebates and other concessions and facilities provided to these units during the said period;
- (c) whether the Government has received reports regarding misuse of export promotions by some of these units;
- (d) if so, the details thereof and the action taken by the Government in this regard; and
- (e) the details of the impact of the Government's action on such export oriented units?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) The share of Export Oriented Units (EOUs) in the total exports of the country are about 25.74%, 21.04%, 8.42% during the year 2007-08, 2008-09, and 2009-2010 respectively.

(b) Export Oriented Units (EOUs) are eligible for fiscal concessions which include duty free import/ domestic procurement and reimbursement of Central Sales Tax (CST) on capital goods, raw materials, consumables for their production activities and corporate tax exemption on export income for a specified period. The duty foregone on account of direct taxes and indirect taxes under Export Oriented Unit/ Electronic Hardware Technology Park/Software Technology Park Schemes is given as under:

(Rupees in crores)

| Year | Direct Taxes | Indirect Taxes |
|------|--------------|----------------|
|------|--------------|----------------|

| | | |
|---------|----------|----------|
| 2007-08 | 17681.00 | 18978.00 |
|---------|----------|----------|

| | | |
|---------|----------|----------|
| 2008-09 | 19596.00 | 13401.00 |
|---------|----------|----------|

| | | |
|-------------|----------|---------|
| 2009-10 | 23253.00 | 8015.00 |
| (Estimated) | | |

Source: Receipt Budget, Govt. of India 2009-10 & 2010-2011 for Direct and Indirect Taxes

(c) to (e): Comptroller and Auditor General (C&AG) had conducted a Performance Audit of EOU scheme for the year ended March 2006. C&AG had reported violations such as Non/short fulfillment of export obligation, Excess and inadmissible imports, Irregular and unauthorized DTA sales, Excess reimbursement of CST, Drawback on DTA sales, Non-realization of export proceeds, Irregular de-bonding, and Non receipt of re-warehousing certificates. The observations of C&AG were laid on the table of both Houses of Parliament as Report No. 7 of 2007 (Indirect Tax). Steps have been taken by Government to curb such violations. The following

important steps have also been taken as part of follow up action of C&AG's recommendations:-

(i) In order to ensure better coordination in the field formation of Department of Revenue and Department of Commerce, Unit Approval Committee has been constituted to exercise delegated powers of Board of Approvals by including officials of Jurisdictional Customs and Central Excise, Zonal DGFT, under the chairmanship of Development Commissioners.

(ii) Appendix 14-I-G and 14-I-F of Handbook of Procedures have been suitably amended to strengthen monitory mechanism of annual performance of EOUs.

(iii) Exhaustive Monthly ER-2 return comprising of the details of receipt of inputs clearance of goods for exports/DTA has been prescribed for the EOUs.

Instances of violation/misuse are dealt by the concerned Development Commissioner/Central Excise and Customs authorities as per the relevant provisions of law as and when detected. As per the information available, the number of such cases is declining as 412,262 and 89 during the year 2007-08, 2008-09 and 2009-2010 respectively.