

**'Improper exemption of IGST on import of
Pharmaceutical Products'**

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

SEVENTY-NINTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

SEVENTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE
(2023-24)

(SEVENTEENTH LOK SABHA)

**'Improper exemption of IGST on import of
Pharmaceutical Products'**

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)



Presented to Lok Sabha on: 18.12.2023

Laid in Rajya Sabha on: 18.12.2023

LOK SABHA SECRETARIAT
NEW DELHI

December, 2023 / Agrahayana, 1945 (Saka)

CONTENTS

		PAGE
	COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2023-24)	(iii)
	COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2022-23)	(v)
	INTRODUCTION	(ix)
	PART – I	
	Report	
	PART - II	
	Observations/Recommendations of the Committee	
APPENDICES		
I	Minutes of the First Sitting of Sub-Committee III of PAC (2022-23) held on 14 December, 2022	
II*	Minutes of the Second Sitting of Sub-Committee III of PAC (2022-23) held on 03 April, 2023	
III*	Minutes of the Fourteenth Sitting of PAC (2023-24) held on 14 December, 2023	

**Not appended to the Report.*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2023-24)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri Thalikkottai Rajuthevar Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Vishnu Dayal Ram
7. Shri Pratap Chandra Sarangi
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Shri Brijendra Singh
11. Shri Rajiv Ranjan Singh *alias* Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabbhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohli
17. Dr. K. Laxman
18. Shri Sukhendu Sekhar Ray
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

Secretariat

1. Smt. Bharti S. Tuteja - Director
2. Ms. Malvika Mehta - Under Secretary

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2022-23)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

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14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Dr. C. M. Ramesh
20. Vacant¹
21. Dr. M Thambidurai
22. Dr. Sudhanshu Trivedi

¹ Shri V. Vijayasai Reddy ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 21 June, 2022.

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24), having been authorised by the Committee, do present this Seventy-ninth Report (Seventeenth Lok Sabha) on “**Improper Exemption of IGST on Import of Pharmaceutical Products**” based on Para 4.8.3 of C&AG Report number 17 of 2020 (Union Civil Compliance) relating to the Ministry of Finance, Department of Revenue.

2. The Report of Comptroller and Auditor General of India was laid in the Parliament on 24 March 2021.

3. The Public Accounts Committee (2022-23) selected the subject for detailed examination and report. The subject was carried forward for examination by the successor Public Accounts Committee during their current term i.e. 2023-24. The subject was allocated to Sub-Committee III who took briefing from Officers of C&AG of India at their sitting held on 14.12.2022. Thereafter, the Sub-Committee took oral evidence of the representatives of the Ministry of Finance, Department of Revenue at their sitting held on 03.04.2023. The Sub-Committee obtained detailed information in connection with the examination of the subject. The Public Accounts Committee (2023-24) considered and adopted this Report at their sitting held on 14 December, 2023. The Minutes of the sittings of the Committee are appended to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part-II of the Report.

5. The Committee thank their predecessor Committee for taking oral evidence and obtaining information on the subject.

6. The Committee would like to express their thanks to the representatives of the Ministry of Finance, Department of Revenue for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the office of the Comptroller and Auditor General of India.

NEW DELHI:
14 December, 2023
23 Agrahayana, 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

Part- I

Report

1. The Public Accounts Committee decided to take up for detailed examination and report, Para 4.8.3 of C&AG Report number 17 of 2020 (Union Govt; Department of Revenue-Customs-Compliance Audit) on the subject "Improper Exemption of IGST on Import of Pharmaceutical Products". This Para pertains to the Ministry of Finance, Department of Revenue.
2. Audit briefed the Committee on the subject matter at the sitting of the Committee held on 14.12.2022. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Finance, Department of Revenue on the aforementioned Para at their sitting held on 3rd April, 2023 and also obtained written information on various aspects of the issues under consideration. Based on the oral evidence and written submissions made, the Committee have carried out in-depth examination of the subject as detailed in the succeeding paragraphs.
3. Customs duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution). Customs receipts form part of the indirect tax revenue of the Government. Duties of Customs are levied under the Customs Act, 1962 (the Act), and the rates of duties are governed under the Customs Tariff Act and notifications issued from time to time.
4. Department of Revenue (DoR) under Ministry of Finance (MoF) is responsible for administration of Indirect taxes and Direct taxes, through two statutory Boards namely, the Central Board of Indirect Taxes and Customs (CBIC) and Central Board of Direct Taxes (CBDT) constituted under the Central Board of Revenue Act, 1963. The levy and collection of Customs duty and cross-border preventive functions are administered by the CBIC through 70 Customs Commissionerates across the country.
5. Customs receipts before the introduction of Goods and Services Tax (GST) comprised of the Basic Customs duty (BCD), Countervailing duty (CVD) and Special additional duty of Customs (SAD). After introduction of GST w.e.f. 1 July 2017, the CVD and SAD on import of all commodities, except petroleum products and spirits, have been subsumed and replaced by Integrated Goods and Services Tax (IGST).
6. According to Audit, IGST is leviable at the rate of five *per cent* with effect from 15 November 2017 on Scientific and technical instruments, apparatus, accessories and consumables, specified in notification no. 51/96-Customs, dated the 23.07.1996, when imported by Public funded research institution or a University, Central or State Government Department or laboratory (notification no. 47/2017-Integrated Tax (Rate), dated 14 November 2017 as amended vide notification no. 10/2018 dated 25 January 2018). Earlier, imports by these organizations were exempted from levy of IGST under notification no. 51/96- Customs.
7. M/s. 'F' and one other imported from 15 November 2017 to 31 March 2018 various drugs and pharmaceutical products (107 BsE) from different countries through (i) Commissionerate of Customs (Air Cargo Complex) Mumbai, and (ii) Airport Special

Cargo, Courier Cell, Mumbai. The importers claimed IGST exemption under notification no. 51/96 dated 23 July 1996, which was irregularly allowed by the Department. As per the notification dated 14 November 2017, IGST was leviable on goods imported w.e.f. 15 November 2017 at the rate of 5 per cent. Omission to do so resulted in non-levy of IGST on the imported goods to the extent of Rs. 99.09 lakh.

8. Further, it was also noticed that an additional amount totaling Rs. 16.15 crore was claimed as duty forgone during the same period against notification no.51/96.
9. On this being pointed out in June/November 2018/ March 2019, Deputy Commissioner, of Customs, ACC, Mumbai accepted the observation in one case and intimated in December 2018 that Less Charge Cum Demand Notice has been issued to the importer.
10. However, the Dy. Commissioner- Mumbai III, in another case, while not accepting the audit observation, seconded Importer's reply and stated that IGST Act, 2017 vide Section 5, contains provisions for levy of IGST on the specified goods on interstate supplies of goods and services and it is not an Act which provides for levy of IGST on imported goods. It has been further held that the charging Section for integrated tax in respect of imported goods is sub section (7) of Section 3 of the Customs Tariff Act and a reference to Section 5 of the IGST Act, 2017 in that sub section for the purposes of ascertaining the rate of IGST on imported goods when like or similar goods are supplied in India. Hence, it was held that IGST is not leviable on the imports objected to by Audit.
11. According to Audit, the Department's reply is not tenable as all imports shall be deemed as inter-State supplies under IGST Act, 2017 and accordingly IGST shall be levied in addition to the applicable Custom duties. As per Audit, this was communicated to the Department in November 2019 and their response was awaited till June 2020.
12. In addition to specific response to the above two issues, Ministry was also requested to examine reasons for non-compliance to notification dated 14 November 2017 on clearances made through ICES w.e.f. 15 November 2017 and offer comments on the reasons for lapses and also details of other imports which would have been assessed at incorrect IGST rate in ICES due to this lapse.
13. Analysis of import data of 2017-18 revealed that 26 similar imports of Scientific and technical instruments, apparatus, accessories and consumables made on or after 15 November 2017 through four Customs Ports², were exempted from IGST. Non-levy of duty implication was Rs. 24 lakh. CBIC was requested to examine these cases and take corrective action.
14. In their background note on the subject, the Ministry submitted the following:-

"Integrated tax (IGST) on imports is levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 [section 3(7) of the Customs Tariff read with proviso to section 5 (1) of the IGST Act]. Provisions of Customs Act,

²Mumbai Air Cargo (INBOM4), Delhi Air Cargo (INDEL4), Hyderabad Air Cargo (INH4D4), Chennai Air Cargo (INMAA4)

including the power to the Central Government to exempt, have been made applicable, vide section 3(12) of the Customs Tariff Act, to IGST levied on imports. In exercise of power vested in Central Government, under section 25 of the Customs Act, the Central Government, on the recommendation of the GST Council, has exempted IGST, on imports of Goods as specified in the notification No. 51/96-Cus, by amending this notification [vide S. No. 19 of amending notification No. 43/2017-Cus, dated 30.6.2017]. Hence, IGST is exempt on such goods. Objection raised by Audit is devoid of merit.”

15. On being asked as to how the Department of Revenue was ensuring seamless and smooth coordination between various wings of the CBIC i.e. GST wing and Customs in levying duties/taxes, in response, the Ministry submitted as follows:-

“IGST on imports is levied and collected in accordance with the provisions of Section 3(7) of the Customs Tariff Act, 1975 read with proviso to section 5(1) of the IGST Act, 2017. The provisions of the Customs Act, including the power to the Central Government to exempt any tax, have been made applicable to IGST levied on imports vide section 3(12) of the Customs Tariff Act, 1975. The IGST rate or exemption on both imports and domestic interstate supplies is based on the recommendation of the GST Council.

On the other hand, IGST on domestic inter-state supplies is levied under section 5 of the IGST Act, 2017. Hence the charging sections of IGST on imports and on domestic interstate supplies flow from different Acts and Notifications are issued accordingly under the respective statutes.

While the observations of the Committee on ensuring seamless and smooth coordination between different wings of CBIC has been duly noted, it is submitted that all the work relating to rate of duties or exemptions in respect of both GST and Customs are handled only by the Tax Research Unit (TRU) in CBIC. Therefore all rate notifications including exemption notifications are issued by TRU.”

16. When asked whether, while issuing Notification No. 47/2017 Integrated tax (rate), the intention of the GST wing was to impose IGST on the imports made by the public funded institutions, the Ministry submitted the following reply:-

“Prior to introduction of GST, the imports under question were exempt from additional duty leviable thereon under Section 3 of the Customs Tariff Act, 1975. The additional duties were countervailing duty in lieu or Central Excise duty and Special Additional Excise duty Section under Notification 51/96-Customs.

Upon introduction of GST, the words “additional duty leviable thereon under Section 3” was substituted by “integrated tax leviable thereon under sub-section (7) of section 3” in Notification No. 51/1996 vide Notification no. 43/2017-Customs dated 30 June 2017 (S. No. 19 refers). Thus, the intention was to exempt IGST on imports at the time of introduction of GST as is evident from issue of Notification no. 43/2017 – customs dated 30th June 2017 and such exemption from IGST was continued until 13th July 2022 when the exemption was withdrawn based on recommendations of the GST Council in its 47th meeting held in June 2022.

On the other hand, vide Notification No. 47/2017 Integrated Tax (Rate), the IGST rate on domestic interstate supplies was reduced from 28%/18% to 5%. This was done based on the recommendations of the GST Council in its 23rd meeting held on 10.11.2017. Prior to introduction of GST, central excise duty was also exempt when such goods were cleared to the specified public funded research institutions. However, the GST Council did not recommend exemption from IGST on domestic interstate supplies to ensure that the Input tax credit chain is not broken.”

17. On being asked about the provisions of Customs notification no. 42/2022, the Ministry submitted the following:-

“Vide Customs notification no. 42/2022 dated 13th July, 2022 the exemption from IGST hitherto available on imports of specified equipment by Public Funded Research Institutions was withdrawn.

Similarly, vide notification no. 11/2022 – Integrated Tax (Rate) dated 13th July, 2022, the concessional rate of 5% IGST hitherto available on domestic interstate supplies of the said specified equipment to Public Funded Research Institutions was withdrawn based on recommendations of the GST Council in its 47th meeting held in June 2022.

Consequently, such goods will attract the rate of 18%/28% as applicable on both imports as well as domestic interstate supplies.”

18. As per Ministry, the exemption in June 2017 was given on the recommendation of GST Council. When asked whether the matter of imposing IGST as made vide Notification no 42/2022 was placed before the GST Council, the Ministry submitted the following reply:-

“The Group of Ministers (GoM) on Rate Rationalization constituted by the GST Council recommended that the concessional GST structure (including exemption of IGST on imports) may be withdrawn. This was accepted by the Council in its 47th meeting held in June 2022. Accordingly, notification No. 42/2022-Customs dated 13.07.2022 was issued to withdraw the IGST exemption on imports. At the same time, notification No. 11/2022-Integrated Tax (Rate) dated 13.7.2022 was issued to withdraw the concessional rate of 5%.”

19. On being asked about the multiple notifications on the same issue, the Ministry submitted the following:-

“Imports:

Prior to GST, under Notification no. 51/96-Customs, the imports under question were exempt from additional duty leviable under section 3 of the Customs Tariff Act, 1975 [eg, countervailing duty (CVD) in lieu of central excise duty and special additional duty (SAD)].

Upon introduction of GST, on the Customs side, Notification no. 43/2017-Customs dated 30th June 2017 was issued to substitute, among others, the reference to

“additional duty leviable thereon under sub-section (7) of section 3 of the said Tariff Act” in Notification no. 51/96-Customs as also was done in many other customs notifications.

Thereafter vide Customs notification no. 42/2022 dated 13th July, 2022, the exemption from IGST hitherto available on imports of specified equipment by Public Funded Research Institutions was withdrawn based on recommendations of the GST Council in its 47th meeting held in June 2022.

Domestic interstate supplies:

Vide Notification No. 47/2017- Integrated Tax (Rate), the IGST rate on domestic interstate supplies was reduced from 28%/18% to 5% to provide some level playing field to domestic industry.

Thereafter, Notification no. 10/2018 – Integrated Tax (Rate), dated 25th January, 2018 was issued to rectify some anomalies in nomenclature which are in the nature of technical amendments. For instance, “Department of Scientific and Research” was substituted by “Department of Scientific and Industrial Research”. The words “Public Funded research Institution or a University or Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering college” was substituted by “Public Funded research Institution or a University or Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College other than a Hospital”.

Vide notification no. 11/2022-Integrated Tax (Rate) dated 13th July 2022, the concessional rate of 5% IGST hitherto available on domestic interstate supplies of the said specified equipment to Public Funded Research Institutions was withdrawn based on recommendations of the GST Council in its 47th meeting held in June 2022.”

20. When asked about why the Ministry did not make a mention of Notification No. 42/2022 issued in July 2022 in its background note that had been furnished to the Sub-Committee, the Ministry made the following submission:-

“The Detailed Background Note was submitted on 21.06.2022 on Selection of Subject for Examination by PAC (2022-23) during 2022-23. However the notification No. 42/2022-Customs was issued on 13.07.2022.”

Part- II

Observations/ Recommendations of the Committee

Introduction

The Committee note from the observations made by Audit that, *vide* Custom's notification no. 51/96 of the year 1996, while customs duty of 5 % was leviable on research equipment imported by public funded research institutions or a university, or an Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College, Departments and laboratories of Central or State Government, Regional Cancer Centre other than a hospital; exemption of Countervailing duty (CVD) or additional duty of customs (SAD) was granted on such imports.

After introduction of Goods and Services Tax w.e.f. 1 July 2017, the Countervailing duty and Special additional duty of Customs (SAD) on import of all commodities, except petroleum products and spirits, were subsumed and replaced by Integrated Goods and Services Tax (IGST). On the same lines, Additional duty of Customs was replaced by IGST in the aforesaid customs notification *vide* Customs Notification no. 43/2017 dated 30th June 2017. Subsequently, *vide* Integrated Tax-notification no. 47/2017 dated 14 November, 2017, applicable w.e.f 15 November, 2017 CBIC levied IGST @ 5% (which was additional) on such research equipment.

According to Audit, however, *vide* Integrated Tax- Notification no. 10/2018 dated 25.01.2018, the benefit of exemption was allowed as prescribed in the Customs Notification 51/96 w.e.f. 15.11.2017 (i.e. with retrospective effect), giving complete exemption from IGST thereby implying that IGST was leviable on such imports for the period 15.11.2017 to 25.01.2018.

CBIC subsequently withdrew the exemption benefit which was allowed under Notification no. 51/96 and IGST was levied *vide* Customs Notification 42/2022 dated 13 July 2022. At the same time, Integrated Tax-Notification 47/2017 dated 14 November, 2017 based on which IGST was levied was withdrawn *vide* Integrated Tax- Notification 11/2022 dated 13 July 2022.

The Committee have recorded their observations and recommendations on issues highlighted in the audit para that merit consideration in the succeeding paragraphs.

1. The Committee note from the Audit observation that two importers claimed irregular IGST exemption on various drugs and pharmaceutical products imported from different countries through (i) Commissionerate of Customs (ACC) Mumbai and (ii) Airport Special Cargo, Courier Cell, Mumbai between 15 November, 2017 to 31 March, 2018 under Customs Notification no. 51/96. The Committee note that when the matter was pointed out by Audit in one case, the Deputy Commissioner of Customs, ACC, Mumbai accepted the observation and intimated that 'Less Charge Cum Demand Notice' had been issued to the importer. However, in the other case, the Dy. Commissioner- Mumbai III, while not accepting the audit observation, seconded the Importer's reply and stated that IGST Act, 2017 vide Section 5, contains provisions for levy of IGST on the specified goods on inter-state supplies of goods and services and it is not an Act which provides for levy of IGST on imported goods. The Committee note from the submission made by the Ministry that on imports, the IGST is levied under the provisions of Section 3 of the Customs Tariff Act, and the Section also provides for exemption of Customs duty, and accordingly, the Government had amended the Customs Duty exemption notification for additional duties of Customs, that became effective from 1st July, 2017 when the GST was introduced. Thus, the goods imported by some of the research institutes remained exempted as per that notification. The rates for both IGST and CGST on the inter-State supply and within the domestic supply were actually revised from 18 per cent to 5 per cent from 15th November, 2017. However, the import duty which is levied under the Customs Act, treating this also as an inter-State supply of goods and services, was already exempt at nil. Later on also, it was clarified when this notification was issued on 25th January, 2018. In the explanation, it was provided that the notification which was earlier issued under the Customs Act will be applicable with effect from 15.11.2017 itself. Thus, apparently the intention for import purposes was always that there should be a differential of 5 per cent for the period, November to March, 2018 and that was maintained. The Committee while observing that Audit only carried out a test check desire that a thorough check of the assessments made by other Commissionerates may be made with a view to

ensuring that the instant notification and rates have been applied correctly by all of them.

2. The Committee while noting the explanation given by the Ministry are of the view that issuing frequent notifications and then clarifications thereon pertaining to certain imports made by Public funded research institutions is indicative of lack of clarity and coordination amongst the different wings of the same department. The Committee are surprised to note from the Ministry's submission that all the work relating to rate of duties or exemptions in respect of both GST and Customs are handled only by the Tax Research Unit (TRU) in CBIC. The Committee are perplexed as to how, despite there being only one Unit handling all notifications, confusing scenarios continue to arise. The Committee desire that the TRU/ CBIC should ensure that all the notifications are invariably supplemented by an exemplar wherein the notifications are explained with the help of examples of different scenarios. The relevant court cases/ precedents and all related notifications may also be made searchable with keywords to enable easy access whenever required. Further, TRU may also develop an interface to enable quick resolution of the doubts/ queries of the assessing officers.
3. The Committee note that the exemption that was available *vide* notification 51/96 on research equipment imported by public funded research institutions or a university or an Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College, Departments and laboratories of Central or State Government, Regional Cancer Centre other than a hospital has now been withdrawn *vide* Customs notification no. 42/2022 dated 13th July, 2022. The Committee are of the view that such an exemption may be conducive for organizations carrying out research and development in various scientific fields including space, technology and health. Providing incentives to organizations such as Cancer Institutes would greatly aid in developing medicines to treat serious and life threatening ailments. The Committee, therefore, recommend that the Ministry may place the matter before the GST Council for exempting imports of pharmaceutical products to those organizations that are carrying out serious research in scientific fields. The Committee are also of the view that hospitals

carrying out research on life saving medicines and treatment may also be considered for being extended the benefit of exemption.

4. The Committee observe that the Ministry have not made any mention of Notification No. 42/2022 issued in July 2022 on revoking of the exemptions in their background note. The Committee note from the response of the Ministry in this regard that the Background Note was submitted on 21.06.2022, while the notification No. 42/2022-Customs was issued on 13.07.2022. The Committee, however, are constrained to note that the Ministry neither revised its Background note nor submitted any updated information to them in this regard even after being asked for the same prior to taking evidence of the representatives of the Ministry. The Committee take serious exception to the attitude of the Ministry in furnishing updated and complete information and desire that a more transparent and forthcoming approach may be followed henceforth.

NEW DELHI:
14 December, 2023
23 Agrahayana, 1945 (*Saka*)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

**MINUTES OF THE SITTING OF SUB-COMMITTEE – III OF PUBLIC ACCOUNTS
COMMITTEE (2022-23) HELD ON 14th DECEMBER, 2022.**

The Sub-Committee – III of Public Accounts Committee (2022-23) sat on Wednesday, the 14th December, 2022 from 1500 hrs to 1550 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Dr. M Thambidurai - **Convenor**

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Brijendra Singh,
5. Shri Jayant Sinha

LOK SABHA SECRETARIAT

1. Shri TG Chandrasekhar - Additional Secretary
2. Smt. Bharti S. Tuteja - Director

**REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

1. Ms. Aditi Roy Choudhary - Dy.CAG
2. Shri K. Srinivasan - Dy.CAG
3. Shri Bivash Ranjan Mondal - Director General
4. Shri Purshottam Tiwari - Director General
5. Shri Kartikaye Mathur - Principal Director
6. Ms. Roli Shukla Malge - Principal Director

2. At the outset, the Convenor welcomed the Members of the Sub-Committee and the Officers of the C&AG of India to the Sitting of the Committee. He then apprised the Members that the Sitting was convened to take briefing by Audit on the following subjects:- (i) "Improper Exemption of IGST on import of Pharmaceutical Products" based on Para 4.8.3 of C&AG Report No. 17 of 2020; and (ii) "Irregular hiring of Casual Labourers without Contract /Agreement" based on Chapter- III (Para 3.1) of C&AG Report No. 3 of 2021.

3. Thereafter, the Convenor asked the officers of the Audit to brief the Sub-Committee on the subjects under consideration.

4. First, with the permission of Committee, the Officers of C&AG made a power point presentation before the Committee, bringing out various audit findings on the subject "Irregular hiring of Casual Labourers without Contract /Agreement" based on Chapter- III (Para 3.1) of C&AG Report No. 3 of 2021.

5. XXXX XXXX XXXX XXXX

6. XXXX XXXX XXXX XXXX

7. Thereafter, Officers of C&AG briefed the Sub-Committee on "Improper Exemption of IGST on import of Pharmaceutical Products" based on Para 4.8.3 of C&AG Report No. 17 of 2020. They made a power point presentation before the Sub-Committee, bringing out audit findings on the subject as under:-

- CBIC exempted additional duty of customs on scientific and technical instruments, apparatus, accessories and consumables *vide* Customs Notification 51/96 when imported by Public Funded Research Institution, Laboratory or a University under Central or State Government.
- After introduction of GST w.e.f. 1 July 2017, additional duty of customs was replaced by IGST *vide* customs notification 43/3017 dated 30.06.2017.
- CBIC (through another notification) under integrated tax levied IGST @ 5% on same goods *vide* integrated tax-notification 47/ 2017 dated 14 November, 2017.
- This was subsequently amended *vide* integrated tax-notification 10/2018 dated 25.01.2018 wherein the benefit of exempted was allowed as prescribed in Custom Notification 51/96.
- CBIC subsequently withdrew the exemption benefit allowed under 51/96 and IGST was levied *vide* Customs Notification 42/2022 (14 July 2022). Further, integrated Tax-Notification 47/2017 dated 14 November 2017 based on which IGST was levied was withdrawn *vide* Integrated Tax –Notification 11/2022 dated 13 July 2022.

8. Audit highlighted lack of coordination between the Customs and the GST and that the matter had to be taken to the GST Council thrice.

9. Then the Members sought clarification on whether the notification 10/2018 was effective from retrospective date or same date and Audit stated that the same was effective from 25.01.2018. Clarifications were also sought on whether the laboratories were commercial or public founded institutions to which Audit confirmed that these were laboratories into non-commercial activities.

10. The Convenor then thanked the Officers of C&AG for their briefing.

The Sub-Committee then adjourned.

A copy of verbatim proceedings has been kept on record.