

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:199
ANSWERED ON:04.08.2006
EXPORT PROMOTION SCHEMES
Prabhu Shri R.;Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

- (a) whether certain exporters mis-used export promotion schemes and caused loss of valuable foreign exchange to the Government;
- (b) if so, the details thereof alongwith the action taken in such cases during each of the last three years; and
- (c) the measures taken for preventing misuse of the export promotion schemes?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

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

STATEMENT REFERRED TO IN REPLY TO PART (A), (B) AND (C) OF LOK SABHA STARRED QUESTION NO. 199 TO BE ANSWERED ON 4th AUGUST, 2006.

a) Yes, Sir.

b) Several cases of alleged misuse of export promotion schemes have been booked by the various agencies during 2003-04, 2004-05 and 2005-06. During this period, 1311 show cause notices have been issued to the alleged offenders, demanding a total duty of Rs.3580 crores. Out of these, 792 cases have been adjudicated confirming a total duty of Rs.1192 crores and fine & penalty of Rs.829 crores. The remaining show cause notices are at various stages of adjudication.

c) A number of measures have been taken by the Government to prevent misuse of export promotion schemes. Changes in the policy & procedures and amendments in the relevant Acts & Rules are made from time to time to tighten up the schemes to help prevent misuse. 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 (Authorisation) 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) 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).

(iv) Although All Industry Rates of Drawback for most of the products have been notified in ad valorem terms, drawback caps have been imposed in almost all cases to preclude the possibility of misuse through over-invoicing.

Apart from the safeguards provided in the Schemes, other monitoring and checking procedures adopted to prevent their misuse are:-

(a) The Directorate General of Foreign Trade (DGFT) monitors the export promotion schemes by way of inspections, regular monitoring of Denied Entity List (DEL) and by various checks and balances at various levels. Whenever any reports on fraudulent practices are brought to notice, the names of such defaulting firms are put under DEL immediately and enforcement action is initiated as per the provisions of the Foreign Trade (Development & Regulation) Act, 1992. The importer-exporter codes (IEC) of the fraudulent companies are cancelled.

(b) Alerts are issued by the Directorate of Revenue Intelligence (DRI) to field formations from time to time about fraudulent companies and modus operandi adopted.

(c) The risk-prone commodities and exporters are specially targeted for critical examination of the goods/declarations and the market values of such export goods are subjected to thorough verification.

(d) Export consignments for examination and scrutiny are subjected to parameter-based selection. Higher examination norms are adopted for goods exported to sensitive destinations.

(e) Efforts are made to identify and locate the persons associated with the fraudulent companies and those involved are arrested and detained.

(f) Steps are taken to freeze the bank accounts of the fraudulent companies in cases of misuse of drawback scheme and the bank in which drawback was credited is requested to remit the amount to government account.

(g) Steps are taken to recover the customs duty sought to be evaded by issue of show cause notice and launching of adjudication proceedings.

(h) Meetings are held at regular intervals for exchange of information among the various intelligence agencies.

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