



प्रधान आयुक्त का कार्यालय, सीमा शुल्क, अहमदाबाद  
सीमा शुल्क भवन, आल इंडीया रेडीओ के बाजु मे, नवरंगपुरा, अहमदाबाद 380009  
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निबन्धित पावती डाक द्वारा / By SPEED POST A.D.

फा. सं./F.No. VIII/10-17/Commr./O&A/2022-23

**DIN-20240471MN0000999D73**

आदेशकीतारीख/Date of Order : 16.04.2024  
जारीकरनेकीतारीख/Date of Issue : 16.04.2024

द्वारापारित :-

Passed by :-

शिव कुमार शर्मा, प्रधान आयुक्त

**Shiv Kumar Sharma, Principal Commissioner**

मूल आदेश संख्या :

**Order-In-Original No: AHM-CUSTM-000-PR.COMMR-08-2024-25 dated 16.04.2024** in the case of M/s. Ratnaveer Stainless Products Pvt. Ltd., E-77 GIDC, Savli, Manjusar, District-Vadodara, Gujarat-391775

- जिस व्यक्ति(यों) को यह प्रति भेजी जाती है, उसे व्यक्तिगत प्रयोग के लिए निःशुल्क प्रदान की जाती है।
- This copy is granted free of charge for private use of the person(s) to whom it is sent.
- इस आदेश से असंतुष्ट कोई भी व्यक्ति इस आदेश की प्राप्ति से तीन माह के भीतर सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण, अहमदाबाद पीठ को इस आदेश के विरुद्ध अपील कर सकता है। अपील सहायक रजिस्ट्रार, सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण, दुसरी मंजिल, बहुमाली भवन, गिरिधर नगर पुल के बाजु मे, गिरिधर नगर, असारवा, अहमदाबाद-380 004 को सम्बोधित होनी चाहिए।
- Any person deeming himself aggrieved by this Order may appeal against this Order to the Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad Bench within three months from the date of its communication. The appeal must be addressed to the Assistant Registrar, Customs, Excise and Service Tax Appellate Tribunal, 2nd Floor, Bahumali Bhavan, Nr. Girdhar Nagar Bridge, Girdhar Nagar, Asarwa, Ahmedabad – 380004.
- उक्त अपील प्रारूप सं. सी.ए.3 में दाखिल की जानी चाहिए। उसपर सीमा शुल्क (अपील) नियमावली, 1982 के नियम 3 के उप नियम (2) में विनिर्दिष्ट व्यक्तियों द्वारा हस्ताक्षर किए जाएंगे। उक्त अपील को चार प्रतियाँ में दाखिल किया जाए तथा जिस आदेश के विरुद्ध अपील की गई हो, उसकी भी उतनी ही प्रतियाँ संलग्न की जाएँ (उनमें से कम से कम एक प्रति प्रमाणित होनी चाहिए)। अपील से सम्बंधित सभी दस्तावेज भी चार प्रतियाँ में अग्रेषित किए जाने चाहिए।

3. The Appeal should be filed in Form No. C.A.3. It shall be signed by the persons specified in sub-rule (2) of Rule 3 of the Customs (Appeals) Rules, 1982. It shall be filed in quadruplicate and shall be accompanied by an equal number of copies of the order appealed against (one of which at least shall be certified copy). All supporting documents of the appeal should be forwarded in quadruplicate.
4. अपील जिसमें तथ्यों का विवरण एवं अपील के आधार शामिल हैं, चार प्रतियों में दाखिल की जाएगी तथा उसके साथ जिस आदेश के विरुद्ध अपील की गई हो, उसकी भी उतनी ही प्रतियाँ संलग्न की जाएंगी (उनमें से कम से कम एक प्रमाणित प्रति होगी)।
4. The Appeal including the statement of facts and the grounds of appeal shall be filed in quadruplicate and shall be accompanied by an equal number of copies of the order appealed against (one of which at least shall be a certified copy.)
5. अपील का प्रपत्र अंग्रेजी अथवा हिन्दी में होगा एवं इसे संक्षिप्त एवं किसी तर्क अथवा विवरण के बिना अपील के कारणों के स्पष्ट शीर्षों के अंतर्गत तैयार करना चाहिए एवं ऐसे कारणों को क्रमानुसार क्रमांकित करना चाहिए।
5. The form of appeal shall be in English or Hindi and should be set forth concisely and under distinct heads of the grounds of appeals without any argument or narrative and such grounds should be numbered consecutively.
6. केंद्रिय सीमा शुल्क अधिनियम, 1962 की धारा 129 ऐ के उपबन्धों के अंतर्गत निर्धारित फीस जिस स्थान पर पीठ स्थित है, वहां के किसी भी राष्ट्रीयकृत बैंक की शाखा से न्यायाधिकरण की पीठ के सहायक रजिस्ट्रार के नाम पर रेखांकित मॉग ड्राफ्ट के जरिए अदा की जाएगी तथा यह मॉग ड्राफ्ट अपील के प्रपत्र के साथ संलग्न किया जाएगा।
6. The prescribed fee under the provisions of Section 129A of the Customs Act, 1962 shall be paid through a crossed demand draft, in favour of the Assistant Registrar of the Bench of the Tribunal, of a branch of any Nationalized Bank located at the place where the Bench is situated and the demand draft shall be attached to the form of appeal.
7. इस आदेश के विरुद्ध सीमा शुल्क, उत्पाद शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण में शुल्क के 7.5% जहां शुल्क अथवा शुल्क एवं जुरमाना का विवाद है अथवा जुरमाना जहां शीर्ष जुरमाना के बारेमें विवाद है उसका भुक्तान करके अपील की जा शकती है।
7. An appeal against this order shall lie before the Tribunal on payment of 7.5% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute".
8. न्यायालय शुल्क अधिनियम, 1870 के अंतर्गत निर्धारित किए अनुसार संलग्न किए गए आदेश की प्रति पर उपयुक्त न्यायालय शुल्क टिकट लगा होना चाहिए।
8. The copy of this order attached therein should bear an appropriate court fee stamp as prescribed under the Court Fees Act, 1870.

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Sub: Show Cause Notice F. No. VIII/10-17/Commr./O&A/2022-23 dated 12.09.2022 issued to **M/s. Ratnaveer Stainless Products Pvt. Ltd.**, an importer having IEC No.3402000130 and having their registered office at E-77 GIDC, Savli, Manjusar, District-Vadodara, Gujarat-391775.

**Brief Facts of the case:**

**M/s. Ratnaveer Stainless Products Pvt. Ltd.**, an importer having IEC No.3402000130 and having their registered office at E-77 GIDC, Savli, Manjusar, District-Vadodara, Gujarat-391775 (hereinafter referred to as 'the Noticee' or 'the importer' for the sake of brevity), are engaged in the import of "Stainless Steel CR/HR coil/Sheets" for manufacture of "Stainless Steel Washers of different grades" through several ports, without payment of Duty of Customs under cover of Advance Authorizations.

**2.** Intelligence developed by the Directorate of Revenue Intelligence, Kolkata, (hereinafter referred to as DRI) to the effect that M/s. Ratnaveer Stainless Products Pvt. Ltd (importer), had imported various input materials without payment of Duty of Customs under cover of a number of Advance Authorizations issued by regional Directorate General of Foreign Trade (hereinafter referred to as DGFT). While executing such imports, the importer availed benefit of exemption extended by Notification No.18/2015-Cus dated 01-04-2015, as amended by the Customs Notification No. 79/2017 dated 13-10-2017, and did not pay any Customs Duty in the form of Integrated Goods & Service Tax (IGST) levied under sub-section (7) of Section 3 of the Customs Tariff Act, 1975, on such input materials at the time of import. However, such exemption was extended subject to condition that the person willing to avail such benefit should comply with the pre-import condition and the finished goods should be subjected to physical exports only.

**2.1** However, the intelligence developed by DRI, Kolkata, clearly indicated that although M/s. Ratnaveer Stainless Products Pvt. Ltd availed such exemption in respect of 09 Advance Authorizations, but while going through the process of such imports and corresponding exports towards discharge of export obligation, they failed to comply with the pre-import condition, as demanded under the said Notification No. 79/2017-Cus dated 13-10-2017, that extended such conditional exemption. Pre-import condition simply means that the goods should be imported prior to commencement of export to enable the exporter to manufacture finished goods, which could be subsequently exported under the same Advance Authorization for discharge of Export Obligation.

**2.2** Based on the said intelligence, investigation was initiated by way of issuance of Summons under Section 108 of the Customs Act, 1962. The Superintendent, Customs, ICD-Khodiyar vide letters F.No. VIII/48-11/Prev/Ratnaveer/2020-21 dated 12.01.2021 and 13.12.2021 requested the importer to submit the information regarding details of imports under Advance Authorizations made by them during the period from 13.10.2017 to 10.01.2019. M/s. Ratnaveer Stainless Products Pvt. Ltd. vide letter dated 09.03.2022 under ref.RML/IMPORT/CUS-1648/2021-22/02 and letter under ref. No.RML/IMP/2862/2022-23/03 dated 19.07.2022 submitted information regarding the details of imports and exports under different Authorizations alongwith photocopies of Advance Authorizations, Bills of Entry and Shipping Bills. Thereafter, a Summons was issued to the Noticee to appear before the Superintendent of Customs (Imports), ICD Khodiyar on 16.07.2022 for giving statement in relation to incorrect availment of exemption of IGST in terms of Notification No.79/2017 dated 13.10.2017.

**2.3** A statement of Shri Ashok Chavda, working as Manager of M/s. Ratnaveer Stainless Products Pvt. Ltd. was recorded under Section 108 of Customs Act, 1962 by the Superintendent, Customs, ICD-Khodiyar on 16.07.2022. During the statement, he has inter alia stated that their main inputs are Stainless Sheets & Coils which are mainly imported under Advance Authorisation through ICD-Khodiyar; their finished goods are Stainless Steel Washers which are exported out of India only and there is no deemed export under Advance Authorisation. He has also produced copies of documents such as Advance Authorisation, Bills of Entries etc.

**2.4** The summary of the details produced by the Noticee are as under:-

**Table-1**

<b>Advance Authorization specific No. &amp; date of the first Bill of Entry and first Shipping Bill</b>						
<b>Sr No</b>	<b>AA No</b>	<b>AA Date</b>	<b>First BE No</b>	<b>BE Date</b>	<b>First SB No</b>	<b>SB Date</b>
1	3410042415	05.08.2016	6998294	06.10.2016	9589866	22.08.2016
2	3410042799	23.12.2016	<b>8979280</b>	<b>21.03.2017</b>	<b>3953753</b>	<b>07.02.2017</b>
3	3410042812	03.01.2017	2386996	10.07.2017	3920364	06.02.2017
4	3410043182	16.05.2017	9892724	30.05.2017	7230367	07.08.2017
5	<b>3410043217</b>	<b>22.05.2017</b>	<b>3996205</b>	<b>14.11.2017</b>	<b>5585696</b>	<b>21.04.2017</b>
6	<b>3410043228</b>	<b>23.05.2017</b>	<b>2047372</b>	<b>12.06.2017</b>	<b>5870425</b>	<b>05.05.2017</b>
7	3410043229	23.05.2017	3364133	23.09.2017	4823707	12.05.2018
8	3410043293	19.06.2017	2281529	29.06.2017	4133098	11.04.2018
9	3410043301	21.06.2017	3159631	08.09.2017	7058859	22.08.2018
10	<b>3410043413</b>	<b>29.08.2017</b>	<b>4960542</b>	<b>27.01.2018</b>	<b>8175777</b>	<b>22.08.2017</b>
11	<b>3410043467</b>	<b>12.09.2017</b>	<b>4857314</b>	<b>18.01.2018</b>	<b>9155084</b>	<b>08.10.2017</b>
12	3410043504	27.09.2017	3810194	30.10.2017	9172640	27.11.2018
13	3410043658	29.11.2017	6881202	20.06.2018	8677505	02.11.2018
14	3410044150	17.05.2018	6871242	20.06.2018	7071940	23.08.2018
15	3410044151	17.05.2018	7691602	18.08.2018	1280098	12.01.2019
16	3410044174	25.05.2018	8813688	12.11.2018	3575252	18.04.2019
17	<b>3410044286</b>	<b>27.06.2018</b>	<b>7902779</b>	<b>04.09.2018</b>	<b>6793768</b>	<b>09.08.2018</b>
18	<b>3410044391</b>	<b>07.08.2018</b>	<b>8063847</b>	<b>15.09.2018</b>	<b>3916633</b>	<b>31.03.2018</b>
19	3410044421	14.08.2018	7510645	04.08.2018	1462740	21.01.2019

**2.5** It could be seen from the above Table that in case of 09 (Nine) Advance Authorizations mentioned at Sr. No. 1,2,3,5,6,10,11,17 and 18, they have made exports first before imports were made (from ICD, Sabarmati). Quite naturally, they did not manufacture the goods which were exported under the subject Advance Authorization corresponding to the said Shipping Bills, out of the Duty-free materials imported under the subject Advance Authorization. Therefore, the materials which were exported against those Shipping Bills, were not manufactured of the Duty-free materials imported under the Advance Authorization in question. This *prima facie* resulted in non-compliance of the pre-import condition.

**2.6** In respect of the aforementioned Advance Authorizations, the importer failed to use Duty-free materials imported under the respective Advance Authorizations

for the purpose of manufacture of the finished goods, which were exported towards discharge of export obligation. It is also implied that the Duty-free goods subsequently imported could not have been used for the specified purpose. Therefore, the importer failed to comply with the pre-import condition in respect of these Advance Authorizations. Further, the detailed study of the data revealed the following:-

**Table-2**

**Advance Authorisation specific No. & Bill of Entry No./Date & IGST benefit Taken**

<b>Sr. No</b>	<b>AA No</b>	<b>AA Date</b>	<b>BE No</b>	<b>BE Date</b>	<b>Port Code</b>	<b>Taxable Value</b>	<b>IGST Exemption</b>
1	3410042415	05.08.2016	3878475	06.11.2017	INSBI6	2969888	905682
						<b>2969888</b>	<b>905682</b>
2	3410042799	23.12.2016	6750976	11.06.2018	INSBI6	3768408	1028330
						<b>3768408</b>	<b>1028330</b>
3	3410042812	03.01.2017	3752269	25.10.2017	INSBI6	3359612	667017
			3880307	06.11.2017	INSBI6	4396057	955222
			3919656	08.11.2017	INSBI6	3914027	850481
			3996665	14.11.2017	INSBI6	4144167	822783
			3996200	14.11.2017	INSBI6	3980284	915789
						<b>19794147</b>	<b>4211292</b>
4	3410043217	22.05.2017	3996205	14.11.2017	INSBI6	4121752	818331
			4046953	17.11.2017	INSBI6	4207776	835412
			4049451	18.11.2017	INSBI6	4171024	828115
			4293542	06.12.2017	INSBI6	4225260	838883
			4289942	06.12.2017	INSBI6	3923949	779060
			4510136	26.12.2017	INSBI6	7568818	2237407
			4298428	07.12.2017	INSBI6	4230615	1280221
			4692366	05.01.2018	INSBI6	4064782	935230
			4692361	05.01.2018	INSBI6	4075038	937590
			4842644	17.01.2018	INSBI6	9377994	2037750
			4965769	27.01.2018	INSBI6	9294128	2019527
			5471426	06.03.2018	INSBI6	3511486	748559
						<b>62772622</b>	<b>14296085</b>
5	3410043228	23.05.2017	4031529	16.11.2017	INMUN1	3367858	668654
						<b>3367858</b>	<b>668654</b>
6	3410043413	29.08.2017	4960542	27.01.2018	INSBI6	4088927	866914
			4966258	27.01.2018	INSBI6	4023963	925839
			4961478	27.01.2018	INSBI6	4792012	1041259
			4966923	27.01.2018	INSBI6	8365414	1817723
			5212572	14.02.2018	INSBI6	3999423	925232
			5288837	20.02.2018	INSBI6	4143290	905519
			5591560	15.03.2018	INSBI6	4619157	984685
			5591535	15.03.2018	INSBI6	9630221	2052917
			5608358	16.03.2018	INSBI6	14639561	3120780
			5692128	22.03.2018	INSBI6	3597485	786233
			5690967	22.03.2018	INSBI6	9674647	2062387
			5790624	29.03.2018	INSBI6	4892562	1042969
			5790598	29.03.2018	INSBI6	9457062	2016004
			6126639	25.04.2018	INSBI6	7449109	1628007
			6390228	15.05.2018	INSBI6	4144942	828159
			6581394	29.05.2018	INSBI6	8413001	1680917
			6871242	20.06.2018	INSBI6	9521168	2678208

			7063674	03.07.2018	INSBI6	4778151	1044268
						<b>120230095</b>	<b>26408020</b>
7	3410044286	27.06.2018	7902779	04.09.2018	INSBI6	7892896	2414434
						<b>7892896</b>	<b>2414434</b>
8	3410043467	12.09.2017	4857314	18.01.2018	INSBI6	5976251	1822485
			4992414	29.01.2018	INSBI6	5965867	1819318
			4992189	29.01.2018	INSBI6	2503805	763547
			5722826	24.03.2018	INSBI6	3186745	968352
			5470392	06.03.2018	INSBI6	1592102	731090
						<b>19224770</b>	<b>6104792</b>
9	3410044391	07.08.2018	8063847	15.09.2018	INSBI6	4086437	1245739
			8445454	13.10.2018	INSBI6	9985803	1945732
			8166393	24.09.2018	INSBI6	4394767	856321
			8740317	05.11.2018	INSBI6	3485521	731418
			8816660	12.11.2018	INSBI6	5146551	1124782
			9018712	27.11.2018	INSBI6	5467847	1165606
			9188954	10.12.2018	INSBI6	3248976	710066
			9229134	12.12.2018	INSBI6	3273720	715474
			9307389	18.12.2018	INSBI6	4223851	902834
			9446131	28.12.2018	INSBI6	3425337	684382
						<b>46738810</b>	<b>10082354</b>
				<b>TOTAL</b>		<b>286759494</b>	<b>66119643</b>

**Table-3**

**Details of Advance Licence No. & Date and IGST benefit taken during the period 13.10.2017 to 10.01.2019 pertaining to ICD-KHODIYAR**

<b>Port</b>	<b>AA No.</b>	<b>AA Date</b>	<b>Taxable Value</b>	<b>IGST Benefit</b>
<b>ICD Khodiyar</b>	3410042415	05.08.2016	2969888	905682
	3410042799	23.12.2016	3768408	1028330
	3410042812	03.01.2017	19794147	4211292
	3410043217	22.05.2017	62772622	14296085
	3410043413	29.08.2017	120230095	26408020
	3410044286	27.06.2018	7892896	2414434
	3410043467	12.09.2017	19224770	6104792
	3410044391	07.08.2018	46738810	10082354
		Total	<b>283391636</b>	<b>65450989</b>

**2.7** As evident from Table-2 above, the importer have violated such pre-import condition, leading to non-payment of IGST in 54 ( Fifty Four ) Bills of Entry under cover of which imports were made involving IGST amount of **Rs.6,61,19,643/-** against the above-mentioned 09 (Nine) Advance Authorizations during the period from 13.10.2017 to 10.01.2019. From Table-3, out of these 54 BEs, 53( Fifty Three) Bills of Entry pertain to ICD Khodiyar, Ahmedabad involving IGST amount of **Rs.6,54,50,989/-**. wherein the said imported goods are valued at **Rs.28,33,91,636/-** as evident from the Table-3 above.

### **3. Legal Provisions**

Following provisions of law, which are relevant, have been quoted in Annexure-A attached to the Show Cause Notice.

- Para 4.03 of the Foreign Trade Policy (2015-20);
- Para 4.05 of the Foreign Trade Policy (2015-20);

- c) Para 4.13 of the Foreign Trade Policy (2015-20);
- d) Para 4.14 of the Foreign Trade Policy (2015-20);
- e) 9.20 of the Foreign Trade Policy (2015-20);
- f) Para 4.27 of the Hand Book of Procedures (2015-20);
- g) Section 2(e) of the Foreign Trade (DR) Act, 1992;
- h) DGFT Notification No. 33/2015-20 dated 13-10-2017;
- i) DGFT Notification No. 31/2013 (RE-2013) dated: - 01-08-2013;
- j) DGFT Circular No. 3/2013 (RE-2013) dated, 02-08-2013;
- k) Notification No 18/2015-Customs dated 01-04-2015;
- l) Notification No 79/2017-Customs dated 13-10-2017;
- m) Section 17 of the Customs Act, 1962;
- n) Section 46 (4) of the Customs Act, 1962;
- o) Section 111(o) of the Customs Act, 1962;
- p) Section 112(a) of the Customs Act;
- q) Section 124 of the Customs Act, 1962;

**a) Para 4.03 of the Foreign Trade Policy (2015-20) inter-alia states that :-**

*An Advance Authorisation is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed/ utilised to obtain export product, may also be allowed DGFT, by means of Public Notice, may exclude any product(s) from purview of Advance Authorisation.*

**b) Para 4.05 of the Foreign Trade Policy (2015-20) inter-alia states that :-**

*4.05 Eligible Applicant / Export / Supply*

- (a) Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.
- (b) Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process (as indicated in paragraph 4.18 of Handbook of Procedures) shall be issued to manufacturer exporter only.
- (c) Advance Authorisation shall be issued for:
  - (i) Physical export (including export to SEZ);
  - (ii) Intermediate supply; and/or
  - (iii) Supply of goods to the categories mentioned in paragraph 7.02 (b), (c), (e), (f), (g) and (h) of this FTP.
  - (iv) Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.

**c) Para 4.13 Foreign Trade Policy (2015-20) inter-alia states that :-**

*4.13 Pre-import condition in certain cases-*

- (i) DGFT may, by Notification, impose pre-import condition for inputs under this Chapter.
- (ii) Import items subject to pre-import condition are listed in Appendix 4-J or will be as indicated in Standard Input Output Norms (SION).
- (iii) Import of drugs from unregistered sources shall have pre-import condition.

**d) Para 4.14 Foreign Trade Policy (2015-20) inter-alia states that :-**

*4.14 Details of Duties exempted-*

*Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty,*

if any. However, imports under Advance Authorisation for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition. Imports against Advance Authorisations for physical exports are exempted from Integrated Tax and Compensation Cess upto 31.03.2018 only.

**e) Para 9.20 Foreign Trade Policy (2015-20) inter-alia states that :-**

9.20

"Export" is as defined in FT (D&R) Act, 1992, as amended from time to time.

**f) 4.27 Exports/Supplies in anticipation or subsequent to issue of an Authorisation.**

(a) Exports / supplies made from the date of EDI generated file number for an Advance Authorisation, may be accepted towards discharge of EO. Shipping / Supply document(s) should be endorsed with File Number or Authorisation Number to establish co-relation of exports / supplies with Authorisation issued. Export/supply document(s) should also contain details of exempted materials/inputs consumed.

(b) If application is approved, authorisation shall be issued based on input / output norms in force on the date of receipt of application by Regional Authority. If in the intervening period (i.e. from date of filing of application and date of issue of authorisation) the norms get changed, the authorization will be issued in proportion to provisional exports / supplies already made till any amendment in norms is notified. For remaining exports, Policy / Procedures in force on date of issue of authorisation shall be applicable.

(c) The export of SCOMET items shall not be permitted against an Authorisation until and unless the requisite SCOMET Authorisation is obtained by the applicant.

(d) Exports/supplies made in anticipation of authorisation shall not be eligible for inputs with pre-import condition.

**g) Section 2(e) of the Foreign Trade (DR) Act, 1992 states that :-**

(e) "import" and 'export" means respectively bringing into, or taking out of, India any goods by land, sea or air;

**h) Notification No.33/2015-2020 New Delhi,**

**Dated: 13 October, 2017**

**Subject: Amendments in Foreign Trade Policy 2015-20 -reg**

S.O. (E): In exercise of powers conferred by Section 5 of FT (D&R) Act, 1992, read with paragraph 1.02 of the Foreign Trade Policy, 2015-2020, as amended from time to time, the Central Government hereby makes following amendments in Foreign Trade Policy 2015-20. 1. Para 4.14 is amended to read as under: "4.14: Details of Duties exempted Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorization for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition."

**i) NOTIFICATION NO. 31 (RE-2013)/ 2009-2014  
NEW DELHI, DATED THE 1<sup>st</sup> August, 2013**

*In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No.22 of 1992) read with paragraph 1.2 of the Foreign Trade Policy, 2009-2014, the Central Government hereby notifies the following amendments in the Foreign Trade Policy (FTP) 2009-2014.*

2. After para 4.1.14 of FTP a new para 4.1.15 is inserted.

*“4.1.15 Wherever SION permits use of either (a) a generic input or (b) alternative inputs, unless the name of the specific input(s) [which has (have) been used in manufacturing the export product] gets indicated / endorsed in the relevant shipping bill and these inputs, so endorsed, match the description in the relevant bill of entry, the concerned Authorisation will not be redeemed. In other words, the name/description of the input used (or to be used) in the Authorisation must match exactly the name/description endorsed in the shipping bill. At the time of discharge of export obligation (EODC) or at the time of redemption, RA shall allow only those inputs which have been specifically indicated in the shipping bill.”*

3. Para 4.2.3 of FTP is being amended by adding the phrase “4.1.14 and 4.1.15” in place of “and 4.1.14”. The amended para would be as under:

*“Provisions of paragraphs 4.1.11, 4.1.12, 4.1.13, 4.1.14 and 4.1.15 of FTP shall be applicable for DFIA holder.”*

4. **Effect of this Notification:** Inputs actually used in manufacture of the export product should only be imported under the authorisation. Similarly inputs actually imported must be used in the export product. This has to be established in respect of every Advance Authorisation / DFIA.

**j) Policy Circular No.03 (RE-2013)/2009-2014  
Dated the 2nd August, 2013**

*Subject: Withdrawal of Policy Circular No.30 dated 10.10.2005 on Importability of Alternative inputs allowed as per SION.*

*Notification No.31 has been issued on 1st August, 2013 which stipulates “inputs actually used in manufacture of the export product should only be imported under the authorisation. Similarly inputs actually imported must be used in the export product.” Accordingly, the earlier Policy Circular No.30 dated 10.10.2005 becomes infructuous and hence stands withdrawn.*

2. This is to reiterate that duty free import of inputs under Duty Exemption/Remission Schemes under Chapter-4 of FTP shall be guided by the Notification No. 31 issued on 1.8.2013. Hence any clarification or notification or communication issued by this Directorate on this matter which may be repugnant to this Notification shall be deemed to have been superseded to the extent of such repugnancy.

**k) Notification No.- 18/2015 - Customs, Dated: 01-04-2015-**

G.S.R. 254 (E).- In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts materials imported into India against a valid Advance Authorisation issued by the Regional Authority in terms of paragraph 4.03 of the Foreign Trade Policy (hereinafter referred to as the said authorisation) from the whole of the duty of customs leviable thereon which is specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and from the whole of the additional duty, safeguard duty, transitional product specific safeguard duty and anti-dumping duty leviable thereon, respectively, under sections 3, 8B, 8C and 9A of the said Customs Tariff Act, subject to the following conditions, namely :-

(i) that the said authorisation is produced before the proper officer of customs at the time of clearance for debit;

(ii) that the said authorisation bears,-

(a) the name and address of the importer and the supporting manufacturer in cases where the authorisation has been issued to a merchant exporter; and

(b) the shipping bill number(s) and date(s) and description, quantity and value of exports of the resultant product in cases where import takes place after fulfillment of export obligation; or

(c) the description and other specifications where applicable of the imported materials and the description, quantity and value of exports of the resultant product in cases where import takes place before fulfillment of export obligation;

(iii) that the materials imported correspond to the description and other specifications where applicable mentioned in the authorisation and are in terms of para 4.12 of the Foreign Trade Policy and the value and quantity thereof are within the limits specified in the said authorisation;

(iv) that in respect of imports made before the discharge of export obligation in full, the importer at the time of clearance of the imported materials executes a bond with such surety or security and in such form and for such sum as may be specified by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, binding himself to pay on demand an amount equal to the duty leviable, but for the exemption contained herein, on the imported materials in respect of which the conditions specified in this notification are not complied with, together with interest at the rate of fifteen percent per annum from the date of clearance of the said materials;

(v) that in respect of imports made after the discharge of export obligation in full, if facility under rule 18 (rebate of duty paid on materials used in the manufacture of resultant product) or sub-rule (2) of rule 19 of the Central Excise Rules, 2002 or of CENVAT Credit under CENVAT Credit Rules, 2004 has been availed, then the importer shall, at the time of clearance of the imported materials furnish a bond to the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, binding himself, to use the imported materials in his factory or in the factory of his supporting manufacturer for the manufacture of dutiable goods and to submit a certificate, from the jurisdictional Central Excise officer or from a specified chartered accountant within six months from the date of clearance of the said materials, that the imported materials have been so used:

Provided that if the importer pays additional duty of customs leviable on the imported materials but for the exemption contained herein, then the imported materials may be cleared without furnishing a bond specified in this condition and the additional duty of customs so paid shall be eligible for availing CENVAT Credit under the CENVAT Credit Rules, 2004;

(vi) that in respect of imports made after the discharge of export obligation in full, and if facility under rule 18 (rebate of duty paid on materials used in the manufacture of resultant product) or sub-rule (2) of rule 19 of the Central Excise Rules, 2002 or of CENVAT credit under CENVAT Credit Rules, 2004 has not been availed and the importer furnishes proof to this effect to the satisfaction of the Deputy Commissioner of Customs or the Assistant Commissioner of Customs as the case may be, then the imported materials may be cleared without furnishing a bond specified in condition (v);

(vii) that the imports and exports are undertaken through the seaports, airports or through the inland container depots or through the land customs stations as

mentioned in the Table 2 annexed to the Notification No.16/ 2015- Customs dated 01.04.2015 or a Special Economic Zone notified under section 4 of the Special Economic Zones Act, 2005 (28 of 2005):

Provided that the Commissioner of Customs may, by special order or a public notice and subject to such conditions as may be specified by him, permit import and export through any other sea-port, airport, inland container depot or through a land customs station within his jurisdiction;

(viii) that the export obligation as specified in the said authorisation (both in value and quantity terms) is discharged within the period specified in the said authorisation or within such extended period as may be granted by the Regional Authority by exporting resultant products, manufactured in India which are specified in the said authorisation:

Provided that an Advance Intermediate authorisation holder shall discharge export obligation by supplying the resultant products to exporter in terms of paragraph 4.05 (c) (ii) of the Foreign Trade Policy;

(ix) that the importer produces evidence of discharge of export obligation to the satisfaction of the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, within a period of sixty days of the expiry of period allowed for fulfilment of export obligation, or within such extended period as the said Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, may allow;

(x) that the said authorisation shall not be transferred and the said materials shall not be transferred or sold;

Provided that the said materials may be transferred to a job worker for processing subject to complying with the conditions specified in the relevant Central Excise notifications permitting transfer of materials for job work;

Provided further that, no such transfer for purposes of job work shall be effected to the units located in areas eligible for area based exemptions from the levy of excise duty in terms of notification Nos. 32/1999-Central Excise dated 08.07.1999, 33/1999-Central Excise dated 08.07.1999, 39/2001- Central Excise dated 31.07.2001, 56/2002- Central Excise dated 14.11.2002, 57/2002- Central Excise dated 14.11.2002, 49/2003- Central Excise dated 10.06.2003, 50/2003- Central Excise dated 10.06.2003, 56/2003- Central Excise dated 25.06.2003, 71/03- Central Excise dated 09.09.2003, 8/2004- Central Excise dated 21.01.2004 and 20/2007- Central Excise dated 25.04.2007;

(xi) that in relation to the said authorisation issued to a merchant exporter, any bond required to be executed by the importer in terms of this notification shall be executed jointly by the merchant exporter and the supporting manufacturer binding themselves jointly and severally to comply with the conditions specified in this notification.

**1) Notification No.- 79/2017 - Customs, Dated: 13-10-2017.**

*Central Government, on being satisfied that it is necessary in the public interest so to do, made the following further amendments in each of the notifications of the Government of India in the Ministry of Finance (Department of Revenue), specified in column (2) of the Table below, in the manner as specified in the corresponding entry in column (3) of the said Table:-*

*-: Table:-*

S.	Notification	Amendments
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No.	number and date	
(1)	(2)	(3)
1	16/2015- Customs, dated the 1 st April, 2015 [vide number G.S.R. 252(E), dated the 1 st April, 2015]	<p><i>In the said notification,- (a) in the opening paragraph, after clause (ii), the following shall be inserted, namely:- "(iii) the whole of integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act: Provided that the exemption from integrated tax and the goods and services tax compensation cess shall be available up to the 31st March, 2018.;" (b) in the Explanation C (II), for the words "However, the following categories of supplies, shall also be counted towards fulfilment of export obligation:", the words "However, in authorisations where exemption from integrated tax and goods and service tax compensation cess is not availed, the following categories of supplies, shall also be counted towards fulfilment of export obligation:" shall be substituted.</i></p>
2.	18/2015- Customs, dated the 1 st April, 2015 [vide number G.S.R. 254 (E), dated the 1 st April, 2015]	<p><i>In the said notification, in the opening paragraph,- (a) for the words, brackets, figures and letters "from the whole of the additional duty leviable thereon under sub- 2 sections (1), (3) and (5) of section 3, safeguard duty leviable thereon under section 8B and anti-dumping duty leviable thereon under section 9A", the words, brackets, figures and letters "from the whole of the additional duty leviable thereon under sub-sections (1), (3) and (5) of section 3, integrated tax leviable thereon under sub-section (7) of section 3, goods and services tax compensation cess leviable thereon under sub-section (9) of section 3, safeguard duty leviable thereon under section 8B, countervailing duty leviable thereon under section 9 and anti-dumping duty leviable thereon under section 9A" shall be substituted;</i></p> <p><i>(b) in condition (viii), after the proviso, the following proviso shall be inserted, namely:-</i></p> <p><i>"Provided further that notwithstanding anything contained hereinabove for the said authorisations where the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act, has been availed, the export obligation shall be fulfilled by physical exports only;"</i></p> <p><i>(c) after condition (xi), the following conditions shall be inserted, namely :-</i></p> <p><i>"(xii) that the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act shall be subject to pre-import condition;</i></p> <p><i>(xiii) that the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act shall be available up to the 31st</i></p>

**March, 2018.”**

**m) Section 17 (1) of the Customs Act, 1962 reads as:-**

*[SECTION 17. Assessment of duty. – (1) An importer entering any imported goods under section 46, or an exporter entering any export goods under section 50, shall, save as otherwise provided in section 85, self-assess the duty, if any, leviable on such goods.*

*(2) The proper officer may verify the entries made under section 46 or section 50 and the self-assessment of goods referred to in sub-section (1) and for this purpose, examine or test any imported goods or export goods or such part thereof as may be necessary.*

*Provided that the selection of cases for verification shall primarily be on the basis of risk evaluation through appropriate selection criteria.*

*(3) For the purposes of verification under sub-section (2), the proper officer may require the importer, exporter or any other person to produce any document or information, whereby the duty leviable on the imported goods or export goods, as the case may be, can be ascertained and thereupon, the importer, exporter or such other person shall produce such document or furnish such information.*

*(4) Where it is found on verification, examination or testing of the goods or otherwise that the self-assessment is not done correctly, the proper officer may, without prejudice to any other action which may be taken under this Act, re-assess the duty leviable on such goods.*

*(5) Where any re-assessment done under sub-section (4) is contrary to the self-assessment done by the importer or exporter and in cases other than those where the importer or exporter, as the case may be, confirms his acceptance of the said re-assessment in writing, the proper officer shall pass a speaking order on the re-assessment, within fifteen days from the date of re-assessment of the bill of entry or the shipping bill, as the case may be.*

*Explanation.- For the removal of doubts, it is hereby declared that in cases where an importer has entered any imported goods under section 46 or an exporter has entered any export goods under section 50 before the date on which the Finance Bill, 2011 receives the assent of the President, such imported goods or export goods shall continue to be governed by the provisions of section 17 as it stood immediately before the date on which such assent is received.*

**n) Section 46 (4) of the Customs Act, 1962 reads as:-**

*“The importer while presenting a Bill of Entry, shall make and subscribe to a declaration as to the truth of the contents of such bill of entry and shall, in support of such declaration, produce to the proper officer the invoice, if any, relating to the imported goods.....”*

**o) Section 111 (o) of the Customs Act, 1962 inter alia stipulates-**

*“111. Confiscation of improperly imported goods, etc. -*

*The following goods brought from a place outside India shall be liable to confiscation:*

*.....*  
*(o) any goods exempted, subject to any condition, from duty or any prohibition in respect of the import thereof under this Act or any other law for the time being in force, in respect of which the condition is not observed unless the non-observance of the condition was sanctioned by the proper officer;”*

**p) Further section 112 of the Customs Act, 1962 provides for penal action and inter-alia stipulates:-**

*Any person shall be liable to penalty for improper importation of goods,-*

(a) who, in relation to any goods, does or omits to do any act which act or omission would render such goods liable to confiscation under section 111, or abets the doing or omission of such an act, .....

**q) Section 124 of the Customs Act, 1962 inter alia stipulates :-**

*No order confiscating any goods or imposing any penalty on any person shall be made under this Chapter unless the owner of the goods or such person*

*(a) is given a notice in writing with the prior approval of the officer of customs not below the rank of an Assistant Commissioner of Customs, informing him of the grounds on which it is proposed to confiscate the goods or to impose a penalty;*

*(b) is given an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation or imposition of penalty mentioned therein; and*

*(c) is given a reasonable opportunity of being heard in the matter :*

**4. Imposition of two conditions for availing the IGST exemption in terms of Notification No. 79/2017-Cus dated 13-10-2017:-**

**4.1** Advance Authorizations are issued by the Directorate General of Foreign Trade (DGFT) to importers for import of various raw materials without payment of Customs Duty and the said export promotional scheme is governed by Chapter 4 of the Foreign Trade Policy (2015-20), applicable for subject case and corresponding Chapter 4 of the Hand Book of Procedures (2015-20). Prior to GST regime, in terms of the provisions of Para 4.14 of the prevailing Foreign Trade Policy (2015-20), the importer was allowed to enjoy benefit of exemption in respect of Basic Customs Duty as well as Additional Customs Duties, Anti-dumping Duty and Safeguard Duty, while importing such input materials under Advance Authorizations.

**4.2** With the introduction of GST w.e.f 01-07-2017, Additional Customs Duties (CVD & SAD) were subsumed into the newly introduced Integrated Goods and Service Tax (IGST). Therefore, at the time of imports, in addition to Basic Customs Duty, IGST was made payable instead of such Additional Duties of Customs. Accordingly, Notification No. 26/2017-Customs dated 29 June 2017, was issued to give effect to the changes introduced in the GST regime in respect of imports under Advance Authorization. It was a conscious decision to impose IGST at the time of import, however, at the same time, importers were allowed to either take credit of such IGST for payments of Duty during supply to DTA, or to take refund of such IGST amount within a specified period. The corresponding changes in the Policy were brought through Trade Notice No.11/2018 dated 30-06-2017. It is pertinent to note here that while in pre-GST regime blanket exemption was allowed in respect of all Duties leviable when goods were being imported under Advance Authorizations, contrary to that, in post-GST regime, for imports under Advance Authorization, the importers were required to pay such IGST at the time of imports and then they could get the credit of the same.

**4.3** However, subsequently, the Government of India decided to exempt imports under Advance Authorizations from payment of IGST, by introduction of the Customs Notification No.79/2017 dated 13-10-2017. However, such exemption from the payment of IGST was made conditional. The said Notification No.79/2017 dated 13-10-2017, was issued with the intent of incorporating certain changes/ amendment in the principal Customs Notification, which were issued for extending benefit of exemption to the goods when imported under Advance Authorizations. The said Notification stated that the Central Government, on being satisfied that it is necessary in the public interest so to do, made the following further amendments

in each of the Notifications of the Government of India in the Ministry of Finance (Department of Revenue), specified in column (2) of the Table below, in the manner as specified in the corresponding entry in column (3) of the said Table. Only the relevant portion pertaining to the Customs Notification No. 18/2015 dated 01-04-2015 is reproduced in Para 3(j) above, which may be referred to.

**4.4** Therefore, by issuing the subject Notification No. 79/2017-Cus dated 13-10-2017, the Government of India amended inter-alia Notification No. 18/2015-Cus dated 01-04-2015, and extended exemption from the payment of IGST at the time of import of input materials under Advance Authorizations. But such exemption was not absolute. As a rider, certain conditions were incorporated in the subject notification. One being the condition that such exemption can only be extended so long as exports made under the Advance Authorization are physical exports in nature and the other being the condition that to avail such benefit one has to follow the pre-import condition.

**5.** The Director General of Foreign Trade, in the meanwhile, issued one Notification No.33/2015-20 dated 13-10-2017, which amended the provision of Para 4.14 of the Foreign Trade Policy (2015-20), **to incorporate the exemption from IGST, subject to compliance of the pre-import and physical export conditions.** It is pertinent to mention, that the principal Customs Notification No.18/2015-Cus, being an EXIM notification, was amended by the Notification No.79/2017-Cus dated 13-10-2017, in tandem with the changed Policy by integrating the same provisions for proper implementation of the provisions of the Foreign Trade Policy (2015-20).

**5.1 Therefore, conscious legislative intent is apparent in the changes made in the Foreign Trade Policy (2015-20)** and corresponding changes in the relevant Customs Notifications, that to avail the benefit of exemption in respect of Integrated Goods and Service Tax (IGST), one would require to comply with the following two conditions: -

- i) All exports under the Advance Authorization should be physical exports, therefore, debarring any deemed export from being considered towards discharge of export obligation;
- ii) Pre-import condition has to be followed, which requires materials to be imported first and then be used for manufacture of the finished goods, which could in turn be exported for discharge of EO;

**6. Physical Export condition in relation to the Foreign Trade Policy (2015-20) and the Notification No. 79/2017-Cus dated 13-10-2017, and whether it was followed by the importer.**

**6.1** The concept of physical export is derived from Para 4.05(c) and Para 9.20 of the Foreign Trade Policy (2015-20) read with Section 2(e) of the Foreign Trade (DR) Act, 1992. Para 9.20 of the Policy refers to Section 2(e) of the Foreign Trade (DR) Act, 1992, which defines 'Export' as follows:-

*(e)"import" and 'export" means respectively bringing into, or taking out of, India any goods by land, sea or air;*

Therefore, primarily, export involves taking out goods out of India, however, in Chapter 4 of the Policy, Para 4.05 defines premises under which Advance Authorizations could be issued and states that -

*(c) Advance Authorization shall be issued for:*

- (i) Physical export (including export to SEZ);
- (ii) Intermediate supply; and/or
- (iii) Supply of goods to the categories mentioned in paragraph 7.02 (b), (c), (e), (f), (g) and (h) of this FTP.
- (iv) Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.

**6.2** Therefore, the definition has been further extended in specific terms under Chapter 4 of the Policy and the supplies made to SEZ, despite not being an event in which goods are being taken out of India, are considered as Physical Exports. However, other three categories defined under (c) (ii), (iii) & (iv) do not qualify as physical exports. Supplies of intermediate goods are covered by Letter of Invalidation, whereas, supplies covered under Chapter 7 of the Policy are considered as Deemed Exports. None of these supplies are eligible for being considered as physical exports. Therefore, any category of supply, be it under letter of Invalidation and/or to EOU and/or under International Competitive Bidding (ICB) and/or to Mega Power Projects, other than actual exports to other country and supply to SEZ, cannot be considered as Physical Exports for the purpose of Chapter 4 of the Foreign Trade Policy (2015-20).

**6.3** This implies that to avail the benefit of exemption as extended through amendment of Para 4.14 of the Policy by virtue of the DGFT Notification No. 33/2015-20 dated 13-10-2017, one has to ensure that the entire exports made under an Advance Authorization towards discharge of EO are physical exports. In case the entire exports made, do not fall in the category of physical exports, the Advance Authorization automatically gets disqualified for the purpose of exemption.

## **7. Pre-import condition in relation to the Foreign Trade Policy (2015-20) and the Notification No. 79/2017-Cus dated 13-10-2017; Determination of whether the goods imported under the impugned Advance Authorization comply with the pre-import condition, and whether it was followed by the importer.**

**7.1** Pre-import condition has been part of the Policy for long. In terms of Para 4.13 of the Policy, there are certain goods for which pre-import condition was made applicable through issuance of DGFT Notification way before the Notification dated 13-10-2017 came into being.

**7.2** The definition of pre-import directly flows from Para 4.03 of the Foreign Trade Policy (2015-20)[erstwhile Para 4.1.3 of the Policy (2009-14)]. **It demands that Advance Authorizations are issued for import of inputs, which are physically incorporated in the export goods allowing legitimate wastage. This Para specifically demands for such physical incorporation of imported materials in the export goods. And the same is only possible, when imports are made prior to export. Therefore, such Authorizations principally do have the pre-import condition in-built**, which is required to be followed, barring where otherwise use has been allowed in terms of Para 4.27 of the Foreign Trade Policy (2015-20)[erstwhile Para 4.12 of the Policy (2009-14)].

**7.3** Advance Authorization are issued for import of Duty-free materials first, which would be used for the purpose of manufacture of export goods, which would be exported out of India or be supplied under deemed export, if allowed by the Policy or the Customs Notification. The very name Advance Authorization was coined with prefix 'Advance', which illustrates and indicates the basic purpose as aforesaid. Spirit of the scheme is further understood, from the bare fact that while time allowed for import is 12 months (conditionally extendable by another six

months) from the date of issue of the Authorization, the time allowed for export is 18 months (conditionally extendable by 6 months twice) from the date of issue of the Authorization. The reason for the same was the practical fact that conversion of input materials into finished goods ready for export, takes considerable time depending upon the process of manufacture.

**7.4** DGFT Notification No. 31/2013 (RE-2013) dated 01-08-2013, was issued to incorporate a new Para No. 4.1.15 in the Foreign Trade Policy. The said Para is an extension of the Para 4.1.3[Para 4.03 of the Policy (2015-200] and stipulated further condition which clarified the ambit of the aforesaid Para 4.1.3. **Inputs actually imported must be used in the export product.**

**7.5** A Circular No. 3/2013 (RE-2013) dated, 02-08-2013, was also issued by the Ministry of Commerce in line with the aforesaid Notification. The Circular reiterates that Duty free import of inputs under Duty Exemption/Remission Schemes under Chapter-4 of FTP shall be guided by the Notification No. 31 issued on 1.8.2013.

**7.6** Therefore, combined reading of Para 4.03 of the Foreign Trade Policy, in force at the time of issuance of the Authorizations, and the Notification aforesaid along with the Circular as mentioned above, makes it obvious, that **benefit of exemption from payment of Customs Duty is extended to the input materials subject to strict condition, that such materials would be exclusively used in the manufacture of export goods which would be ultimately exported.** Therefore, the importer does not have the liberty to utilize such duty-free materials otherwise, nor do they have freedom to export goods manufactured out of something, which was not actually imported.

**7.7** Therefore, such Authorizations principally do have the pre-import condition in-built, which is required to be followed, barring where otherwise use has been allowed in terms of Para 4.27 of the Foreign Trade Policy (2015-20) [erstwhile Para 4.12 of the Policy (2009-14)]. Para 4.27 of the Hand Book of Procedures for the relevant period allows exports/supplies in anticipation of an Authorization. This provision has been made as an exception to meet the requirement in case of exigencies. However, the importers/exporters have been availing the benefit of the said provision without exception and the export goods are made out of domestically or otherwise procured materials and the duty-free imported goods are used for purposes other than the manufacture of the export goods. However, Para 4.27 (d) has barred such benefit of export in anticipation of Authorization for the inputs with pre-import condition.

**7.8** Specific provision under the said Para 4.27 (d) was made, which states that -

***(d) Exports/supplies made in anticipation of authorization shall not be eligible for inputs with pre-import condition.***

Therefore, whenever pre-import condition is applicable in respect of the goods to be imported, the Advance Authorization holder does not have any liberty to export in anticipation of Authorization. The moment input materials are subject to pre-import condition, they become ineligible for export in anticipation of Authorization, by virtue of the said provision of Para 4.27 (d).

**7.9** The pre-import condition requires the imported materials to be used for the manufacture of finished goods, which are in turn required to be exported towards discharge of export obligation, and the same is only possible when the export happens subsequent to the commencement of imports after allowing reasonable time to manufacture finished goods out of the same. Therefore, when the law demands pre-import condition on the input materials to be imported, goods cannot be exported in anticipation of Advance Authorization. **Provisions of Para 4.27(a) &**

(d), i.e export in anticipation of Authorization and the pre-import condition on the input materials are mutually exclusive and cannot go hand in hand.

8. Advance Authorization Scheme is not just another scheme, where one is allowed to import goods Duty free, for which the sole liability of the beneficiary is to complete export obligation only by exporting goods mentioned in the Authorization. **It is not a scheme that gives carte blanche to the importer, so far as utilization of imported materials is concerned.** Rather, barring a few exceptions covered by the Policy and the Notification, it requires such Duty-free imported materials to be used specifically for the purpose of manufacture of export goods. As discussed above, the scheme requires physical incorporation of the imported materials in the export goods after allowing normal wastage. Export goods are required to be manufactured out of the very materials which have been imported Duty free. **The law does not permit replenishment.** The High Court of Allahabad in the case of *Dharampur Sugar Mill* reported in 2015 (321) ELT 0565 (All.) has observed that:-

*“From the records we find that the import authorization requires the physical incorporation of the imported input in export product after allowing normal wastage, reference clause 4.1.3. In the instant case, the assessee has hopelessly failed to establish the physical incorporation of the imported input in the exported sugar. The Assessing Authority and the Tribunal appears to be correct in recording a finding that the appellant has violated the provisions of Customs Act, in exporting sugar without there being any 'Export Release Order' in the facts of this case.”*

8.1 The Hon'ble Supreme Court in the case of *Pennar Industries* reported in TIOL-2015-(162)-SC-CUS has held that :-

*“It would mean that not only the raw material imported (in respect of which exemption from duty is sought) is to be utilized in the manner mentioned, namely, for manufacture of specified products by the importer/assessee itself, this very material has to be utilized in discharge of export obligation. It, thus, becomes abundantly clear that as per this Notification, in order to avail the exemption from import duty, it is necessary to make export of the product manufactured from that very raw material which is imported. This condition is admittedly not fulfilled by the assessee as there is no export of the goods from the raw material so utilized. Instead, export is of the product manufactured from other material, that too through third party. Therefore, in strict sense, the mandate of the said Notification has not been fulfilled by the assessee.”*

8.2 The High Court of Madras (Madurai Bench) in the case of M/s. Vedanta Ltd on the issue under consideration held that:-

**“pre-import simply means import of raw materials before export of the finished goods to enable the physical export and actual user condition possible and negate the revenue risk that is plausible by diverting the imported goods in the local market”.**

8.3 **Conditions No. (v) & (vi) of the Notification No. 18/2015-Cus dated 01-04-2015, prescribe the modalities** to be followed for import of Duty-free goods under Advance Authorization, in cases, where export obligation is discharged in full, before the commencement of imports. This is to ensure that the importer does not enjoy the benefit of Duty exemption on raw materials twice for the same export. It is but natural that in such a situation the importer would have used domestically procured materials for the purpose of manufacture of goods that have been exported and on which required Duties would have been paid and credit of the

same would also have been availed by the importer. The importer has in this kind of situation, two options in terms of the above Notification:

**8.3.1** The first option is elucidated in condition No. (v) of the notification, which is as under-

*"(v) that in respect of imports made after the discharge of export obligation in full, if facility under rule 18 (rebate of duty paid on materials used in the manufacture of resultant product) or sub-rule (2) of rule 19 of the Central Excise Rules, 2002 or of CENVAT Credit under CENVAT Credit Rules, 2004 has been availed, then the importer shall, at the time of clearance of the imported materials furnish a bond to the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, binding himself, to use the imported materials in his factory or in the factory of his supporting manufacturer for the manufacture of dutiable goods and to submit a certificate, from the jurisdictional Central Excise officer or from a specified chartered accountant within six months from the date of clearance of the said materials, that the imported materials have been so used:*

*Provided that if the importer pays additional duty of customs leviable on the imported materials but for the exemption contained herein, then the imported materials may be cleared without furnishing a bond specified in this condition and the additional duty of customs so paid shall be eligible for availing CENVAT Credit under the CENVAT Credit Rules, 2004;"*

**8.3.2** The second option is similarly elaborated in condition no. (vi) of the notification, as under-

*"(vi) that in respect of imports made after the discharge of export obligation in full, and if facility under rule 18 (rebate of duty paid on materials used in the manufacture of resultant product) or sub-rule (2) of rule 19 of the Central Excise Rules, 2002 or of CENVAT credit under CENVAT Credit Rules, 2004 has not been availed and the importer furnishes proof to this effect to the satisfaction of the Deputy Commissioner of Customs or the Assistant Commissioner of Customs as the case may be, then the imported materials may be cleared without furnishing a bond specified in condition (v);"*

**8.4** Thus, the purport of the above conditions in the erstwhile Notification is to ensure that if domestically procured inputs have been used for manufacture of the exported goods and the inputs are imported Duty-free after the exports, then the benefit of "zero-rating" of exports is not availed by the exporter twice.

**8.5** Thus, insertion of such conditions in the Notification, is indicative of legislative intent of keeping check on possible misuse of the scheme. However, ensuring compliance of these two conditions is not easy, on the other hand, such conditions are vulnerable to be mis-used and have the inherent danger to pave way for 'rent-seeking'. Therefore, to **plug the loop-hole, and to facilitate & streamline the implementation of the export incentive scheme, in the post-GST scenario the concept of "Pre-Import" and "Physical Export" was introduced in the subject Notification**, which make the said conditions (v) & (vi) infructuous. This is also in keeping with the philosophy of GST legislation to remove as many conditional exemptions as possible and instead provide for zero-rating of exports through the option of taking credit of the IGST duties paid on the imported inputs, at the time of processing of the said inputs.

**8.6** It is the duty of an importer seeking benefits of exemption extended by Customs Notifications issued by the Government of India/ Ministry of Finance, to comply with the conditions imposed in the Notification, which determines, whether

or not one becomes eligible for the exemption. **Exemption from payment of duty is not a matter of right, if the same comes with conditions which are required to be complied with. It is a pre-requisite that only if such conditions are followed, that one becomes eligible for such benefit. As discussed above, such conditions have been brought in with the objective of facilitating zero-rating of exports with minimal compliance and maximum facilitation.**

**9.** The IGST benefit is available against Advance Authorizations subject to observance of pre-import condition in terms of the condition of the Para 4.14 of the Foreign Trade Policy (2015-20) & also the conditions of the newly introduced condition (xii) of Customs Notification No. 18/2015 dated 01-04-2015 as added by Notification No. 79/2017-Cus dated 13-10-2017. Such pre-import condition requires goods to be imported prior to commencement of exports to ensure manufacturing of finished goods made out of the Duty-free inputs so imported. These finished goods are then to be exported under the very Advance Authorization towards discharge of export obligation. As per provision of Para 4.03 of the Foreign Trade Policy (2015-20), physical incorporation of the imported materials in the export goods is obligatory, and the same is feasible only when the imports precedes export.

**9.1** The following tests enables one to determine whether the pre-import condition in respect of the duty-free imported goods have been satisfied or not:

- i) If the importer fulfils a part or complete export obligation, in respect of an Advance Authorization, even before commencement of any import under the subject Advance Authorization, **it is implied that such imported materials have not gone into production of goods that have been exported**, by which the export obligation has been discharged. Therefore, pre-import condition is violated.
- ii) Even if the date of the first Bill of Entry under which goods have been imported under an Authorization is prior to the date of the first Shipping Bill through which exports have been made, indicating exports happened subsequent to import, but if documentary evidences establish that the consignments, so imported, were received at a later stage in the factory after the commencement of exports, then the goods exported under the Advance Authorization could not have been manufactured out of the Duty free imported goods. This aspect can be verified from the date of the Goods Receipt Note (GRN), which establishes the actual date on which materials are received in the factory. Therefore, in absence of the imported materials, it is implied that the export goods were manufactured out of raw materials, which were not imported under the subject Advance Authorization. Therefore, pre-import condition is violated.
- iii) In cases, where multiple input items are allowed to be imported under an Advance Authorization, and out of a set of import items, only a few are imported prior to commencement of export, it implies that in the production of the export goods, except for the item already imported, the importer had to utilize materials other than the Duty-free materials imported under the subject Advance Authorization. The other input materials are imported subsequently, **which do not and could not have gone into production of the finished goods exported under the said Advance Authorization**. Therefore, pre-import condition is violated.
- iv) In some cases, preliminary imports are made prior to export. Subsequently, exports are effected on a scale which is not commensurate with the imports already made. If the quantum of exports made is more than the corresponding imports made during that period, then it indicates that materials used for manufacture of the export goods were procured otherwise. Rest of the imports are made later which never go into production of the goods exported under

the subject Advance Authorization. It is then implied that the imported materials have not been utilized in entirety for manufacture of the export goods, and therefore, pre-import condition is violated.

**10. Whether the Advance Authorizations issued prior to 13-10-2017 should come under purview of investigation?:**

**10.1** It is but natural that the Advance Authorizations which were issued prior to 13-10-2017, would not and could not contain condition written on the body of the Authorization, that one has to fulfil pre-import condition, for the bare fact that no such pre-import condition was specifically incorporated in the parent Notification No.18/2015 dated 01-04-2015. The said condition was introduced by the Notification No.79/2017-Cus dated 13-10-2017, by amending the principal Customs Notification. Therefore, for the Advance Authorizations issued prior to 13-10-2017, logically there was no obligation to comply with the pre-import condition. **At the same time, there was no exemption from the IGST either during that period. Notifications are published in the public domain, and every individual affected by it is aware of what benefit it extends and in return, what conditions are required to be complied with. To avail such benefits extended by the Notification, one is duty bound to observe the formalities and/or comply with the conditions imposed in the Notification.**

**10.2** While issuing the subject Notification, the Government of India instead of imposing a condition that such benefit would be made available for Advance Authorizations issued on and after the date of issuance of the Notification, kept the doors wide open for those, who obtained such Advance Authorization in the past too, subject to conditions that such Authorizations are valid for import, and pre-import and physical export conditions have also been followed in respect of those Advance Authorizations. Therefore, instead of narrowing down the benefit to the importers, in reality, it extended benefit to many Advance Authorizations, which could have been out of ambit of the Notification, had the date of issue been made the basic criterion for determination of availment of benefit. Further, the Notification did not bring into existence any new additional restriction, rather it introduced new set of exemption, which was not available prior to issuance of the said Notification. **However, as always, such exemptions were made conditional. Even the parent Notification, did not offer carte blanche to the importers to enjoy benefit of exemption**, as it also had set of conditions, which were required to be fulfilled to avail such exemption. As such, an act of the Government is in the interest of the public at large, instead of confining such benefits for the Advance Authorizations issued after 13-10-2017, the option was left open, even for the Authorizations, which were issued prior to the issuance of the said Notification. **The Notification never demanded that the previously issued authorizations have to be pre-import compliant, but definitely, it made it compulsory that benefit of exemption from IGST can be extended to the old Advance Authorizations too, so long, the same are pre-import compliant. The importers did have the option to pay IGST and avail other benefit, as they were doing prior to introduction of the said Notification without following pre-import condition.** The moment they opted for IGST exemption, despite being an Advance Authorization issued prior to 13-10-2017, it was necessary for the importer to ensure that pre-import/physical export conditions have been fully satisfied in respect of the Advance Authorization under which they intended to import availing exemption.

**10.3** Therefore, it is not a matter of concern whether an Advance Authorization was issued prior to or after 13-10-2017, to ascertain whether the same is entitled for benefit of exemption from IGST, the Advance Authorization should pass the test of complying with both the pre-import and physical export conditions.

## **11. Whether the Advance Authorizations can be compartmentalized to make it partly compliant to pre-import/ physical export and partly otherwise?**

**11.1** Advance Authorization Scheme has always been Advance Authorization specific. The goods to be imported/exported, quantity of goods required to be imported/exported, value of the goods to be imported/exported, nos. of items to be allowed to be imported/exported, everything is determined in respect of the Advance Authorization issued. Advance Authorization specific benefits are extended irrespective of the fact whether the importer chooses to import the whole materials at one go or in piece meal. Therefore, such benefit and/or liabilities are not Bills of Entry specific. Present or the erstwhile Policy has never had any provision for issuance of Advance Authorizations, compartmentalizing it into multiple sections, part of which may be compliant with a particular set of conditions and another part compliant with a different set of conditions. Agreeing to the claim of considering part of the imports in compliance with pre-import condition, when it is admitted by the importer that pre-import condition has been violated in respect of an Advance Authorization, would require the Policy to create a new provision, to accommodate such diverse set of conditions in a single Authorization. Neither the present set of Policy nor the Customs Notification has any provision to consider imports under an Advance Authorization by hypothetically bifurcating it into an Authorization, simultaneously compliant to different set of conditions. As of now, the Advance Authorizations are embedded with a particular set of conditions only. An Authorization can be issued either with pre-import condition or without it. **Law doesn't permit splitting it into two imaginary set of Authorizations, for which requirement of compliances are different.**

**11.2 Allowing exemption for part compliance is not reflective in the Legislative intent.** For proportional payment of Customs Duty in case of partial fulfilment of EO, specific provisions have been made in the Policy, which, in turn has been incorporated in the Customs Notification. No such provision has been made in respect of imports w.r.t Advance Authorizations with "**pre-import and physical exports**" conditions. **In absence of the same, compliance is required in respect of the Authorization as a whole.** In other words, if there are multiple shipments of import & multiple shipments of export, then so long as there are some shipments in respect of which Duty-free imports have taken place later & exports corresponding to the same have been done before, then, the pre-import condition stipulated in the IGST exemption Notification gets violated. **Once that happens, then even if there are some shipments corresponding to which imports have taken place first & exports made out of the same thereafter, the IGST exemption would not be available, as the benefits of exemption applies to the license as a whole.** Once an Advance Authorization has been defaulted, there is no provision to consider such default in proportion to the offence committed.

**11.3** Para 4.49 of the Hand Book of Procedures (2015-20), Volume-I, demands that if export obligation is not fulfilled both in terms of quantity and value, the Authorization holder shall, for the regularization, **pay to the Customs Authorities, Customs Duty on unutilized value of imported/ indigenously procured material along with interest** as notified; which implies that the Authorization holder is legally duty bound to pay the proportionate amount of Customs Duty corresponding to the **unfulfilled export obligation**. Customs Notification too, incorporates the same provision.

**11.4** Para 5.14 (c) of the Hand Book of Procedures, Volume-I, (2015-20) in respect of EPCG Scheme stipulates that where export obligation of any particular block of years is not fulfilled in terms of the above proportions, except in such cases where the export obligation prescribed for a particular block of years is extended by the Regional Authority, such Authorization holder shall, within 3 months from the expiry of the block of years, pay as Duties of Customs, an amount that is proportionate to the unfulfilled portion of the export obligation vis-a-vis the total export obligation. In addition to the Customs Duty calculatable, interest on the same is payable. Customs Notification too, incorporates the same provision.

**11.5** Thus in both the cases, Advance Authorization under Chapter 4 & EPCG under Chapter 5 of the HBPv1, the statutory provisions have been made for payment of Duty in proportion to the unfulfilled EO. This made room for part compliance and has offered for remedial measures. The same provisions have been duly incorporated in the corresponding Customs Notifications.

**11.6** Contrary to above provisions, in the case of imports under Advance Authorisation with pre-import and physical export conditions for the purposes of availing IGST exemptions, **both the Policy as well as the Customs Notifications are silent on splitting of an Advance Authorisation. This clearly indicates that the legislative intent is totally different in so far as exemption from IGST is concerned. It has not come with a rider allowing part compliance.** Therefore, once vitiated, the IGST exemption would not be applicable on entire imports made under the Authorisation.

**12. Violations in respect of the Foreign Trade Policy (2015-20) and the condition of the Notification No. 79/2017-Cus dated 13-10-2017 in respect of the imports made by the importer:-**

**12.1** Customs Notification No.79/2017 dated 13-10-2017, was issued extending benefit of exemption of IGST (Integrated Goods & Service Tax), on the input raw materials, when imported under Advance Authorizations. The original Customs Notification No.18/2015 dated 01-04-2015, that governs imports under Advance Authorizations, has been suitably amended to incorporate such additional benefit to the importers, by introduction of the said Notification. It was of course specifically mentioned in the said Notification that “the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of Section 3 of the **said Customs Tariff Act shall be subject to pre-import condition;**” therefore, for the purpose of availing the benefit of exemption from payment of IGST, one is required to comply with the pre-import condition. Pre-import condition demands that the entire materials imported under Advance Authorizations should be utilized exclusively for the purpose of manufacture of finished goods, which would be exported out of India. **Therefore, if the goods are exported before commencement of import or even after commencement of exports, by manufacturing such materials out of raw materials which were not imported under the respective Advance Authorization, the Pre-import condition is violated.**

**12.2** DGFT Notification No. 33/2015-20 dated 13-10-2017 amended the Para 4.14 of the Foreign Trade Policy (2015-20). It has been clearly stated in the said Para 4.14 of the Policy that-

*“ imports under Advance Authorisation for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, **and such imports shall be subject to pre-import condition.**”*

Basically, the said Notification brought the same changes in the Policy, which have been incorporated in the Customs Notification by the aforementioned amendment.

**12.3** For the purpose of availing the benefit of exemption from payment of IGST in terms of Para 4.14 of the Foreign Trade Policy (2015-20) and the corresponding Customs Notification No.79/2017-Cus dated 13-10-2017, it is obligatory to comply with the pre-import as well as physical export conditions. Therefore, if for reasons as elaborated in para-7 above, the Duty-free materials are not subjected to the process of manufacture of finished goods, which are in turn exported under the subject Advance Authorization, condition of pre-import gets violated.

**12.4** Combined provisions of the Foreign Trade Policy and the subject Customs Notifications, clearly mandate, only imports under pre-import condition would be allowed with the benefit of such exemption subject to physical exports. **Therefore,**

no such exemption can be availed, in respect of the Advance Authorizations, against which exports have already been made before commencement of import or where the goods are supplied under deemed exports. The importer failed to comply with the aforementioned conditions.

**13. Pre-import has to be put in respect of input, which should find place in paragraph 4.13 of the Foreign Trade Policy, which is not so in the present case;**

**13.1** Para 4.13 (i) states that:-

*"DGFT may, by Notification, impose pre-import condition for inputs under this Chapter."*

**The said Para clearly left open, the scope of imposing pre-import condition on any goods which could have been covered by the said Chapter 4 of the Policy.** Therefore, imposing such condition across board for all goods imported under Advance Authorization was well within the competence and authority of the Policy makers. The only condition was to issue a Notification before imposition of such pre-import condition. In the present case DGFT has issued the Notification No.33/2015-20, which fulfills the requirement of the said provision of law.

**13.2** Para 4.13 of the Foreign Trade Policy states that to impose pre-import condition the Directorate General of Foreign Trade is required to issue Notification for that purpose. The DGFT has followed the said principle and accordingly issued Notification No. 33/2015-20 dated 13-10-2017. **The said Notification is general in nature and does not exclude any goods from the purview of the same.** Only condition that is imposed that for one and all goods, is that pre-import condition has to be followed in case the importer wants to avail the benefit of IGST exemption. In absence of any specific negative list containing specific mention of set of goods, which may not be covered by the said provision, it has been ensured that all goods are covered by the said Notification, provided that the importer intends to avail exemption of IGST. **It is a common practice and understanding that in case of general provision, the same is applicable to one and all except those covered by a specific clause in the form of negative list. It is neither practicable nor possible to specify each and every single item on earth for the purpose. In absence of any such negative list offered by the said Notification, such pre-import condition becomes applicable for all goods to be imported.**

**13.3** Therefore, the question of specific mention of a particular set of items does not arise. It is impracticable and impossible to issue a Notification mentioning all possible goods, which could be imported under Advance Authorization, to bring them within the ambit of pre-import condition. **Much simpler and conventional way to cover goods across board is to issue Notification in general, without any negative list.** The DGFT authority has done the same, and issued the subject Notification No. 33/2015-20 dated 13-10-2017, which without any shadow of doubt covers all goods including the one being imported by the Noticee. Mis-interpretation of the scope of Para 4.13 of the Foreign Trade Policy and an attempt to confine the scope of the said para to infer that the subject goods imported are not covered by the said para is not in consonance with the Policy in vogue.

**13.4** Interpretation that the reference to "inputs with pre-import condition" in the Foreign Trade Policy and Hand Book of Procedures should be construed to mean only those inputs which have been notified under Appendix-4J also appears to be distorted, misleading and contrary to the spirit of the Policy. Para 4.13 states that "DGFT may, by Notification, impose pre-import condition for inputs...". The term Inputs has been used in general without confining its' scope to the set of limited items covered by Appendix-4J. As discussed below, **the purpose of Appendix-4J is to specify export obligation period of a few inputs, for which pre-import condition has also been imposed.** But that does not mean, the item has to be specified in Appendix-4J, for being considered as inputs having pre-

import condition imposed. The basic requirement of the Para is to issue a Notification under Foreign Trade Policy, declaring goods on which such pre-import condition is imposed. Such requirement was fulfilled by the Policy makers and DGFT Notification No. 33/2015-20 dated 13-10-2017, was issued accordingly. The Notification, by not incorporating any negative list or exclusion clause, made it clear that any inputs imported under Advance Authorization, would require to follow pre-import condition in case the importer wants to avail benefit of IGST exemption. **Appendix-4J has nothing to do with it.**

**13.5 Appendix 4J issued in tandem with the provision of Para 4.22 of the Foreign Trade Policy during the material period (presently under Para 4.42 of the Hand Book of Procedures), provides for export obligation period in respect of various goods allowed to be imported. While, Para 4.22 is the general provision, that specifies 18 months as the export obligation period in general, the said Para, also provides that such export obligation period would be different for a set of goods as mentioned in Appendix-4J. Therefore, Appendix-4J has been placed in the Policy as a part of Para 4.22 of the Policy and not as part of Para 4.13. Secondly, Appendix-4J is basically a negative list for the purpose of Para 4.22, which specifies a set of goods for which export obligation period is different from the general provision of Para 4.22. In addition to that in respect of those items additional condition has also been imposed that pre-import condition has to be followed.** From the heading of the said Appendix-4J, which states that "**Export Obligation Period for Specified Inputs.....**" it clearly refers to Para 4.22 of the Foreign Trade Policy / Para 4.42 of the Hand Book of Procedures, **it becomes clear that the purpose of the same is to define EO period of specified goods.** Simply, because Appendix 4J demands for compliance of pre-import condition, does not mean that the same becomes the list meant for goods for which pre-import condition is applicable.

#### **14. Violations of the provisions of the Customs Act, 1962:-**

**14.1** In terms of Section 46 of the Customs Act, 1962, while presenting the Bills of Entry before the Customs Authority for clearance of the imported goods, it was the duty of the importer to declare whether or not they complied with the conditions of pre-import and/or physical export in respect of the Advance Authorizations under which imports were being made availing benefit of IGST exemption. The law demands true facts to be declared by the importer. It was the duty of the importer to pronounce that the said pre-import and/or physical exports conditions could not be followed in respect of the subject Advance Authorization. As the importer has been working under the regime of self-assessment, where they have been given liberty to determine every aspect of an imported consignment from classification to declaration of value of the goods, it was the sole responsibility of the importer to place correct facts and figures before the assessing authority. In the material case, the importer has failed to comply with the requirements of law and incorrectly availed benefit of exemption of Notification No.79/2017-Cus dated 13-10-2017. This has therefore, resulted in violation of Section 46 of the Customs Act, 1962.

**14.2** The importer failed to comply with the conditions laid down under the relevant Customs Notification as well as the DGFT Notification and the provisions of the Foreign Trade Policy (2015-20), as would be evident from the discussion at para-15 of this Notice. The amount of IGST not paid, is recoverable under Section 28(4) of the Customs Act, 1962 along with interest.

**14.3** With the introduction of self-assessment under the Customs Act, more faith is bestowed on the importer, as the practice of routine assessment, concurrent audit and examination has been dispensed with and the importers have been assigned with the responsibility of assessing their own goods under Section 17 of the Customs Act, 1962. As a part of self-assessment by the importer, it was the

duty of the importer to present correct facts and declare to the Customs Authority about their inability to comply with the conditions laid down in the Customs Notification, while seeking benefit of exemption under Notification No. 79/2017-Cus dated 13-10-2017. However, contrary to this, they availed benefit of the subject Notification for the subject goods, without complying with the conditions laid down in the exemption Notification in violation of Section 17 of the Customs Act, 1962. Amount of Customs Duty attributable to such benefit availed in the form of exemption of IGST, is therefore, recoverable from them under Section 28(4) of the Customs Act, 1962.

**14.4** The importer failed to comply with the pre-import condition of the Notification and imported goods Duty free by availing benefit of the same without observing the conditions, which they were duty bound to comply. This has led to contravention of the provisions of the Notification No. 79/2017-Cus dated 13-10-2017, and the Foreign Trade Policy (2015-20), which rendered the goods liable to confiscation under Section 111(o) of the Customs Act, 1962.

**14.5** Section 114A of the Customs Act, 1962, stipulates that where the Duty has not been levied or has been short-levied by reason of collusion or any willful mis-statement or suppression of facts, the person who is liable to pay the Duty or interest, as the case may be, as determined under sub-section (8) of Section 28 shall also be liable to pay a penalty equal to the Duty or interest so determined. It appears that the Noticee has deliberately suppressed the fact of their failure to comply with the conditions of pre-import/physical export in respect of the impugned Advance Authorizations, which they were well aware of at the time of commencement of import itself, from the Customs Authority. Such an act of deliberation appears to have rendered them liable to penalty under Section 114A of the Customs Act, 1962.

**14.6** Section 124 of the Customs Act, 1962, states that no order confiscating any goods or imposing any penalty on any person shall be made unless the owner of the goods or such person:

- (a) is given a notice in writing with the prior approval of the officer of Customs not below the rank of an Assistant Commissioner of Customs, informing him of the grounds on which it is proposed to confiscate the goods or to impose a penalty;
- (b) is given an opportunity of making a representation in writing within such reasonable time as may be specified in the notice against the grounds of confiscation or imposition of penalty mentioned therein; and
- (c) is given a reasonable opportunity of being heard in the matter;

**14.7** Therefore, while Section 28 gives authority to recover Customs Duty, short paid or not-paid, and Section 111(o) of the Act, hold goods liable for confiscation in case such goods are imported by availing benefit of an exemption Notification and the importer fails to comply with and/or observe conditions laid down in the Notification, Section 124 & Section 28 of the Customs Act, 1962, authorise the proper officer to issue Show Cause Notice for confiscation of the goods, recovery of Customs Duty and imposition of penalty in terms of Section 112(a) of the Customs Act, 1962.

**14.8** In conclusion, it appears that the Noticee M/s. Ratnaveer Stainless Products Pvt. Ltd., have contravened the provisions of Section 17, 46 of the Customs Act, 1962, and also the provisions of Customs Notification No. 18/2015-Cus dated 01-04-2015, as amended by the Customs Notification No. 79/2017 dated 13-10-2017, read with provisions of Para 4.03, 4.13 & 4.14 of the Foreign Trade Policy (2015-20), as amended by the DGFT Notification No. 33/2015-20 dated 13-10-2017, issued in terms of the provision of Para 4.13 of the Foreign Trade Policy (2015-20), as they imported "Stainless Steel CR/HR coil/Sheets" for manufacture of "Stainless Steel Washers of different grades" without payment of Duty of

Customs under cover of Advance Authorizations, on the strength of the subject Notification and availed benefit of exemption from payment of IGST on the goods so imported, leviable in terms of sub-section (7) & sub-section (9) of Section 3 of the Customs Tariff Act, 1975, but failed to comply with pre-import and/or physical export conditions laid down in the subject Notification. Their act of omission and/or commission appears to have resulted in non-payment of Duty of Customs in the form of Integrated Goods & Service Tax (IGST) to the extent of **Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only)** which appears to be recoverable under Section 28(4) of the Customs Act, 1962, along with applicable interest, and also appears to attract provision of section 111(o) of the Customs Act, 1962, making the goods valued at **Rs.28,33,91,636/- (Rupees Twenty Eight Crore, Thirty Three Lakh, Ninety One Thousand, Six Hundred and Thirty Six only)** liable for confiscation under Section 111(o) and the Company liable to penalty under Section 112 (a) of the Act ibid.

**15.** In view of the above, Show Cause Notice No. VIII/10-17/Commr./O&A/2022-23 dated 12.09.2022 has been issued to M/s. Ratnaveer Stainless Products Pvt. Ltd., E-77 GIDC, Savli, Manjusar, District-Vadodara, Gujarat-391775, calling upon to Show Cause in writing to the Commissioner of Customs, Ahmedabad as to why:-

- a) Duty of Customs amounting to **Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only)** in the form of IGST saved in course of imports of the goods through ICD Khodiyar port under the subject Advance Authorizations and the corresponding Bills of Entry as detailed in Annexure-A attached to this Show Cause Notice, in respect of which benefit of exemption under Customs Notification No.18/2015 dated 01-04-2015, as amended by Notification No.79/2017-Cus, dated 13-10-2017, was incorrectly availed, without complying with the obligatory pre-import condition as stipulated in the said Notification, and also for contravening provisions of Para 4.14 of the Foreign Trade Policy (2015-20), should not be demanded and recovered from them under Section 28(4) of the Customs Act, 1962;
- b) Subject goods having assessable value of **Rs.28,33,91,636/- (Rupees Twenty Eight Crore, Thirty Three Lakh, Ninety One Thousand, Six Hundred and Thirty Six only)** imported through ICD Khodiyar port as detailed in Annexure-A attached to this Show Cause Notice, under the subject Advance Authorizations should not be held liable for confiscation under Section 111(o) of the Customs Act, 1962, for being imported availing incorrect exemption of IGST in terms of the Notification No.18/2015 dated 01-04-2015, as amended by Notification No.79/2017-Cus, dated 13-10-2017, without complying with obligatory pre-import condition laid down under the said Notification;
- c) Interest should not be demanded and recovered from them under Section 28AA of the Customs Act, 1962, on such Duty of Customs mentioned at (a) above;
- d) Penalty should not be imposed upon them under Section 114A of the Customs Act, 1962, for improper importation of goods availing exemption of Notification and without observance of the conditions set out in the Notification, and also by reasons of misrepresentation and suppression of facts with an intent to evade payment of Customs Duty as elaborated above resulting in non-payment of Duty, which rendered the goods liable to confiscation under Section 111(o) of the Customs Act, 1962, and also rendered Customs Duty recoverable under Section 28(4) of the Customs Act, 1962;
- e) Penalty should not be imposed upon them under Section 112(a) of the Customs Act, 1962, for improper importation of goods availing exemption under Notification No.18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017, without observance of

the pre-import and/or physical export conditions set out in the Notification, resulting in non-payment of Customs Duty, which rendered the goods liable to confiscation under Section 111(0) of the Customs Act, 1962;

- f) Bonds executed by them at the time of import should not be enforced in terms of Section 143(3) of the Customs Act, 1962, for recovery of the Customs Duty as mentioned above and interest thereupon.

**16. Submission of the Importer:** Importer submitted their defence reply to Show Cause Notice vide their letter dated 05.04.2024 wherein they interalia stated as under:

- That the Customs authorities, at their own peril, had kept the subject SCN pending and in what is popularly known as "call book" and it is trite law that the concept of call book is extra-legal and has no standing in law; that no matter can be kept in call book to escape the rigours of limitation law rendering it patently time-barred; they relied on the case laws of *M/s. Steel Authority of India Limited v. Office of the Assistant Commissioner of GST [2022 (11) TMI 1393]*, wherein the decision of Hon'ble Gujarat High Court in the case of "29. The Gujarat High Court in the case of Siddhi Vinayak Syntex Pvt. Ltd. Vs. Union of India, [(2017) 352 ELT 455], was referred; further stated that said was taken in case of SAIL 2023 (12) TMI 846 - MADRAS HIGH COURT once again; that when jurisdictional High Court of Gujarat in the case of Siddhi Vinayak Syntext (supra) has already taken this view, the authorities within the jurisdiction of the Hon'ble High Court of Gujarat are duty bound to follow this view, as held in the case of *Kashmir Conductors 1997(96) ELT 257(Tri-LB)* (LB); that Section 28(9) of CA, 1962 prescribes maximum period of six months (one year in case of fraud cases) from date of SCN, to adjudicate the same and it was not done so far and no Order was passed within statutorily prescribed period; that even Hon'ble Apex Court decided the issue long back, however, the matter was still kept pending, and by no means this delay should be condoned in any manner;
- That issue involved is purely one of interpretation of complex legal provisions, which were already held as unconstitutional once and quashed, and which were later on found to be valid, after intervention by highest court of the land, itself means there could not have been any malafide intent to evade any taxes on part of importers;
- That it is impossible to track each BE wise import, that too AA wise quantity, especially when multiple AAs operate at the same time during import activity, and check which AA related import was used in which export consignment, to satisfy so-called pre-import condition; that the law cannot expect one to do the impossible as held by the Hon'ble Larger Bench of the Tribunal in the case of *Hico Enterprise reported at 2005 (189) E.L.T. 135 (Tri. - LB)* which was also upheld by Hon'ble Apex Court as reported at 2008 (228) E.L.T. 161 (S.C.) Such condition, as such, is deemed to have been satisfied by our client anyway. Reliance can also be placed on the cases of *Hetero Drugs Ltd. 2010 (262) ELT 490 (TRI)* and *Jindal Steel & Power Ltd. 2015 (329) ELT 595 (TRI)* in support of this averment; that merely because it is difficult to monitor this for revenue department cannot result in exporters being saddled with avoidable duty (IGST) demands; that to the extent Pre-import condition as it stands fulfilled, quantity wise, even out of a single BE, due regard and adjustment to such extent must be extended in law; that ; that as such, the action on part of investigating authorities in demanding IGST on entire Advance Authorization in toto, without giving any effect towards the quantity of import under same/different BEs where pre-import condition may be fulfilled qua Exports already made earlier, is legally wrong and the subject SCN must be therefore dropped/vacated.

- That as evident from contents of Para 2.4 (Table 1) as well as Para 2.6 (Table 2), majority of Advance Authorizations were issued prior to 13.10.17, i.e. the introduction of pre-import condition; that the pre-import condition cannot and should not be made applicable at all to AA issued prior to 13.10.17 i.e. introduction of pre-import condition per se. We say this because AAs issued after 13.10.17 only can be governed by the said pre-import condition, since such AAs are issued containing the FTP provisions and issued thereunder, at the time when it is issued, that can attract pre-import condition as such, at the most.
- That they placed reliance upon the decision of Hon'ble Gujarat High Court judgment in the case of Shree Renuka Sugars Ltd. v. Union of India, 2018 (360) E.L.T. 483 (Guj.), wherein the Court referred to the decision of the Supreme Court in the case of W.P.I.L. Ltd. v. Commissioner of Central Excise, Meerut, 2005 (181) E.L.T. 359 (S.C.), wherein the Court considered a case where exemption notification was withdrawn and a fresh notification was issued shortly thereafter exempting duty of excise on parts used in manufacturing of power driven pumps and the Court noted that there was a consistent policy of the Government of India to grant such exemption. The later notification did not grant exemption for the first time. It was held that such notification was merely clarificatory and hence, would apply with retrospective effect. The Court also placed reliance upon the decision of this Court in the case of Gujarat Paraffins Pvt. Ltd. v. Union of India, 2012 (282) E.L.T. 33 (Guj.), where the Court has considered a case where the Government of India had taken corrective measure of reintroducing the exemption after a gap of about sixteen months, and held that such exemption would have retrospective effect; that in the facts of the present case, there was no condition of pre-import insofar as the Advance Authorisation Scheme is concerned and subsequently, by the above notification dated 10-1-2019, the condition for pre-import had been deleted, and, therefore, such amendment should be considered to be a curative amendment and be applied retrospectively; that the said amendment vide Notification dt.10.1.19 is actually declaratory and explanatory in nature. As such, the same has to be given a retrospective effect, for reasons stated in the decision of CESTAT in the case of Gwalior Aclobrew P. Ltd. 2014(309) ELT 692 (Tri-Del) as well as Indian Tobacco Association 2005(187) ELT 162(SC); that they relied on the decision of Hon'ble Apex Court in the case of VVF Ltd. 2020(372) ELT 495(SC), subsequent notifications/ policies can be said to be clarificatory in nature and the same have been issued in the larger public interest and in the interest of the Revenue, the same can be made applicable retrospectively, otherwise the object and purpose and the intention of the Government shall be frustrated.
- That the demand of IGST in the present case leads to an entirely Revenue neutral situation involved in the matter and they had absolutely no reason not to pay IGST when imports were made against advance authorization; that they placed the reliance on the following decision.
  - Commissioner v. Indeos ABS Ltd. — 2010 (254) E.L.T. 628 (Guj.)
  - Commissioner v. Indeos ABS Ltd.- 2011 (267) E.L.T. A155 (S.C.)
  - Tenneco RC India Pvt. Ltd. v. Commissioner — 2009 (235) E.L.T. 105 (Tribunal)
  - Jamshedpur Beverages v. Commissioner of Central Excise reported in 2007 (214) E.L.T. 321 (S.C.)
  - Reliance Industries Ltd. 2009(244) ELT 254 (Tri-Ahmd)
  - Punjab Tractors Ltd. 2005 (181) E.L.T. 380 (S.C)
  - Hindustan Level Ltd. 2010 (262) E.L.T. 1041 (Tri. – Mumbai)
  - SRV Print Pack Pvt. Ltd. 2011-TIOL-611-HC-DEL-CX
  - Moser Baer Ltd. 2010 (250) E.L.T. 79 (Tri. – Del)

- (x) Siddeshwar Textile Mills Pvt. Ltd. 2009 (248) E.L.T. 290 (Tri. – Mumbai)
- (xi) Dineshchandra R. Agrawal InfraconPvt. Ltd. 2010(18) STR 39 (Tri-Ahmd)
- (xii) Amco Batteries 2003(153) ELT 7(SC)
- (xiii) IOCL 2010(262) ELT 751(Tri)
- (xiv) LG Electronics Pvt. Ltd. v. Commissioner — 2010 (255) E.L.T. 135 (Tribunal)
- (xv) Associated Drug Co. v. Commissioner — 2009 (245) E.L.T. 252 (Tribunal)
- (xvi) P.R. Rolling Mills Pvt. Ltd. 2010(249) ELT 232 (Tri-Bang)
- (xvii) Commissioner v. P.R. Rolling Mills Pvt. Ltd. - 2010 (260) E.L.T. A84 (S.C)
- (xviii) CCE V/s. Sankala Industries 2010 (262) E.L.T. 893 (Tri. – Bang)
- (xix) Cepham Laboratories Ltd. 2007 (214) E.L.T. 286 (Tri. – Del)
- (xx) Ispat Industries Ltd. 2007 (213) E.L.T. 439 (Tri. – Mumbai)
- (xxi) Essar Steel Ltd. 2016 (341) E.L.T. 145 (Tri. - Del.)
- (xxii) Reliance Ada Group P. Ltd. 2016 (43) S.T.R. 372 (Tri. - Mumbai)
- (xxiii) Sarovar Hotels P. Ltd. 2018 (10) G.S.T.L. 72 (Tri. – Mumbai)
- (xxiv) AsmithaMicrofin Ltd. 2020 (33) G.S.T.L. 250 (Tri. – Hyd)
- (xxv) Jet Airways (I) Ltd. Versus Commissioner Of Service Tax, Mumbai 2016 (44) S.T.R. 465 (Tri. - Mumbai)

- That the demand is time barred ad cited the decision such as (i) Larsen & Toubro Ltd. Vs CCE (2007) 211 ELT 513, (ii) Nasir Ahmed Vs Asst. Custodian (1980) AIR SC 1157, (iii) Continental Foundation Jt. Venture Vs. CCE, Chandigarh-1 (2007) 216 ELT 177, (iv) Uniworth Textiles Ltd. Vs CCE, Raipur (2013) TIOL 13 (v) Cosmic Dye Vs CCE (2002) TIOL 236 (SC), (vi) CCE vs Chemphar Drugs & Liniments (1989) 40 ELT 276, (vii) CCE vs Chemphar Drugs & Liniments (1989) 40 ELT 276, (viii) Pushpam Pharmaceuticals Co. Vs. CCE, Bombay (1995) 78 ELT 401(viii) Aditya Birla Nuvo Ltd. Vs CCE, Vadodara (2011) TIOL 353, (ix) Sands Hotel Pvt Ltd Vs. CCE, Mumbai (2009) 16 STR 329, (x) *Anand Nishikawa Co. Ltd. v. Commissioner of Central Excise, Meerut*, (2005) 7 SCC 749,(xi) L'oreal India Pvt. Ltd. Vs CCE, Pune-1 (2011) TIOL 95, (xii) Hindustan Steel Ltd. Vs. State of Orissa 1978 (2) ELT (J159), and (xiii) Pratibha Processors vs. UOI (1996) 88 ELT 12 (SC);
- That the proposal to confiscate the goods under Section 111(o) alongwith the proposal to impose penalty under Section 112(a) of the Customs Act 1962 is therefore legally unsustainable, especially in the given set of facts and circumstances of the case and placed reliance on the decision (i) Shreeji Shipping Ltd. 2014 (302) E.L.T. 139 (Tri. – Ahmd);
- That the Hon'ble CESTAT in the case of the Sterlite Optical Technologies Ltd. 2011 (270) ELT 266 (Tri. Mumbai) and Goyal Synthetics P. Ltd. 2009 (233) ELT 65 (Tri. Ahmd) has held that despite bond being executed by the 100% EOU, period of limitation under Section 11A is still applicable for demands raised against them; that relied on the decision of Hon'ble Apex Court in the case of MMK Jewelers 2008 (225) E.L.T. 3 (S.C.), wherein demand under Section 28 of CA, 1962 was held to be time-barred, even in case where bond was executed by the importer, and where certain conditions were alleged to have been violated by them;
- That majority of AAs in the present case are prior to 13.10.17 as stated supra. In any case, the bond given at such time for such AAs, must be understood to have been given keeping in mind the Policy and Customs exemption conditions existing at such time. Such bonds cannot at all be held as relevant

for pre-import conditions imposed post facto, after 13.10.17 at all. Even for AAs and bonds executed after 13.10.17 as well, for the above reasons, the demand is anyway hopelessly time-barred.

- That since goods are not even available for confiscation anymore, no action under Section 111(o) of the Customs Act, 1962 can also be taken against and in support following decision referred:
  - (i) Finasse Creation Inc. 2009(248) ELT 122 (Bom)
  - (ii) Commissioner V/s. Finasse Creation Inc. 2010(255) ELT A120 (SC)
  - (iii) Shiv Kripa Ispat P. Ltd. 2009 (235) E.L.T. 623 (Tri. – LB)
  - (iv) Commissioner v. Shiv Kripa Ispat Pvt. Ltd. - 2015 (318) E.L.T. A259 (Bom)
- That even penalty under Section 114A cannot be imposed for the above reasons, in absence of any malafide/intention to evade. This is without prejudice to the fact that no penalty under any provision of law at all is imposable.
- That they placed relied on the decision of Hon'ble Mumbai High Court in the case of Mahindra and Mahindra Ltd. (Automotive Sector) 2022(10) TMI 212 – wherein it has been held that there are no provisions under Customs Act, 1962 to levy interest and/or penalty on short paid/non paid IGST on imports and hence, no interest and/or penal action at all can be taken against importer.

**17. Personal Hearing:** The Personal Hearing in the matter was fixed on 28.03.2024 (at 16:30 hours). However, Advocate of the Importer vide their letter dated 28.03.2024 requested for another date. Accordingly, the next date of Personal Hearing was fixed for 05.04.2024. Shri Saurabh Dixit, Advocate of the importer attended the Personal Hearing held on 05.04.2024 wherein he reiterated the submission as detailed in their written submission dated 05.04.2024

**18. Findings:** I have carefully gone through the Show Cause Notice dated 12.09.2022, written submissions dated 05.04.2024 filed by the importer as well as the records of Personal Hearing held on 05.04.2024.

**19.** I find from the records that the present Show Cause Notice dated 12.09.2022 was transferred to Call Book on 30.09.2022 as in the identical issue, the Department had filed SLP No. 25771/2019 against the order of Hon'ble Gujarat High Court in case of M/s. Maxim Tubes Company P. Ltd., and it was informed to the Importer vide letter dated 03.10.2022. Now the said Show Cause Notice has been retrieved from Call Book in view of Hon'ble Supreme Court decision dated 28.04.2023 in case of M/s. Cosmo Films Ltd. and same has been taken up for adjudication. Accordingly, the time limit specified in Section 28 (9) ibid shall apply from the date when the reason specified under Section 28 (9A) has ceased to exist i.e. w.e.f 28.04.2023.

**20.** The issues for consideration before me in these proceedings are as under:-

- a) Whether Duty of Customs amounting to **Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only)** in the form of IGST saved in course of imports of the goods through ICD Khodiyar port under the subject Advance Authorizations and the corresponding Bills of Entry as detailed in Annexure-A attached to this Show Cause Notice, in respect of which benefit of exemption under Customs Notification No.18/2015 dated 01-04-2015, as amended by Notification No.79/2017-Cus, dated 13-10-2017, was incorrectly availed, without complying with the obligatory pre-import condition as stipulated in the said Notification should not be

demanded and recovered from them under Section 28(4) of the Customs Act, 1962?

- b) Whether Subject goods having assessable value of **Rs.28,33,91,636/- (Rupees Twenty Eight Crore, Thirty Three Lakh, Ninety One Thousand, Six Hundred and Thirty Six only)** imported through ICD Khodiyar port as detailed in Annexure-A attached to the Show Cause Notice, under the subject Advance Authorizations should not be held liable for confiscation under Section 111(o) of the Customs Act, 1962, for being imported availing incorrect exemption of IGST in terms of the Notification No.18/2015 dated 01-04-2015, as amended by Notification No.79/2017-Cus, dated 13-10-2017, without complying with obligatory pre-import?
- c) Whether interest should be demanded and recovered under Section 28AA of the Customs Act, 1962, on such duty of Customs as mentioned at (a) above?
- d) Whether penalty should be imposed under Section 114A of the Customs Act, 1962, for improper importation of goods availing exemption of Notification and without observance of the conditions set out in the Notification, and also by reasons of misrepresentation and suppression of facts as elaborated above resulting in non-payment of Duty, which rendered the goods liable to confiscation under Section 111(o) of the Customs Act, 1962, and also rendered Customs Duty recoverable under Section 28(4) of the Customs Act, 1962;
- e) Whether penalty should be imposed under Section 112(a) of the Customs Act, 1962, for improper importation of goods availing exemption under Notification No.18/2015 dated 01.04.2015, as amended by Notification No.79/2017-Cus, dated 13.10.2017, without observance of the pre-import and/or physical export conditions set out in the Notification, resulting in non-payment of Customs Duty, which rendered the goods liable to confiscation under section 111(o) of the Customs Act, 1962?
- f) Whether the bonds executed at the time of import should be enforced in terms of Section 143(3) of the Customs Act, 1962, for recovery of the Customs Duty as mentioned above and interest thereupon?

**21.** I find that the question of Duty liability with interest and penal liabilities on the Importer would be relevant only if the bone of the contention as to whether the Importer has violated the obligatory pre-import condition as stipulated in Notification No.79/2017-Cus, dated 13-10-2017 is answered in the affirmative. Thus, the main point is being taken up firstly for examination.

## **22. Genesis of Pre Import Condition:**

**22.1** Before proceeding to adjudication of the Show Cause Notice, let us firstly go through relevant provisions which will give genesis of 'Pre Import Condition'.

### **22.1.1 Relevant Para 4.03 of the Foreign Trade Policy (2015-20) inter-alia states that :-**

*An Advance Authorisation is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed/ utilised to obtain export*

product, may also be allowed. DGFT, by means of Public Notice, may exclude any product(s) from purview of Advance Authorisation.

**22.1.2 Relevant Para 4.13 of the Foreign Trade Policy (2015-20) inter-alia states that :-**

4.13 Pre-import condition in certain cases-

**(i) DGFT may, by Notification, impose pre-import condition for inputs under this Chapter.**

**(ii) Import items subject to pre-import condition are listed in Appendix 4-J or will be as indicated in Standard Input Output Norms (SION).**

**22.1.3 Relevant Para 4.14 of the Foreign Trade Policy (2015-20) inter-alia states that :-**

**4.14 Details of Duties exempted-**

Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorisation for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition. Imports against Advance Authorisations for physical exports are exempted from Integrated Tax and Compensation Cess upto 31.03.2018 only.

**22.1.4 NOTIFICATION NO.31 (RE-2013)/ 2009-2014 dated 1<sup>st</sup> August, 2013:**

*In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No.22 of 1992) read with paragraph 1.2 of the Foreign Trade Policy, 2009-2014, the Central Government hereby notifies the following amendments in the Foreign Trade Policy (FTP) 2009-2014.*

2. After para 4.1.14 of FTP a new para 4.1.15 is inserted.

*"4.1.15 Wherever SION permits use of either (a) a generic input or (b) alternative inputs, unless the name of the specific input(s) [which has (have) been used in manufacturing the export product] gets indicated / endorsed in the relevant shipping bill and these inputs, so endorsed, match the description in the relevant bill of entry, the concerned Authorisation will not be redeemed. In other words, the name/description of the input used (or to be used) in the Authorisation must match exactly the name/description endorsed in the shipping bill. At the time of discharge of export obligation (EODC) or at the time of redemption, RA shall allow only those inputs which have been specifically indicated in the shipping bill."*

3. Para 4.2.3 of FTP is being amended by adding the phrase "4.1.14 and 4.1.15" in place of "and 4.1.14". The amended para would be as under:

*"Provisions of paragraphs 4.1.11, 4.1.12, 4.1.13, 4.1.14 and 4.1.15 of FTP shall be applicable for DFIA holder."*

4. **Effect of this Notification:** Inputs actually used in manufacture of the export product should only be imported under the authorisation. **Similarly inputs actually imported must be used in the export product. This has to be established in respect of every Advance Authorisation / DFIA.**

**22.2** With the introduction of GST w.e.f 01-07-2017, Additional Duties of Customs (CVD & SAD) were subsumed into the newly introduced Integrated Goods and Service Tax (IGST). Therefore, at the time of imports, in addition to Basic Customs Duty, IGST was made payable instead of such Additional Duties of Customs. Accordingly, Notification No.26/2017-Customs dated 29 June 2017, was issued to give effect to the changes introduced in the GST regime in respect of imports under Advance Authorization. The corresponding changes in the Policy were brought through Trade Notice No.11/2018 dated 30-06-2017. I find that it is pertinent to note here that while in pre-GST regime blanket exemption was allowed in respect of all Duties leviable when goods were being imported under Advance Authorizations, contrary to that, in post-GST regime, for imports under Advance Authorization, the importers were required to pay such IGST at the time of imports and then they could get the credit of the same.

However, subsequently, the Government decided to exempt imports under Advance Authorizations from payment of IGST, by introduction of the Customs Notification No.79/2017 dated 13-10-2017. However, such exemption from the payment of IGST was made conditional. The said Notification No.79/2017 dated 13-10-2017, was issued with the intent of incorporating certain changes/ amendment in the principal Customs Notifications, which were issued for extending benefit of exemption to the goods when imported under Advance Authorizations.

**22.2.1 D.G.F.T. Notification No. 33/2015-2020 dated 13.10.2017 amended the provisions of Para 4.14 of the Foreign Trade Policy 2015-20 which read as under:**

**Para 4.14 is amended to read as under:**

**"4.14: Details of Duties exempted**

Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorization for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition."

**22.2.2 Notification No.- 79/2017 - Customs, Dated: 13-10-2017. The relevant amendment made in Principal Notification No. 18/2015-Customs dated 01.04.2015 vide Notification No. 79/2017 - Customs, Dated: 13-10-2017 is as under:**

**-: Table:-**

S. No.	Notification number and	Amendments

	<i>date</i>	
(1)	(2)	(3)
1	.....	.....
2.	18/2015- Customs, dated the 1 st April, 2015 [vide number G.S.R. 254 (E), dated the 1 st April, 2015]	<p><i>In the said notification, in the opening paragraph,-</i></p> <p><i>(a) .....</i></p> <p><i>(b) in condition (viii), after the proviso, the following proviso shall be inserted, namely:-</i></p> <p><i>“Provided further that notwithstanding anything contained hereinabove for the said authorisations where the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act, has been availed, the export obligation shall be fulfilled by physical exports only;”;</i></p> <p><i>(c) .....</i></p> <p><i>(c) after condition (xi), the following conditions shall be inserted, namely :-</i></p> <p><i>“(xii) that the exemption from integrated tax and the goods and services tax compensation cess leviable thereon under sub-section (7) and sub-section (9) of section 3 of the said Customs Tariff Act shall be subject to pre-import condition;</i></p>

**22.3** Further, I find that Notification No.01/2019-Cus. dated 10.01.2019 removed/omitted the 'Pre Import condition' laid down vide Amendment Notification No. 79/2017- Cus dated 13.10.2017 in the Principal Notification No. 18/2015-Cus dated 01.04.2015.

**22.4** The High Court of Madras (Madurai Bench) in the case of M/s Vedanta Ltd reported as 2018 (19) G.S.T.L. 637 (Mad.)on the issue under consideration held that:-

**“pre-import simply means import of raw materials before export of the finished goods to enable the physical export and actual user condition possible and negate the revenue risk that is plausible by diverting the imported goods in the local market”.**

**22.5** I find that 'Pre-Import Condition' is unambiguous word/phrase. Further, I find that the definition of pre-import directly flows from Para 4.03 of the Foreign Trade Policy (2015-20)[erstwhile Para 4.1.3 of the Policy (2009-14)] wherein it is said that Advance Authorizations are issued for import of inputs, which are physically incorporated in the export goods allowing legitimate wastage. Thus, this Para specifically demands for such physical incorporation of imported materials in the export goods. And the same is only possible, when imports are made prior to export. Therefore, such Authorizations principally do have the pre-import condition in-built, which is required to be followed. In the instant case, it is undisputed fact that the Importer has not complied with the Pre-Import Condition as laid down vide Exemption Notification No. 18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017.

**22.6** Further, I find that this issue is no longer *res-integra* in as much as Hon'ble Supreme Court in the case of Union of India Vs. Cosmo Films Ltd reported as 2023 (72) GSTL 147 (SC) has overruled judgment of Hon'ble High Court of Gujarat and has held that pre-import condition, during **October,2017 to January,2019**, in Advance Authorization Scheme was valid. Relevant Paras of the decision are as under:

**69.** The object behind imposing the 'pre-import condition' is discernible from Paragraph 4.03 of FTP and Annexure-4J of the HBP; that only few articles were enumerated when the FTP was published, is no ground for the exporters to complain that other articles could not be included for the purpose of 'pre-import condition'; as held earlier, that is the import of Paragraph 4.03(i). The numerous schemes in the FTP are to maintain an equilibrium between exporters' claims, on the one hand and on the other hand, to preserve the Revenue's interests. Here, what is involved is exemption and postponement of exemption of IGST, a new levy altogether, whose mechanism was being worked out and evolved, for the first time. The plea of impossibility to fulfil 'pre-import conditions' under old AAs was made, suggesting that the notifications retrospectively mandated new conditions. The exporter respondents' argument that there is no *rationale* for differential treatment of BCD and IGST under AA scheme is without merit. BCD is a customs levy at the point of import. At that stage, there is no question of credit. On the other hand, IGST is levied at multiple points (including at the stage of import) and input credit gets into the stream, till the point of end user. As a result, there is justification for a separate treatment of the two levies. IGST is levied under the IGST Act, 2017 and is collected, for convenience, at the customs point through the machinery under the Customs Act, 1962. The impugned notifications, therefore, cannot be faulted for arbitrariness or under classification.

**70.** The High Court was persuaded to hold that the subsequent notification of 10.01.2019 withdrew the 'pre-import condition' meant that the Union itself recognized its unworkable and unfeasible nature, and consequently the condition should not be insisted upon for the period it existed, i.e., after 13.10.2017. This Court is of the opinion that the reasoning is faulty. It is now settled that the FTPRA contains no power to frame retrospective regulations. Construing the later notification of 10-1-2019 as being effective from 13-10- 2017 would be giving effect to it from a date prior to the date of its existence; in other words the Court would impart retrospectivity. In *Director General of Foreign Trade &Ors. v Kanak Exports &Ors.* [2015 (15) SCR 287 = 2015 ( 326) E.L.T. 26 (S.C.)] this Court held that :

"Section 5 of the Act does not give any such power specifically to the Central Government to make rules retrospective. No doubt, this Section confer powers upon the Central Government to 'amend' the policy which has been framed under the aforesaid provisions. However, that by itself would not mean that such a provision empowers the Government to do so retrospective."

**71.** To give retrospective effect, to the notification of 10-1-2019 through interpretation, would be to achieve what is impermissible in law. Therefore, the impugned judgment cannot be sustained on this score as well.

**75.** *For the foregoing reasons, this court holds that the Revenue has to succeed. The impugned judgment and orders of the Gujarat High Court are hereby set aside. However, since the respondents were enjoying interim orders, till the impugned judgments were delivered, the Revenue is directed to permit them to claim refund or input credit (whichever applicable and/or wherever customs duty was paid). For doing so, the respondents shall approach the jurisdictional Commissioner, and apply with documentary evidence within six weeks from the date of this judgment. The claim for the sake of convenience, the revenue shall direct the appropriate procedure to be followed, conveniently, through a circular, in this regard."*

**22.7** I find that based on the decision of Hon'ble Supreme Court in aforesaid case of Union of India Vs. Cosmo Films Ltd, CBIC issued Circular No. 16/2023-Cus dated 07.06.2023 which is reproduced as below:

Import — Pre-import condition incorporated in Foreign Trade Policy and Handbook of Procedures 2015-20 — Availing exemption from IGST and GST Compensation Cess — Implementation of Supreme Court direction in Cosmo Films case

M.F. (D.R.) Circular No. 16/2023-Cus., dated 7-6-2023

F. No. 605/11/2023-DBK/569

Government of India

Ministry of Finance (Department of Revenue)

Central Board of Indirect Taxes & Customs, New Delhi

Subject : Implementation of Hon'ble Supreme Court direction in judgment dated 28-4-2023 in matter of Civil Appeal No. 290 of 2023 relating to 'pre-import condition' - Regarding.

Attention is invited to Hon'ble Supreme Court judgment dated 28-4-2023 in matter of Civil Appeal No. 290 of 2023 (*UOI and others v. Cosmo Films Ltd.*) [2023] 5 Centax 286 (S.C.) = 2023 (72) G.S.T.L. 417 (S.C.)] relating to mandatory fulfilment of a 'pre-import condition' incorporated in para 4.14 of FTP 2015-20 *vide* the Central Government (DGFT) Notification No. 33/2015-20, dated 13-10-2017, and reflected in the Notification No. 79/2017-Customs, dated 13-10-2017, relating to Advance Authorization scheme.

2. The FTP amended on 13-10-2017 and in existence till 9-1-2019 had provided that imports under Advance Authorization for physical exports are also exempt from whole of the integrated tax and compensation cess, as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition.

3. Hon'ble Supreme Court has allowed the appeal of Revenue directed against a judgment and order of Hon'ble Gujarat High Court [2019 (368) E.L.T. 337 (Guj.)] which had set aside the said mandatory fulfilment of pre-import condition. As such, this implies that the relevant imports that do not meet the said pre-import condition requirements are to pay IGST and Compensation Cess to that extent.

4. While allowing the appeal of Revenue, the Hon'ble Supreme Court has however directed the Revenue to permit claim of refund or input credit (whichever applicable and/or wherever customs duty was paid). For doing so, the respondents shall approach the jurisdictional Commissioner, and apply with documentary evidence within six weeks from the date of the judgment. The claim for refund/credit, shall be examined on their merits, on a case-by-case basis. For the sake of convenience, the revenue shall direct the appropriate procedure to be followed, conveniently, through a circular in this regard.

5.1 The matter has been examined in the Board for purpose of carrying forward the Hon'ble Supreme Court's directions. It is noted that -

(a) ICES does not have a functionality for payment of customs duties on a bill of entry (BE) (unless it has been provisionally assessed) after giving the Out-of-Charge (OOC) to the goods. In this situation, duties can be paid only through a TR-6 challan.

(b) Under GST law, the BE for the assessment of integrated tax/ compensation cess on imports is one of the documents based on which the input tax credit may be availed by a registered person. A TR-6 challan is not a prescribed document for the purpose.

(c) The nature of facility in Circular No. 11/2015-Cus. (for *suomotu* payment of customs duty in case of *bona fide* default in export obligation) [2015 (318) E.L.T. (T11)] is not adequate to ensure a convenient transfer of relevant details between Customs and GSTN so that ITC may be taken by the importer.

(d) The Section 143AA of the Customs Act, 1962 provides that the Board may, for the purposes of facilitation of trade, take such measures for a class of importers-exporters or categories of goods in order to, *inter alia*, maintain transparency in the import documentation.

5.2 Keeping above aspects in view, noting that the order of the Hon'ble Court shall have bearing on importers others than the respondents, and for purpose of carrying forward the Hon'ble Court's directions, the following procedure can be adopted at the port of import (POI) :-

(a) **for the relevant imports that could not meet the said pre-import condition and are hence required to pay IGST and Compensation Cess to that extent, the importer (not limited to the respondents) may approach the concerned assessment group at the POI with relevant details for purposes of payment of the tax and cess along with applicable interest.**

(b) the assessment group at POI shall cancel the OOC and indicate the reason in remarks. The BE shall be assessed again so as to charge the tax and cess, in accordance with the above judgment.

(c) the payment of tax and cess, along with applicable interest, shall be made against the electronic challan generated in the Customs EDI System.

(d) on completion of above payment, the port of import shall make a notional OOC for the BE on the Customs EDI System [so as to enable transmission to GSTN portal of, *inter alia*, the IGST and Compensation Cess amounts with their date of payment (relevant date) for eligibility as per GST provisions].

(e) the procedure specified at (a) to (d) above can be applied once to a BE.

6.1 Accordingly, the input credit with respect to such assessed BE shall be enabled to be available subject to the eligibility and conditions for taking input tax credit under Section 16, Section 17 and Section 18 of the CGST Act, 2017 and rules made thereunder.

6.2 Further, in case such input tax credit is utilized for payment of IGST on outward zero-rated supplies, then the benefit of refund of such IGST paid may be available to the said registered person as per the relevant provisions of the CGST Act, 2017 and the rules made thereunder, subject to the conditions and restrictions provided therein.

7. The Chief Commissioners are expected to proactively guide the Commissioners and officers for ironing out any local level issues in implementing the broad procedure described in paras 5 and 6 above and ensuring appropriate convenience to the trade including in carrying out consequential actions. For this, suitable Public Notice and Standing Order should be issued. If any difficulties are faced that require attention of the Board, those can be brought to the notice.

**22.8** Further, I find that DGFT have issued Trade Notice No. 7/2023-24 dated 08.06.2023, saying that "all the imports made under Advance Authorization Scheme on or after 13.10.2017 and upto and including 09.01.2019 which could not meet the pre-import condition may be regularized by making payments as prescribed in the Customs Circular".

**22.9** Thus, from the findings and discussion in Para 22 to 22.8 above, I find that there is no dispute that the said importer has failed to comply with the mandatory conditions of 'Pre-Import' while claiming the benefit of Exemption from IGST and Compensation Cess under Exemption Notification No. 18/2015 dated 01-04-2015,

as amended by Notification No. 79/2017-Cus, dated 13-10-2017 during the period from October 13, 2017 to January 9, 2019, in Advance Authorization Scheme.

**23. Whether the: (i) Duty of Customs amounting Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only) in the form of IGST saved in course of imports of the goods through ICD Khodiyar under the subject Advance Authorizations and the corresponding Bills of Entry as detailed in the Annexure attached to the Notice is required to be demanded and recovered (invoking extended period) under Section 28(4) of the Customs Act, 1962 read with Customs Notification No.18/2015 dated 01.04.2015, as amended by Notification No.79/2017-Cus, dated 13.10.2017 and whether Bonds executed by Importer at the time of import should be enforced in terms of Section 143(3) of the Customs Act, 1962, for recovery of the Customs Duty alongwith interest?:**

**23.1** I find that it would be worth to reiterate that the Hon'ble Supreme Court in case of Union of India Vs. Cosmo Films Ltd has overruled judgment of Hon'ble Gujarat High Court and has held that pre-import conditions, during October 13, 2017 to January 9, 2019, in Advance Authorization Scheme was valid. Thus, I find that the Hon'ble Supreme Court has settled that IGST and Compensation Cess involved in the Bills of Entry filed during October 13, 2017 to January 9, 2019 is required to be paid on failure to compliance of 'Pre Import Condition' as stipulated under Exemption Notification No. 18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017. I find that it is undisputed fact that said Importer has failed to fulfill and comply with 'Pre Import condition' incorporated in the Foreign Trade Policy of 2015-2020 and Handbook of Procedures 2015-2020 by DGFT Notification No. 33/2015-20 and Customs Notification No.18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017. Further, I find that Importer is well aware of the rules and regulation of Customs as well as Exim Policy as they are regularly importing the goods under Advance Authorisation and they were fully aware that the goods being cleared from Customs was not fulfilling pre import condition as they have already filed the Shipping Bill to this effect and goods have already been exported. Thus, it proves beyond doubt that goods imported under subject Bills of Entry were never used in the goods already exported. Thus, I find that the Importer with clear intent to evade the payment of IGST and Compensation Cess, have suppressed the facts of export without compliance of Pre- Import condition from the Department while filing Bills of Entry under Advance Authorisation. Therefore, extended period is rightly invoked and therefore differential Customs Duty amounting to Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only) is required to be recovered under Section 28 (4) of the Customs Act, 1962 along with applicable interest under Section 28AA of the Customs Act, 1962.

**23.2 Further, without prejudice to the demand under Section 28 (4) of the Customs Act, 1962,** I find that in the present case, the importer has also filed Bond under Section 143 of the Customs Act, for the clearance of imported goods under Advance Authorization availing the benefit of exemption under Customs Notification No.18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017. Sub Section (1) of Section 143 explicitly says that "*Where this Act or any other law requires anything to be done before a person can import or export any goods or clear any goods from the control of officers of customs and the [Assistant Commissioner of Customs or Deputy Commissioner of Customs] is satisfied that having regard to the circumstances of the case, such thing cannot be done before such import, export or clearance without detriment to that person, the [Assistant Commissioner of Customs or Deputy Commissioner of Customs] may, notwithstanding anything contained in this Act or such other law, grant leave for such import, export or clearance on the person executing a bond in such amount, with such surety or*

security and subject to such conditions as the [Assistant Commissioner of Customs or Deputy Commissioner of Customs] approves, for the doing of that thing within such time after the import, export or clearance as may be specified in the bond". On perusal of language of the Bonds filed by the Importer, I find that conditions are explicitly mentioned in Bond. The wording and condition of Bond inter alia is reproduced below:

"WHEREAS we, the obligor (s) have imported the goods listed in annexure-1 availing customs duty exemption in terms of the notification of the Government of India in Ministry of Finance (department of revenue) No.018/2015 dated 01.04.2015 (hereinafter referred to as the said Notification) against the Advance License No. (hereinafter as the license) for the import of the goods mentioned there in on the terms and conditions specified in the said notification and license.

"NOW THE CONDITIONS OF THE ABOVE BOND ARE THAT:-

1. **I/We, the obligor(s) fulfill the conditions of the said notification and shall observe and comply with its terms and condition.**
2. **We the obligor shall observe all the terms and conditions specified in the license.**
- 3....
- 4....
5. **We, the obligor, shall comply with the conditions stipulated in the said Import & Export Policy as amended from time to time.**
- 6....

It is hereby declared by us, the obligor(s) and the Government as follows:-

1. The above written Bond is given for the performance of an act in which the public are interest.
2. **The Government through the commissioner of customs or any other officer of the Customs recover the same due from the Obligor(s) in the manner laid sub-section (1)of the section 142 of the customs act,1962."**

**23.3** I find that no time limit is prescribed for recovery of any liability in case of Bond filed under Section 143 (1) of the Customs Act,1962 as it is continuous liability on the part of the importer to follow the conditions prescribed in the Bond. I find that the said importer is obliged to follow the conditions of the Bond. Therefore, I find that by filing the Bond under Section 143, said Importer is obliged to pay the consequent duty liabilities on noncompliance/failure to fulfill the conditions of the Notification. Therefore, I find that without prejudice to the extended time limit envisaged under Section 28 (4) of the Customs Act, 1962, said Importer is liable to pay differential duty alongwith interest without any time limit. Therefore, I find that without prejudice to the Provisions of Section 28 (4) of the Customs Act,1962, the Bond is required to be enforced under Section 143 (3) of the Customs Act, 1962 for the recovery of differential Customs Duty Rs.6,54,50,989/- alongwith interest.

**23.4** The importer has contended that imposition of interest on the proposed demand is wholly without jurisdiction and illegal as IGST on imports is leviable under Section 3(7) of the Customs Tariff Act and there is no statutory provision providing for levy of interest in case of delayed payment of duty under the Customs Tariff Act and therefore interest as proposed is not leviable. In this regard, I find that based on the discussions in the foregoing paras, I have already held that the demand in the present case is recoverable from them under the provisions of Section 28(4) of the Customs Act, 1962. Section 28AA ibid provides that when a person is liable to pay Duty in accordance with the provisions of Section 28 ibid, in addition to such Duty, such person is also liable to pay interest at applicable rate

as well. Thus the said Section provides for payment of interest automatically along with the Duty confirmed/determined under Section 28 ibid.

**23.5** Further, Section 28AA ibid provides that when a person is liable to pay Duty in accordance with the provisions of Section 28 ibid, in addition to such Duty, such person is also liable to pay interest at applicable rate as well. Thus the said Section provides for payment of interest automatically along with the Duty confirmed/determined under Section 28 ibid. I have already held that Customs Duty amounting to Rs.6,54,50,989/- is liable to be recovered under Section 28(4) of the Customs Act, 1962. Therefore, I find that differential Customs Duty of Rs.6,54,50,989/- is required to be demanded and recovered as determined under Section 28 (8) of the Customs Act, 1962 alongwith Interest under Section 28AA of the Customs Act, 1962.

**23.6** I find that, it is not in dispute that the importer had imported the goods claiming the benefit of Notification No.18/2015 dated 01.04.2015 under Advance Authorization. Condition (iv) of the Notification No.18/2015 dated 01.04.2015 says that “(iv) that in respect of imports made before the discharge of export obligation in full, the importer at the time of clearance of the imported materials executes a bond with such surety or security and in such form and for such sum as may be specified by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, binding himself to pay on demand an amount equal to the duty leviable, but for the exemption contained herein, on the imported materials in respect of which the conditions specified in this notification are not complied with, together with interest at the rate of fifteen per cent per annum from the date of clearance of the said materials;”.

**23.7** The importer has also placed reliance on the judgement of Hon. Bombay High Court in the case of Mahindra and Mahindra Ltd. vs. The Union of India and Ors. WP No. 1848 of 2009 decided on 15.9.2022. The importer contested that Duty and interest is not liable to be paid and relied on the decision of Hon'ble Mumbai High Court in case of Mahindra & Mahindra v. Union of India, 2022 (10) TMI 212 wherein penalty and interest demanded was set aside in the absence of provision under Section 3 for Additional Duty of Customs, Section 3A for Special Additional Duty under the Customs Tariff Act, 1975 or Section 90 of the Finance Act, 2000 that created a charge in nature of penalty or interest. They have further stated that this judgement has been affirmed by Hon. Supreme Court and the Special Leave Petition filed by the Union of India has been dismissed by order dated 28.7.2023 passed in Special Leave Petition (C) No. 16214 of 2023 and therefore the judgement is binding on the Department and therefore the entire proposed imposition of interest and penalty is wholly without jurisdiction and deserves to be dropped. I find that this contention is not acceptable as the said decision is with regard to pre-GST era. Period covered in the said decision was November'2004 to January'2007 and period covered in present case is 13.10.2017 to 09.01.2019. Said decision of Mahindra & Mahindra Ltd reported in (2023) 3 Centax 261 (Bom.) relied on by the importer is distinguishable on following grounds.

- In the instant case, IGST has been demanded under Section 28 of the Customs Act, 1962 as well as by enforcement of Bond under Section 143 of the Customs Act, 1962. In this case, the importer has executed Bond before the proper officer binding himself to pay duty alongwith interest in case the importer fails to comply with the condition of Bond. As the importer failed to fulfil the condition of the bond i.e failed to comply with mandatory 'pre-import' condition specified under the Notification, therefore, the importer is liable to pay duty alongwith interest in terms of the conditions of the Bond as specified under Section 143 of the Customs Act, 1962.

In the case of Mahindra & Mahindra Ltd, no such Bond was executed before the proper officer.

- In the case of Mahindra & Mahindra Ltd, the issue under dispute was charging Section for interest and penalty. According to the Department, the charging Section for imposition of CVD, SAD & Surcharge was Section 12 of the Customs Act, 1962. Hon'ble Court held that charging section for imposition of CVD, SAD & Surcharge was Section 3(1) of Customs Tariff Act, 1975, Section 3(A) of Customs Tariff Act, 1975 and Section 19 (1) of the Finance Act, 2000 respectively which did not have provisions for imposition of penalty and interest.

In the instant case, the demand of IGST has been made in terms of provision of IGST Act, 2017 and the charging Section for IGST on import is Section 5(1) of the IGST Act, 2017, Relevant Para of Section 5(1) of the IGST Act, 2017 is reproduced as under:

**“SECTION 5. Levy and collection.**

(1) .....

Provided that the integrated tax on goods *[other than the goods as may be notified by the Government on the recommendations of the Council]* imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 (51 of 1975) on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962 (52 of 1962).

- Hon'ble Supreme Court in the case of Cosmo Films Ltd has held that **“IGST is levied under the IGST Act, 2017 and is collected, for convenience, at the customs point through the machinery under the Customs Act, 1962.”**

**23.8** I also find that Hon'ble Supreme Court on 11-3-2016 **dismissed** Civil Appeal filed by Atul Kaushik (Oracle India Ltd) reported in *Oracle India Pvt. Ltd. v. Commissioner - 2016 (339) E.L.T. A136 (S.C.)* against the CESTAT Final Order Nos. A/52353-52355/2015-CU(DB) dated 29-7-2015 as reported in *2015 (330) E.L.T. 417 (Tri.-Del.)* (Atul Kaushik v. Commissioner) holding that “ We see no reason to interfere with the impugned order passed by Customs, Excise & Service Tax Appellate Tribunal”. Relevant Para of the decision of Final Order Nos. A/52353-52355/2015-CU(DB) dated 29-7-2015 of CESTAT reported in *2015 (330) E.L.T. 417 (Tri.-Del.)* (Atul Kaushik v. Commissioner) is re-produced as under:

*“16. The appellants have also contended that penalty, interest and confiscation cannot be invoked in respect of evasion of countervailing duty (levied under Section 3 of the Customs Tariff Act, 1975) on the ground that the provisions relating to these aspects have not been borrowed into Section 3 of the Customs Tariff Act, 1975. In support of the principle that the penalty cannot be levied in the absence of penalty provision having been borrowed in a particular enactment, the appellants cited the judgments in the case of Khemka & Co. (supra) and Pioneer Silk Mills Pvt. Ltd. (supra). We are in agreement with this proposition and therefore we refrain from discussing the said judgments. The appellants also cited the judgment in the case of Supreme Woollen Mills Ltd. (supra), Silkone International (supra) and several others to advance the proposition that penalty provisions of Customs Act were not applicable to the cases of non-payment of anti-dumping duty and that the same principle is applicable with regard to leviable of interest [India Carbon Ltd. (supra) and V.V.S. Sugar (supra)]. We have perused these judgments. Many of them dealt with Anti-dumping duty/Special Additional Duty (SAD) leviable under various sections (but not Section 3) of Customs Tariff Act, 1975 and in those sections of the Customs Tariff Act, 1975 or in the said Act itself, during the relevant period, there was no provision to apply to the Anti-dumping duty/SAD the provisions of Customs Act, 1962 and the rules and regulations made thereunder including those relating to interest, penalty,*

confiscation. In the case of Pioneer Silk Mills (*supra*), the duty involved was the one levied under the Additional Duties of Excise (Goods of Special Importance) Act, 1957 and its Section 3(3) only borrowed the provisions relating to levy and collection from the Central Excise Act, 1944 and in view of that it was held that the provisions relating to confiscation and penalty could not be applied with regard to the duties collected under the said Act of 1957. None of these judgments actually deal with the CVD levied under Section 3 of the Customs Tariff Act, 1975. The impugned countervailing duty was levied under Section 3 of Customs Tariff Act, 1975. Sub-section (8) of Section 3 of the said Act even during the relevant period stipulated as under :-

*"S. 3(8) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to drawbacks, refunds and exemption from duties shall, so far as may be, apply to the duty chargeable under this section as they apply in relation to the duties leviable under that Act."*

*It is evident from Section 3(8) of the Customs Tariff Act, 1975 quoted above that all the provisions of Customs Act, 1962 and the rules and regulations made thereunder have been clearly borrowed into the said Section 3 to apply to the impugned CVD and so it is obvious that provisions relating to fine, penalty and interest contained in Customs Act, 1962 are expressly made applicable with regard to the impugned countervailing duty. We must, however, fairly mention that in case of Torrent Pharma Ltd. v. CCE, Surat, CESTAT set aside penalty for evasion of Anti-dumping duty, CVD and SAD (para 16 of the judgment) on the ground that penal provisions of Customs Act, 1962 had not been borrowed in the respective sections of Customs Tariff Act, 1975 under which these duties were levied, but this decision of CESTAT regarding CVD suffered from a fatal internal contraction inasmuch as CESTAT itself in para 14 of the said judgment had expressly taken note of the fact that vide Section 3(8) of the Customs Tariff Act, 1975, the provisions of Customs Act, 1962 and the rules and regulations made thereunder had been made applicable to CVD charged (under Section 3 of Customs Tariff Act, 1975). In the light of this analysis, we hold that this contention of the appellant is legally not sustainable."*

Thus, the said order of Tribunal has been affirmed by the Hon'ble Supreme Court whereas Special Leave Petition in case of Mahindra & Mahindra Ltd bearing Diary No. 18824/2023 has been dismissed by Hon'ble Supreme Court holding that "No merit found in the Special Leave Petition". Whereas, the Hon'ble Supreme Court has dismissed the **Civil Appeal** filed by Oracle India Pvt. Ltd (Atul Kaushik) against the CESTAT Final Order Nos. A/52353-52355/2015-CU(DB) dated 29-7-2015.

In the case of **Workmen of Cochin Port Trust Vs. Board of Trustees of the Cochin Port Trust and Another 1978 AIR 1283**, the Hon'ble Three Judges Bench held as under:

*"The effect of non-speaking order of dismissal without anything more indicating the grounds or reasons of its dismissal must by necessary implication be taken to have decided that it was not a fit case where special leave should be granted. It may be due to several reasons. It may be one or more. It may also be that the merits of the award were taken into consideration and this Court felt that it did not require any interference. But since the order is not a speaking order it is difficult to accept the argument that it must be deemed to have necessarily decided implicitly all the questions in relation to the merits of the award."*

*The dismissal of special leave petition by the Supreme Court by a non-speaking order of dismissal where no reasons were given does not constitute res judicata. All that can be said to have been decided by the Court is that it was not a fit case where special leave should be granted."*

**24. Whether the Subject goods having assessable value of Rs.28,33,91,636/- (Rupees Twenty Eight Crore, Thirty Three Lakh, Ninety One Thousand, Six Hundred and Thirty Six only) imported through ICD Khodiyar port as detailed in Annexure-A attached to this Show Cause Notice, should be held liable for confiscation under Section 111(o) of the Customs Act, 1962?**

**24.1** Show Cause Notice proposes confiscation of the impugned imported goods under Section 111(o) of the Customs Act, 1962. Any goods exempted, subject to any condition, from duty or any prohibition in respect of the import thereof under this Act or any other law for the time being in force, in respect of which the condition is not observed unless the non-observance of the condition was sanctioned by the proper officer, would come under the purview of Section 111(o) of Customs Act, 1962. As discussed above and relying on the decision of Hon'ble Supreme Court in case of Union of India Vs. Cosmo Films Ltd reported as 2023 (72) GSTL 147 (SC) wherein Hon'ble Supreme Court has held that pre-import condition, during October,2017 to January,2019, in Advance Authorization Scheme was valid, I find that the Importer has failed to comply with the pre-import conditions as stipulated under Notification No. No.18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017 and therefore, imported goods under Advance Authorization claiming the benefit of exemption Notification No. No.18/2015 dated 01-04-2015, as amended by Notification No. 79/2017-Cus, dated 13-10-2017 are liable for confiscation under Section 111(o) of the Customs Act,1962.

**24.2** As the impugned goods are found liable to confiscation under Section 111 (o) of the Customs Act, 1962, I find it necessary to consider as to whether redemption fine under Section 125(1) of Customs Act, 1962 can be imposed in lieu of confiscation in respect of the imported goods, which are not physically available for confiscation. Section 125 (1) of the Customs Act, 1962 reads as under:-

**"125 Option to pay fine in lieu of confiscation –**

(1) Whenever confiscation of any goods is authorised by this Act, the officer adjudging it may, in the case of any goods, the importation or exportation whereof is prohibited under this Act or under any other law for the being in force, and shall, in the case of any other goods, give to the owner of the goods [or, where such owner is not known, the person from whose possession or custody such goods have been seized,] an option to pay in lieu of confiscation such fine as the said officer thinks fit..."

**24.3** I find that the importer has wrongly availed the benefit of Notification No.18/2015 dated 01-04-2015, as amended by Notification No.79/2017-Cus, dated 13-10-2017 and further imported goods have been cleared after the execution of Bond for the clearance of the imported goods under Advance Authorization. I rely on the decision in the matter of Weston Components Ltd. v. Collector reported as 2000 (115) E.L.T. 278 (S.C.) wherein Hon'ble Supreme Court has held that:

*"It is contended by the learned Counsel for the appellant that redemption fine could not be imposed because the goods were no longer in the custody of the respondent-authority. It is an admitted fact that the goods were released to the appellant on an application made by it and on the appellant executing a bond. Under these circumstances if subsequently it is found that the import was not valid or that there was any other irregularity which would entitle the customs authorities to confiscate the said goods, then the mere fact that the goods were released on the bond being executed, would not take away the power of the customs authorities to levy redemption fine "*

**24.4** I find that even in the case where goods are not physically available for confiscation, redemption fine is imposable in light of the judgment in the case of **M/s. Visteon Automotive Systems India Ltd. reported at 2018 (009) GSTL 0142 (Mad)** wherein the Hon'ble High Court of Madras has observed interalia in Para 23 as under:

**“ 23. The penalty directed against the importer under Section 112 and the fine payable under Section 125 operate in two different fields. The fine under Section 125 is in lieu of confiscation of the goods. The payment of fine followed up by payment of duty and other charges leviable, as per sub-section (2) of Section 125, fetches relief for the goods from getting confiscated. By subjecting the goods to payment of duty and other charges, the improper and irregular importation is sought to be regularised, whereas, by subjecting the goods to payment of fine under sub-section (1) of Section 125, the goods are saved from getting confiscated. Hence, the availability of the goods is not necessary for imposing the redemption fine. The opening words of Section 125, “Whenever confiscation of any goods is authorised by this Act ....”, brings out the point clearly. The power to impose redemption fine springs from the authorisation of confiscation of goods provided for under Section 111 of the Act. When once power of authorisation for confiscation of goods gets traced to the said Section 111 of the Act, we are of the opinion that the physical availability of goods is not so much relevant. The redemption fine is in fact to avoid such consequences flowing from Section 111 only. Hence, the payment of redemption fine saves the goods from getting confiscated. Hence, their physical availability does not have any significance for imposition of redemption fine under Section 125 of the Act. We accordingly answer question No. (iii).”**

**24.5** Hon'ble High Court of Gujarat by relying on this judgment, in the case of **Synergy Fertichem Ltd. Vs. Union of India, reported in 2020 (33) G.S.T.L. 513 (Guj.)**, has held interalia as under:-

“ .  
 .  
 .

**174. .... In the aforesaid context, we may refer to and rely upon a decision of the Madras High Court in the case of M/s. Visteon Automotive Systems v. The Customs, Excise & Service Tax Appellate Tribunal, C.M.A. No. 2857 of 2011, decided on 11th August, 2017 [2018 (9) G.S.T.L. 142 (Mad.)], wherein the following has been observed in Para-23;**

**“23. The penalty directed against the importer under Section 112 and the fine payable under Section 125 operate in two different fields. The fine under Section 125 is in lieu of confiscation of the goods. The payment of fine followed up by payment of duty and other charges leviable, as per sub-section (2) of Section 125, fetches relief for the goods from getting confiscated. By subjecting the goods to payment of duty and other charges, the improper and irregular importation is sought to be regularised, whereas, by subjecting the goods to payment of fine under sub-section (1) of Section 125, the goods are saved from getting confiscated. Hence, the availability of the goods is not necessary for imposing the redemption fine. The opening words of Section 125, “Whenever confiscation of any goods is authorised by this Act....”, brings out the point clearly. The power to impose redemption fine springs from the authorisation of confiscation of goods provided for under Section 111 of the Act. When once power of authorisation for confiscation of goods gets traced to the said Section 111 of the Act, we are of the opinion that the physical availability of goods is not so much relevant. The redemption fine is in fact to avoid such consequences**

flowing from Section 111 only. Hence, the payment of redemption fine saves the goods from getting confiscated. Hence, their physical availability does not have any significance for imposition of redemption fine under Section 125 of the Act. We accordingly answer question No. (iii)."

**175. We would like to follow the dictum as laid down by the Madras High Court in Para-23, referred to above."**

**24.6** The importer has contended that the goods had already been imported and cleared for home consumption and were never seized by the authorities and therefore they cannot be confiscated. In this regard, I find that the ratio of decision rendered by Hon'ble Tribunal Mumbai in case of *ApcoInfratech Pvt. Ltd. v. Commissioner* reported as 2019 (368) E.L.T. 157 (Tri.-Mumbai) affirmed by the Hon'ble Supreme Court reported as 2019 (368) E.L.T. A49 (S.C.) is squarely applicable to the present case as in the said decision it has been held as under:

**7. Heard both the sides and perused the records of the case. We find that the appellant M/s. Apco had imported the "Hot mix plant" under Notification No. 21/2002-Cus. Sr. No. 230. It is apparent from the facts of the case that the plant was never utilized as provided under the conditions of the notification. The contention of the appellant that they were eligible for multiple road contrssites does not mean that the condition of the notification has been followed. In fact the plant was never used for such contracts as canvassed by the appellant during the importation of goods and claiming exemption. The appellant has not adduced single evidence that they have followed the conditions of the notification. They declared that they had contracts awarded by the State of U.P wherein the imported plant would be used. However they never used the said imported equipments in State of U.P. for construction of road. Instead they used the plant as a sub-contractor in State of Rajasthan and Tamil Nadu, but even in these cases also they were not named as sub-contractor in the contract awarded for construction of road. As per the conditions of the exemption notification, an importer can claim the benefit of exemption provided they are named as sub-contractor for construction of road. Even this condition was not satisfied. It clearly shows that the appellant never complied with the conditions of the exemption notification and has knowingly violated the conditions. We also find that since the conditions of the notification were not complied with and from the facts of the case it is very clear that the same were never intended to be complied with, we hold that the impugned order confirming demand, penalties and confiscation of goods has been rightly passed. We also find that the officers had handed over the plant for safe custody after seizure and the same could not have been used without permission from the department. Having violated the conditions of Section 110 safe keeping by using the plant even after seizure makes the appellant liable for penalty under Section 117 of C.A. 1962. Further we find that Shri Anil Singh, Managing Director was fully aware about the benefits likely to accrue by availing ineligible notification and use of machine and therefore in such case his complicity in deliberate violation of the condition of notification is apparent. However in case of Shri V.S. Rao, Chief Manager (F & A), we find that he was only concerned with the taxation matter to the extent of availing benefit of exemption notification and was not concerned/connected with the decision to use machine and his role in violation of condition is also not visible. We are therefore of the view that he cannot be burdened with penalty. Resultantly, in view of our above findings, we uphold the impugned order inasmuch as it has confirmed demand, confiscation of goods and penalties against M/s. Apco and Shri Anil Singh. However the penalty imposed upon Shri V.S. Rao is set aside. The impugned order is modified to the above extent. The appeals filed**

by M/s. Apco Infratech and Shri Anil Kumar Singh is rejected and the appeal filed by Shri S.V. Rao is allowed.

In the present case, it is clearly apparent that the importer/noticee never complied with the conditions of the exemption notification and has knowingly violated the conditions. The importer has knowingly cleared the imported goods without observing obligatory condition of 'Pre Import' as envisaged under Notification No.18/2015 dated 01.04.2015, as amended by Notification No.79/2017-Cus, dated 13.10.2017. In view of the above, the impugned goods imported without observing obligatory condition of "Pre-import" as envisaged in the aforementioned notification are rightly liable for confiscation. Therefore the contention of the importer/noticee is not tenable.

**24.7** In view of the above, I find that redemption fine under Section 125 (1) is liable to be imposed in lieu of confiscation of subject goods having assessable value of **Rs.28,33,91,636/-** imported through ICD Khodiyar port under the subject Advance Authorizations as detailed in Annexure-A to Show Cause.

**25. Whether Penalty should be imposed upon them under Section 114A of the Customs Act, 1962, for improper importation of goods availing exemption of Notification and without observance of the conditions set out in the notification, and also by reasons of misrepresentation and suppression of as elaborated above resulting in non-payment of Duty, which rendered the goods liable to confiscation under Section 111(o) of the Customs Act, 1962.**

**25.1.** I find that demand of differential Custom Duty totally amounting to Rs. Rs.6,54,50,989/- has been made under Section 28(4) of the Customs Act, 1962, which provides for demand of Duty not levied or short levied by reason of collusion or wilful mis-statement or suppression of facts. Hence as a naturally corollary, penalty is imposable on the Importer under Section 114A of the Customs Act, which provides for penalty equal to Duty plus interest in cases where the Duty has not been levied or has been short levied or the interest has not been charged or paid or has been part paid or the Duty or interest has been erroneously refunded by reason of collusion or any wilful mis statement or suppression of facts. In the instant case, the ingredient of wilful mis-statement and suppression of facts by the importer has been clearly established as discussed in foregoing paras and hence, I find that this is a fit case for imposition of penalty equal to the amount of Duty plus interest in terms of Section 114A ibid.

**25.2** Further, I rely on the ratio of the decision of Hon'ble Tribunal Delhi in case of Commissioner of Customs Vs. Ashwini Kumar Alia Amanullah reported as 2021 (376) E.L.T. 321 (Tri. - Del.)wherein it is held as under :

**"39.**The last contention of Shri Amanullah in his appeal is that since penalty has been imposed under Section 114A, no penalty should be imposed under Section 114AA also upon them. We find that the ingredients of Section 114A and Section 114AA are different. Section 114A provides for non-levy of duty or short levy of duty due to certain reasons. There is no dispute that no duty was levied or paid on the imported gold concealed in the UPS by mis-declaring the nature of goods. Therefore, Section 114A has been correctly invoked in this case and a penalty has been imposed."

I find that in present case, importer has with clear intent to evade the payment of IGST have wrongly availed the benefit of exemption Notification No. 18/2015 dated 01.04.2015, as amended by Notification No. 79/2017-Cus, dated 13.10.2017 for the clearance of imported goods under Advance Authorization and did not fulfill the 'Pre-Import' condition as stipulated in Notification No.18/2015

dated 01.04.2015, as amended by Notification No.79/2017-Cus, dated 13.10.2017 and thereby short paid the duty. Therefore, Importer is liable for penalty under Section 114A of the Customs Act, 1962.

**26. Whether Penalty should be imposed upon them under Section 112 of the Customs Act, 1962:**

I find that fifth proviso to Section 114A stipulates that "where any penalty has been levied under this section, no penalty shall be levied under Section 112 or Section 114." Hence, I refrain from imposing penalty on the importer under Section 112 (a) and 112 (b) of the Customs Act, 1962.

**27.** I find that Importer has submitted that the entire situation is revenue neutral and even if they paid the IGST on imports at the relevant point of time where pre-import conditions was not satisfied, they would have been entitled to input tax credit of the tax so paid which could have adjusted against their output tax liability. I find that ratio of decision rendered by Delhi Tribunal in the case of ACL Mobile Ltd. v. Commissioner reported as 2019 (20) G.S.T.L. 362 (Tribunal Del) is applicable here as in the said order it has been held interalia as under :

**13.** *Regarding the last issue with reference to tax liability of the appellant on the facility of availing server/web hosting provided by the Foreign Service provider, we note that providing space in the server is essential and important infrastructure requirement for the appellant. Though, the explanation to BSS gives only inclusive definition of infrastructure support, examining the present context of the support received by the appellant by way of server hosting, we are of the considered view that the same will fall under the overall category of infrastructural support service, which is part of the BSS. Regarding the contention of the appellant, that they need not pay service tax as the situation is revenue neutral, we note that the question of revenue neutrality as a legal principle to hold against a tax liability is not tenable. In other words, no assessee can take a plea that no tax need have been paid as the same is available to them as a credit. This will be against the very basic canon of value added taxation. The revenue neutrality can at best be pleaded as principle for invoking bona fides of the appellant against the demand for extended period as well as for penalty which require ingredients of mala fide. Reliance was placed by the Ld. Consultant regarding the submission on revenue neutrality, on the decision of the Tribunal in Jet Airways (supra). We have noted that in the said decision the Tribunal recorded as admitted facts that the appellant are using the said facility for the taxable output services. We note that no such categorical assertion can be recorded in the present case. Even otherwise we note that the availability or otherwise of credit on input service by itself does not decide the tax liability of output service or on reverse charge. The tax liability is governed by the legal provisions applicable during the relevant time in terms of Finance Act, 1994. The availability or otherwise of credit on the amount to be discharged as such tax liability cannot take away the tax liability itself. Further, the revenue neutrality cannot be extended to a level that there is no need to pay tax on the taxable service. This will expand the scope of present dispute itself to decide on the manner of discharging such tax liability. We are not in agreement with such proposition."*

**27.1** I find that the Hon'ble Supreme Court in the case of Star Industries v. Commissioner reported as 2015 (324) E.L.T. 656 (S.C.) has held as under:

**"35.** *It was submitted by the learned counsel for the assessee that the entire exercise is Revenue neutral because of the reason that the assessee would,*

*in any case, get Cenvat credit of the duty paid. If that is so, this argument in the instant case rather goes against the assessee. Since the assessee is in appeal and if the exercise is Revenue neutral, then there was no need even to file the appeal. Be that as it may, if that is so, it is always open to the assessee to claim such a credit."*

**27.2** Further, I find that the Hon'ble Supreme Court in case of Union of India Vs. Cosmo Films Ltd reported as 2023 (72) GSTL 147 (SC) had directed Revenue to permit claim of refund or input credit (whichever applicable and/or wherever customs duty was paid). For doing so, the respondents shall approach the jurisdictional Commissioner, and apply with documentary evidence within six weeks from the date of this judgment. The claim for refund/credit, shall be examined on their merits, on a case-by-case basis. For the sake of convenience, the revenue shall direct the appropriate procedure to be followed, conveniently, through a circular, in this regard." Consequent to afore decision of Hon'ble Supreme Court, CBIC have issued Circular No.16/2023-Cus dated 07.06.2023 for the procedure to avail the re-credit of IGST and DGFT issued Trade Notice No. 7/2023-24 dated 08.06.2023, saying that " all the imports made under Advance Authorization Scheme on or after 13.10.2017 and upto and including 09.01.2019 which could not meet the pre-import condition may be regularized by making payments as prescribed in the Customs Circular" However, the importer has not paid the IGST amount and therefore, in absence of the payment of IGST by the Importer, their plea of Revenue Neutrality is not tenable also ratio of none of judgements related to revenue neutrality relied upon by the importer is applicable to the present case.

**28.** I find that importer has contended that Customs authorities, kept the subject SCN in "call book" and it is trite law that the concept of call book is extra-legal and has no standing in law and no matter can be kept in call book to escape the rigours of limitation law rendering it patently time-barred and relied on the ratio of case law of *M/s. Steel Authority of India Limited v. Office of the Assistant Commissioner of GST [2022 (11) TMI 1393]*, wherein the decision of Hon'ble Gujarat High Court in the case of "29. The Gujarat High Court in the case of Siddhi Vinayak Syntex Pvt. Ltd. Vs. Union of India, [(2017) 352 ELT 455], was referred and further relied on the ratio of decision of Maras High Court in case of SAIL 2023 (12) TMI 846.

I find that said contention of the importer is not tenable as the case laws relied upon were in context of Central Excise Era and during the erstwhile period there was no absolute mandate that the proceeding should be completed within one year from the notice. Whereas Sub-Section (9A) has been inserted in Section 28 of the Customs Act, 1962 vide Section 63 of the Finance Act, 2019 which is reproduced as under:

**Section 28 (9A) of the Customs Act, 1962:**

**[(9A) Notwithstanding anything contained in sub-section (9), where the proper officer is unable to determine the amount of duty or interest under sub- section (8) for the reason that —**

- (a) an appeal in a similar matter of the same person or any other person is pending before the Appellate Tribunal or the High Court or the Supreme Court; or
- (b) an interim order of stay has been issued by the Appellate Tribunal or the High Court or the Supreme Court; or
- (c) the Board has, in a similar matter, issued specific direction or order to keep such matter pending; or

(d) the Settlement Commission has admitted an application made by the person concerned,

the proper officer shall inform the person concerned the reason for non-determination of the amount of duty or interest under sub-section (8) and in such case, the time specified in sub-section (9) shall apply not from the date of notice, but from the date when such reason ceases to exist.]

I find that Hon'ble Supreme Court in the case of Union of India Vs. Cosmo Films Ltd. had granted the stay on the operation and implementation of the judgement on 23.09.2019. Further, As per Section 28 (9A) of the Customs Act, 1962, the importer was informed the reason for non determination of the duty under Section 28 (8) of the Customs Act, 1962. Therefore, plea of the importer that no delay in adjudication should be condoned is not tenable. Further, I find that the ratio of decision of Hon'ble Gujarat High Court rendered in Siddhi Vinayak Syntex Pvt. Ltd. Vs. Union of India, (2017) 352 ELT 455 (Guj) is not applicable as the said case pertains to Central Excise and in that case, the SCN was adjudicated after 17 years from the issuance of SCN. I find that during the Finance Act, 2011, vide Section 63 of the Finance Act, 2011, Section 11A was substituted whereunder sub-section 11 was inserted which read as under:

**Section 11A (11) of the Central Excise Act, 1944:**

(11) The Central Excise Officer shall determine the amount of duty of excise under sub-section (10) —

(a) within six months from the date of notice where it is possible to do so, in respect of cases falling under sub-section (1);

(b) within one year from the date of notice, where it is possible to do so, in respect of cases falling under sub-section (4) or sub-section (5).

Thus, on reading of the relevant provisions for determination of duty and interest contemplated under Central Excise Act, 1944 and Customs Act, 1962, I find that there are clear provisions enacted in the Customs Act, 1962 under which duty and interest cannot be determined by the proper officer. In Siddhi Vinayak Syntex Pvt. Ltd, Show Cause Notice was issued under Section 11A of the Central Excise Act, 1944 and further Show Cause Notice was adjudicated after 17 years from the issuance of SCN. This is not the case here, therefore, the ratio of none of the decisions relied upon by the importer is applicable.

**29.** I find that importer has relied on ratio the decision of Hon'ble CESTAT in the case of the Sterlite Optical Technologies Ltd. 2011 (270) ELT 266 (Tri. Mumbai) and Goyal Synthetics P. Ltd. 2009 (233) ELT 65 (Tri. Ahmd) wherein it has held that despite bond being executed by the 100% EOU, period of limitation under Section 11A is still applicable for demands raised against them and further relied on the ratio of a decision of Hon'ble Apex Court in the case of MMK Jewelers 2008 (225) E.L.T. 3 (S.C.), wherein demand under Section 28 of CA, 1962 was held to be time-barred, even in case where bond was executed by the importer, and where certain conditions were alleged to have been violated by them.

I find that the ratio of the decision of MMK Jewelers 2008 (225) E.L.T. 3 (S.C.), relied upon by the importer is not applicable as in that case, Commissioner had dropped the Show Cause Notice as there was no suppression of facts or collusion or mis-statement whereas in the present case, there is suppression of facts, as the importer was well aware that export obligation which was required to be fulfilled subsequent to the intended import had already been fulfilled by way of filing the

Shipping bill and already exporting prior to the import of raw material under Advance Authorization.

Further, I find that the ratio of the decision of Sterlite Optical Technologies Ltd. 2011 (270) ELT 266 (Tri. Mumbai) is not applicable in the instant case as there is nothing on record to show that there was violation of condition of B-17 Bond whereas in the instant case, the importer has violated the condition of Bond. The importer executed the Bond with the conditions interalia that they will fulfill the conditions of the said Notification, but they failed to fulfill 'Pre Import Condition' stipulated in Notification No. 79/2017-Cus dated 13.10.2017

**30.** The importer has also contended that 'Pre import condition' is not applicable to Advance Authorization issued prior to 13.10.2017.

I find that DGFT has issued Trade Notice No. 7/2023-24 dated 08.06.2023, saying that "**all the imports made** under Advance Authorization Scheme on or after 13.10.2017 and upto and including 09.01.2019 which could not meet the pre-import condition may be regularized by making payments as prescribed in the Customs Circular"

I find that by issuing Trade Notice No. 7/2023-24- dated 08.06.2023 , DGFT has made it very clear the effect of pre-import condition is applicable to **all the import made on or after 13.10.2017** and not with regard to **Advance Authorization issued on or after 13.10.2017**. In other words, what is important is the event of importation and if the import has taken place on or after 13.10.2017, then date of issuance of Advance Authorization has no relevance.

**31.** In view of my findings in the paras *supra*, I pass the following order:

**::ORDER::**

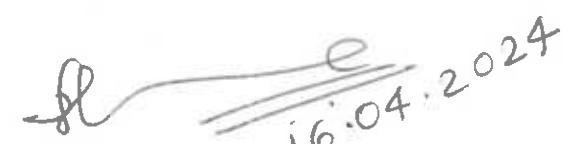
- a) I confirm the Duty of Customs amounting to **Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only)** in the form of IGST saved in course of imports of the goods through ICD Khodiyar under the subject Advance Authorizations and the corresponding Bills of Entry as detailed in the Annexure-A attached to the Notice, and order recovery of the same from M/s. Ratnaveer Stainless Products Pvt. Ltd. in terms of the provisions of Section 28(4) of the Customs Act, 1962 along with applicable interest under Section 28 AA of the Customs Act, 1962.
- b) I hold the subject goods having assessable value of **Rs.28,33,91,636/- (Rupees Twenty Eight Crore, Thirty Three Lakh, Ninety One Thousand, Six Hundred and Thirty Six only)** imported through ICD Khodiyar port as detailed in Annexure-A attached to this Show Cause Notice liable for confiscation under Section 111(o) of the Customs Act, 1962. However, I give them the option to redeem the goods on payment of Fine of **Rs.1,00,00,000/- (Rupees One Crore only)** under Section 125 of the Customs Act, 1962.
- c) I impose a penalty of **Rs.6,54,50,989/- (Rupees Six Crore, Fifty Four Lakh, Fifty Thousand, Nine Hundred and Eighty Nine only)** on M/s. Ratnaveer Stainless Products Pvt. Ltd. plus penalty equal to the applicable interest under Section 28AA of the Customs Act, 1962 payable on the Duty demanded and confirmed at (a) above under Section 114A of the Customs Act, 1962. However, in view of the first and second proviso to Section 114A of the Customs Act, 1962, if the amount of

Customs Duty confirmed and interest thereon is paid within a period of thirty days from the date of the communication of this Order, the penalty shall be twenty five percent of the Duty, subject to the condition that the amount of such reduced penalty is also paid within the said period of thirty days.

- d) I refrain from imposing penalty on M/s. Ratnaveer Stainless Products Pvt. Ltd. under Section 112 (a) of the Customs Act, 1962 for the reasons discussed in para 26 supra.
- e) I order to enforce the Bonds executed by M/s. Ratnaveer Stainless Products Pvt. Ltd in terms of Section 143(3) of the Customs Act, 1962, for recovery of the Customs Duty alongwith interest as mentioned at (a) above.

**32.** This order is issued without prejudice to any other action that may be taken under the provisions of the Customs Act, 1962 and Rules/Regulations framed thereunder or any other law for the time being in force in the Republic of India.

**33.** The Show Cause Notice No. VIII/10-17/Commr./O&A/2022-23 dated 12.09.2022 is disposed off in above terms.



16.04.2024

**(Shiv Kumar Sharma)**  
Principal Commissioner

**DIN: 20240471MN0000999D73**

F.No. VIII/10-17/Commr./O&A/2022-23

Date: 16.04.2024

To,

**M/s. Ratnaveer Stainless Products Pvt. Ltd.,**  
E-77 GIDC, Savli, Manjusar,  
District-Vadodara, Gujarat-391775.

**Copy to:-**

1. The Chief Commissioner of Customs, Ahmedabad Zone, Ahmedabad for information please.
2. The Additional Commissioner of Customs (TRC), Ahmedabad for information please.
3. The Deputy Commissioner of Customs, ICD Khodiyar, Ahmedabad for information please.
4. The Superintendent of Customs(Systems), Ahmedabad in PDF format for uploading on the website of Customs Commissionerate, Ahmedabad.
5. Guard File.

