

## CHAPTER III : MINISTRY OF COMMERCE

### Department of Commerce

#### Export Inspection Agencies, Chennai, Kochi, Kolkata and Mumbai

#### 3.1 Undercharging of monitoring fee

**Failure on the part of Export Inspection Agencies, Chennai, Kochi, Kolkata and Mumbai to collect monitoring fee at the prescribed rates from processing Establishments/Factory Vessels resulted in undercharging of monitoring fee amounting to Rs 2.83 crore.**

Ministry of Commerce vide its notification of August 1995 entrusted the work of regular monitoring of Processing Establishments/Factory Vessels to Export Inspection Agency (EIA) to ensure that the fish and fishery products intended for export were handled, processed at all stages of production, storage and transport under proper hygienic conditions. For this purpose monitoring fee at the rates prescribed in the notification were to be collected from the Processing Establishments/Factory Vessels as under:

Unit Export Turnover	Monitoring Fee
Under Rs 10 crore <i>per annum</i>	0.2 <i>per cent</i> of Free on Board (FOB) value of exports
Rs 10 crore and above <i>per annum</i>	0.15 <i>per cent</i> with a minimum of Rs 2 lakh and maximum of Rs 5 lakh <i>per annum</i>

It was noticed that EIA, Chennai was collecting monitoring fee at a flat rate of 0.075 *per cent* of FOB value of exports instead of at the rates as notified in August 1995. This resulted in undercharging of monitoring fee of Rs 1.61 crore from 101 Processing Establishments/Factory Vessels for the period from August 1995 to March 1997.

EIA, Chennai stated in August 2001 that the monitoring fee at 0.075 *per cent* of FOB value was collected as per the directives received from the Export Inspection Council. It was further stated in October 2001 that there was no progress in collection of differential amount of monitoring fee in view of the stiff opposition from the trade, which the Ministry was fully aware of. EIA, Chennai in their reply also admitted that the Head Office and most of the sub

offices were charging monitoring fee at the prescribed rate from November 1996.

Audit scrutiny of EIAs at Kochi, Kolkata and Mumbai also disclosed under charging of monitoring fee to the extent of Rs 1.22 crore as of December 2001.

Thus, failure of the EIAs, Chennai, Kochi, Kolkata and Mumbai to collect the monitoring fee at the rate prescribed as per notification issued in August 1995 resulted in undercharging of monitoring fee amounting to Rs 2.83 crore from the Processing Establishments/Factory Vessels from August 1995 to March 1997.

The matter was referred to the Ministry in August 2001; their reply was awaited as of January 2002.

### **Rubber Board, Kottayam**

#### **3.2 Failure to claim exemption from payment of customs duty and central excise duty due on imported machinery**

**Rubber Board failed to obtain exemption from payment of customs duty/central excise duty due on imports for World Bank aided projects and thus incurred avoidable expenditure of Rs 1.13 crore.**

Government of India (GOI) exempted (July 1999) payment of duty of customs and additional duty on all goods imported for execution of World Bank (WB) aided projects. Rubber Board (Board), Kottayam which executes the India Rubber Project with assistance of WB, imported machinery worth Rs 2.21 crore for its two factories during 1999-2000 and paid customs duty and additional customs duty of Rs 1.10 crore thereon. Reason for not availing of the exemption from customs duty were not intimated to audit.

Similarly, supplies to projects financed by WB were exempted (August 1995) from excise duty on production of a certificate from the nodal Ministry to the effect that the said project was a project financed by WB and duly approved by GOI. Two 320 KV generator sets costing Rs 19.95 lakh inclusive of excise duty of Rs 2.49 lakh were purchased by the Board in March and April 1999.

Thus, failure of the Board to avail the exemptions from payment of customs duty and excise duty, led to avoidable expenditure of Rs 1.13 crore.

Ministry stated (August 2001) that the Board was not aware of the notifications exempting payment of customs duty/central excise duty and that action was being taken to claim the refunds.

The fact remains that despite having a separate post of Director (Finance) in Board, it failed to keep a track of such notifications.