

GENERAL EXEMPTION NO. 2

Exemption to materials imported into India, against an Advance Licence:

[Notfn. No. 43/02-Cus., dt. 9.4.2002 as amended by Notfn. Nos. 113/02, 125/02, 57/03, 84/03, 97/03,63/04, 46/05, 77/05, 97/05, 41/06, 63/07, 116/07, 63/08,19/09, 46/13, 26/17]

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 an **Advance Licence** issued in terms of sub-paras (a) and (b) of paragraph 4.1.1 of the Export and Import Policy (hereinafter referred to as the said licence), 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 leviable thereon under sub-sections (1), (3) and (5) of section 3, safeguard duty leviable thereon under section 8B and anti-dumping duty leviable thereon under section 9A of the said Customs Tariff Act, subject to the following conditions namely:—

**Substituted vide sec.139 of Finance Act, 2016 (w.e.f 19.4.2002)*

- (i) that the description, value and quantity of materials imported are covered by the said licence and the said licence is produced before the proper officer of customs at the time of clearance for debit;
- (ii) that where import takes place after fulfilment of export obligation, the shipping bill number(s) and date(s) and quantity and FOB value of the resultant product exported are endorsed on the said licence:

Provided that where import takes place before fulfilment of export obligation, the quantity or FOB of the resultant product to be exported are endorsed on the said licence;

- (iii) that 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 Assistant Commissioner of Customs or Deputy Commissioner of Customs binding himself to pay on demand an amount equal to the duty leviable, but for the exemption, on the imported materials in respect of which the conditions specified in this notification have not been complied with, together with interest at the rate of fifteen percent per annum from the date of clearance of the said materials:

Provided that bond shall not be necessary in respect of imports made after the discharge of export obligation in full;

- (iv) that the imports and exports are undertaken through sea ports at Mumbai, Kolkata, Cochin, Magdalla, Kakinada, Kandla, Mangalore, Mormogoa, Madras, Nhava Sheva, Paradeep, Pipavav, Sikka, Tuticorin, Visakhapatnam, Dahej, Mundhra, Nagapattinam, Okha, Bedi (including Rozi-Jamnagar), Muldwarka, Porbander, Dharamtar, Vadimar and Haldia (Haldia Dock Complex of Kolkata Port) and Krishnapatnam Vadimar or through any of the airports at Ahmedabad, Bangalore, Bhubaneswar, Mumbai, Kolkata, Coimbatore, Delhi, Hyderabad, Jaipur, Madras, Srinagar, Trivandrum, Varanasi, Nagpur, Cochin and Rajasansi (Amritsar), Lucknow (Amausi), Indore and Dabolim (Goa) or through any of the Inland Container Depots at Agra, Bangalore, Coimbatore, Delhi, Faridabad, Gauhati, Guntur, Hyderabad, Jaipur, Jalandhar, Kanpur, Ludhiana, Moradabad, Nagpur, Pimpri (Pune), Pitampur (Indore), Surat, Tirupur, Varanasi, Nasik, Rudrapur (Nainital), Dighi (Pune), Vadodara, Daulatabad, (Wanjarwadi and Maliwada), Waluj (Aurangabad), Anaparthi (Andhra Pradesh), Salem, Malanpur, Singanalur, Jodhpur, Kota, Udaipur, Ahmedabad, Bhiwadi, Madurai, Bhilwara, Pondicherry, Garhi Harsaru, Bhatinda, Dappar (Dera Bassi), Chheharata (Amritsar), Karur, Miraj, Rewari, Bhusawal, Jamshedpur, Surajpur, Dadri, Tuticorin, Kundli, Bhadohi, Raipur, Madideep (District Raisen), Durgapur (Export Promotion Industrial Park), Babarpur and Loni (District Gaziabad) or through the Land Customs Station at Ranaghat, Singhabad, Raxaul, Jogbani, Nautanva (Sonauli), Petrapole, Mahadipur,

Nepalganj Road, Dawki, Agartala, Sutarkhandi, Amritsar Rail Cargo, Attari Road, Hilli, Ghoadanga and Changrabandha or Special Economic Zone as specified in the notification issued under section 76A of the Customs Act 1962 (52 of 1962).

Provided that the Commissioner of Customs may by special order or by a Public Notice and subject to such conditions as may be specified by him, permit import and export from any other Seaport / Airport / Inland Container Depot or through any Land Customs Station;

- (v) that the export obligation as specified in the said licence (both in value and quantity terms) is discharged within the period specified in the said licence or within such extended period as may be granted by the Licensing Authority by exporting resultant products, manufactured in India which are specified in the said licence and in respect of which facility under rule 18 or rule 19 of the Central Excise Rules, 2002 has not been availed:

Provided that an Advance Intermediate Licence holder shall discharge export obligation by supplying the resultant products to ultimate exporter in terms of sub-para (b) of para 4.1.1 of the said Export and Import Policy;

- (vi) that the importer produces evidence of discharge of export obligation to the satisfaction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs within a period of 30 days of the expiry of period allowed for fulfilment of export obligation, or within such extended period as the said Assistant Commissioner of Customs or Deputy Commissioner of Customs may allow;
- (vii) that the said licence and the materials shall not be transferred or sold;
- (viii) that in relation to the said Licence issued to a Merchant Exporter, -
 - (a) the name and address of the supporting manufacturer is specified in the said licence and the bond required to be executed by the importer in terms of condition (ii) 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; and
 - (b) exempt materials are utilised in the factory of such supporting manufacturer for discharge of export obligation and the same shall not be transferred or sold or used for any other purpose by the said Merchant Exporter.

- 2. Where the materials are found defective or unfit for use, the said materials may be re-exported back to the foreign supplier within three years from the date of payment of duty on the importation thereof:

Provided that at the time of re-export the materials are identified to the satisfaction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs as the materials which were imported.

- 3. In a case of default in export obligation, when the duty on goods is paid to regularise the default, the amount of interest paid by the importer shall not exceed the amount of duty if such regularisation has been dealt in terms of Public Notice of the Government of India in the Ministry of Commerce No. 22 (RE-2013)/2009-2014 dated the 12th August, 2013.

Explanation. – In this notification, -

- (i) “Export Import Policy” means the Export and Import Policy 2002-2007, published vide notification of the Government of India in the Ministry of Commerce No. 1/2002-2007 dated the 31st March, 2002;
- (ii) “Licensing Authority” means the Director General of Foreign Trade appointed under section 6 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) or an officer authorised by him to grant a licence under the said Act.
- (iii) “Materials” means –
 - (a) raw materials, components, intermediates, consumables, catalysts, computer software and parts which are required for manufacture of resultant product;
 - (b) mandatory spares within a value limit of 10 per cent of the value of the licence which are required to be exported alongwith the resultant product;
 - (c) fuel, oil and catalysts required for manufacture of resultant product; and
 - (d) packing materials required for packaging of resultant product.

Explanation:- For the purposes of this clause, "manufacture" has the same meaning as assigned to it in paragraph 9.30 of the Export and Import Policy.

