

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
DIRECTORATE GENERAL OF FOREIGN TRADE
UDYOG BHAWAN
NEW DELHI – 110 011**

Policy Circular No.28 (RE-2000)/2000-2001 Dated: 22 Sept., 2000

To

- (1) All Licensing Authorities
- (2) All Commissioners of Customs and Excise

Subject: **Regularisation of VABAL in case of shortfall in value or quantity or both.**

Sir,

Attention is invited to Para 128 B(ii) of the Handbook of Procedures for the year 1992-97 (RE-96) under which if the shortfall in terms of quantity or value or both is not more than 15% of the total export obligation imposed, a request for pro-rata reduction in terms of quantity and/or value may be considered by the Regional Licensing Authority for the purpose of regularisation without converting the Value Based Advance License (VABAL) into Quantity Based Advance License (QBAL).

2. References have been received from Regional Licensing Authorities and representations have also been received from the exporters seeking clarification as to how pro-rata reduction is to be granted.
3. After careful consideration of the references in this regard it has been decided by the Policy Review Committee meeting that basically where the shortfall is less than 15% then pro-rata reduction is to be provided without converting VABAL into QBAL. Policy Review Committee Meeting has decided that these cases may be regularized by adopting the following principles:-
 - (i) In respect of a Value Based Advance license percentage of fulfillment of export obligation may be seen both in terms of quantity as well as in terms of value and the lesser of these two may be taken into account for working out the proportionate import.
 - (ii) CIF value may be reduced corresponding to the fulfillment of export obligation as indicated in paragraph 3(I) above i.e. percentage of fulfillment in terms of quantity and percentage in terms of fulfillment of value, whichever is less. In case CIF value utilised is less or equivalent to CIF value so arrived at, the case may be closed.
 - (iii) In case the CIF value utilised is more than the CIF value reduced as per paragraph 3(ii) above, then the total duty benefit availed under this VABAL license may be calculated. Since this total duty benefit availed is corresponding to the total CIF value of imports under this license, duty benefit entitlement may be calculated with reference to the reduced CIF value calculated as per paragraph 3(ii) above.
 - (iv) The applicant may be asked to pay balance Customs duty i.e. total duty benefit availed – total duty benefit

entitlement as calculated as per Paragraph 3(iii) above, along with 24% interest and SIL.

(v) In respect of sensitive items the import will be allowed strictly as per the quantity of exports and on the balance import the duty along with the interest and SIL will have to be paid.

(vi) However, these guidelines will not be applicable to the cases which have already been adjudicated upon and these cases will not be re-opened.

4. These principles are illustrated by the following examples:-

Case No. 1:- Shortfall in Quantity

	Quantity	Value
E.O. fixed	10,000 Kgs.	US \$ 10500/-
E.O. fulfilled	9,000 Kgs.	US \$ 10790/-
% of EO fulfilled	More than 85%	+ 100%
% of shortfall	Less than 15%	NIL

Case No. 2:- Shortfall in Value

	Quantity	Value
E.O. fixed	10,270 Kgs.	US \$ 71500
E.O. fulfilled	10,500 Kgs.	US \$ 70890
% of EO fulfilled	+100%	More than 85%
% of shortfall	Nil	Less than 15%

(i) **Case No. 1 :** In this case export obligation in terms of value has been fulfilled. Quantity-wise export obligation has been fulfilled to the extent of 90%. Hence, CIF value of the license will be reduced proportionately to the 90% of the total CIF value. In case the CIF value actually utilised is equivalent to or less than 90% of the total CIF value, case will be regularised. In case the CIF value actually utilised is more than this reduced CIF value, then the Duty entitlement available to the party will be calculated corresponding to this value vis-à-vis total CIF value and total duty benefit availed, without converting the VABAL into QBAL. Applicant will be required to pay Customs Duty (total duty availed – total duty entitlement as calculated above) and interest along with SIL.

5. **Case No. 2 :** In this case export obligation has been fulfilled in terms of quantity but value-wise there is a shortfall. CIF value will be reduced corresponding to this proportionate and excess Customs Duty will be calculated corresponding to this reduced CIF value. Applicant will be required to pay Customs Duty (total duty availed – total duty entitlement as calculated above) and interest along with SIL.

6. This issues with the approval of Director General of Foreign Trade.

Yours faithfully,

Sd:

(L.B. Singhal)

Joint Director General of Foreign Trade

