Test Series: March, 2016

MOCK TEST PAPER – 2

FINAL COURSE: GROUP – II

PAPER – 8: INDIRECT TAX LAWS

SUGGESTED ANSWERS / HINTS

1. (a) Computation of value of clearances for home consumption in the financial year 2014-15

S.No.	Particulars	Rs. (in lakh)
(i)	Clearances of excisable goods bearing brand name of MNO Ltd. (Note-1)	Nil
(ii)	Export sales of excisable goods to Nepal (Note-1)	80
(iii)	Export sales to USA and Canada (Note-1)	Nil
(iv)	Clearances of goods on which duty has been paid under section 3A of the Central Excise Act	70
(v)	Clearances of goods subject to valuation under section 4A of the Central Excise Act (Note-2)	140
(vi)	Job work under *Notification No. 214/86-CE* (Note-1)	Nil
(vii)	Clearances of previous tenant of the building occupied by XYZ Ltd. (Note- 3)	120
	Total	410

Notes:

1. In order to claim the benefit of exemption under *Notification No. 8/2003 C.E. dated 01.03.2003* in a financial year, the total turnover of a unit should not exceed ₹ 400 lakh in the preceding financial year. *Notification No. 8/2003 C.E. dated 01.03.2003* provides that for the purpose of computing the turnover of Rs. 400 lakh:-

   (a) clearances bearing the brand name or trade name of another person are excluded.

   (b) export turnover is excluded. However, exports to Nepal and Bhutan are not excluded as these are treated as "clearance for home consumption".

   (c) clearances under specified job work notifications are excluded and *Notification No. 214/86 CE dated 25.03.86* is one of the specified notification.

2. In case of the goods subject to valuation under section 4A of the Central Excise Act, 1944, value for the purpose of the SSI exemption would mean value fixed under section 4A i.e., retail sale price less abatement. Hence, value of such clearances would be Rs. 200 lakh × 70%= Rs. 140 lakh.

3. For the purpose of computing the turnover of Rs. 400 lakh, all the clearances made by different manufacturers from the same factory are to be clubbed together. Hence, clearances, worth Rs. 120 lakh of previous tenant of the building occupied by XYZ Ltd. have been added.

Conclusion: Since the value of clearances for home consumption exceeds Rs. 400 lakh in the financial year 2014-15, XYZ Ltd. is not eligible to claim the benefit of exemption under *Notification No. 8/2003 – C.E. dated 01.03.2003* in the financial year 2015-16.

(b) Computation of service tax liability of Ashoka Pvt. Ltd.

Particulars	(Rs.)
Services provided under the brand name owned by Ashoka Pvt. Ltd.	
Services provided by way of plastering of walls [Note 1]	5,60,000
Services provided in the execution of works contract for construction of a new building [Note 2]	5,40,000
Total value of taxable services	11,00,000
Less: Exemption for small service providers [Note 4]	10,00,000
Value of taxable services liable to service tax	1,00,000
Service tax payable @ 14% [` 1,00,000 × 14%] [Note 3] (A)	14,000
Services provided under the brand name of other person	
Value of taxable services provided under brand name of other person	4,00,000
Service tax payable @ 14% [` 4,00,000 × 14%] [Note 4] (B)	56,000
Total service tax payable (A) + (B)	70,0000
Less: CENVAT credit available [Note 5]	40,000
Service tax payable in cash	30,000

Notes:

1. Rule 2A(ii)(B)(ii) of the Service Tax (Determination of Value) Rules, 2006 provides that in case of works contracts entered into maintenance or repair or completion and finishing services such as glazing or plastering or floor and wall tiling or installation of electrical fittings of immovable property, service tax shall be payable on 70% of the total amount charged for the works contract.

Therefore, for plastering of walls, the value of service portion would be Rs. 5,60,000 [70% x Rs. 8,00,000].

2. As per Explanation 1(a)(i) to rule 2A of the Service Tax (Determination of Value) Rules, 2006, original works inter alia means all new constructions. Further, as per rule 2A(ii)(A), in case of works contracts entered into for execution of original works, service tax is payable on 40% of the total amount charged for the works contract. Therefore, for construction of new building, the value of service portion would be Rs. 5,40,000 [40% x Rs. 13,50,000].

3. As per Explanation 2 to rule 2A of Service Tax (Determination of Value) Rules, 2006, the provider of taxable service cannot take CENVAT credit of duties paid on any inputs, used in or in relation to the works contract, under the provisions of CENVAT Credit Rules, 2004. Hence, excise duty of Rs. 1,50,000 paid on inputs used for provision of works contract service under rule 2A(ii) of the Service Tax Valuation Rules cannot be availed.

4. Since Ashoka Pvt. Ltd. has commenced the business in the given financial year, its aggregate value of taxable services are nil in the preceding financial year. Thus, it is eligible for small service providers' (SSP) exemption in the given financial year. However, said exemption is not available in respect of taxable services provided under a brand name of another person *[Notification No. 33/2012 ST dated 20.06.2012].*

5. Since the services provided under brand name of other person are not in the nature of works contract, CENVAT credit of excise duty paid on inputs used for provision of such services can be availed.

   Also, since SSP exemption is not available in respect of such services, there would not be any restriction for availment of CENVAT credit on inputs used in provision for such service *[Notification No. 33/2012 ST dated 20.06.2012].*

(c) Computation of assessable value and total custom duty payable

Particulars	Amount
CIF Value	$ 1,50,000.00
Add : Landing charges @ 1% of CIF value (Note – 1)	$ 1,500.00
	$ 1,51,500.00
Assessable value (in Rs.) =$1,51,500 × Rs. 62 (Note -2)	Rs. 93,93,000.00
Add: Basic custom duty @ 10% (Rs. 93,93,000 × 10%)	Rs. 9,39,300.00
	Rs. 1,03,32,300.00
Add: Additional duty leviable under section 3(1) of Customs Tariff Act (Rs. 1,03,32,300 × 12.5%)	Rs. 12,91,537.50

Education cess [(Rs. 9,39,300 + Rs. 12,91,537.50) × 2%]	Rs. 44,616.75
Secondary and Higher Education Cess [(Rs. 9,39,300 + Rs. 12,91,537.50) x 1%]	Rs. 22,308.38
Total custom duty payable (Rs. 9,39,300+ Rs. 12,91,537.50 +Rs. 44,616.75 + Rs. 22,308.38)	Rs. 22,97,762.63
Total custom duty payable (Rounded off)	Rs. 22,97,763

Notes :-

(1) Landing charges at the rate of 1% of the CIF value of the imported goods, shall be added, whether ascertainable or not [First proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].

(2) The applicable exchange rate is the rate notified by CBEC [Explanation to section 14(1) of the customs Act, 1962].

2. (a) The Department's claim is not correct in the instant case.

Rule 7 of the Central Excise (Determination of Price of Excisable Goods) Rules, 2000, *inter alia,* provides that where excisable goods are not sold at the factory gate but are transferred to a depot, the assessable value for the goods cleared from factory is the normal transaction value of such goods at the depot at or about the same time at which the goods as being valued are removed from the factory or warehouse.

In the given case, Rs. 20,000 represents value on 20.04.20XX (time of removal), but it is not the value prevalent at the depot. Similarly, Rs. 22,000 represents depot price, but then it is not the price prevalent on 20.04.20XX (time of removal).

The correct value to be adopted in this case is the depot price of such goods (normal transaction value) on 20.04.20XX i.e., Rs. 19,000.

Further, the applicable rate of duty shall be the rate of duty in force on the date when such goods are removed from the factory. Hence, the correct rate of duty will be 12.5% and not 16%.

(b) (i) Value of taxable service = (RBI reference rate for US $ – Selling rate for US $) × Total units of US $ [Rule 2B of the Service Tax (Determination of Value) Rules, 2006]

=Rs. (63-62.50) × 2,500 = Rs. 1,250

(ii) First proviso to rule 2B of the aforesaid rules provides that if the RBI reference rate for a currency is not available:

Value of taxable service = 1% of the gross amount of Indian Rupees provided/received by money changer

=1% of ₹ 80,00,000 =₹ 80,000

(iii) Second proviso to rule 2B of the aforesaid rules provides that in case neither of the currencies exchanged is Indian Rupee:

Value of taxable service = 1% of the lesser of the two amounts the money changer would have received by converting any of the two currencies into Indian Rupee at that time at the reference rate provided by RBI

Hence, in the given case, value of taxable service would be 1% of the lower of the following:-

(a) Euro 1,00,000 × ₹ 70 = ₹ 70,00,000

(b) Dirham 5,00,000 × ₹ 16 = ₹ 80,00,000

Value of taxable service = 1% of ₹ 70,00,000 = ₹ 70,000

(c) As per section 9A(1A) of the Customs Tariff Act, 1975, following are the ways that would constitute circumvention (avoiding levy of duty by unscrupulous means) of antidumping duty imposed on an article that may warrant action by the Central Government:

(i) altering the description or name or composition of the article subject to such anti-dumping duty,

(ii) import of such article in an unassembled or disassembled form,

(iii) changing the country of its origin or export, or

(iv) any other manner, whereby the anti-dumping duty so imposed is rendered ineffective.

In such cases, investigation can be carried out by Central Government and then anti dumping can be imposed on such articles.

3. (a) The activity of producing mustard oil and oil cake from mustard seeds amounts to manufacture. This particular issue has been decided by the Supreme Court in the case of *Jai Bhagwan Oil and Floor Mills v. UOI 2009 (239) ELT 401 (SC)*. In the instant case, the Apex Court held that the true test to ascertain whether a process is a manufacturing process producing a new and distinct article is whether the article produced is regarded in the trade, by those who deal in it, as a marketable product distinct in identity from the commodity/raw material involved in the manufacture.

When mustard seeds were subjected to the process of extraction whereby mustard oil and oil cake were produced, the process involved manufacture of mustard oil as also the manufacture of oil cake. It was certainly not a mere process of cleaning, repairing, reconditioning, recycling or assembling. Oil cake had a distinct and different identity from mustard seeds and it had a separate name, character and use different from mustard seed. Oil cake was not a waste to be thrown away, but was

a valuable product with a distinct name, character, use and marketability. Resultantly, it can be concluded that the said process amounts to manufacture.

(b) The issue that whether the activity of erection/laying of pandal and shamiana is a service or deemed sale involving transfer of right to use goods has been addressed in Board's *Circular No. 168/3/2013 ST dated 15.04.2013.* The Circular clarifies as under:

(i) The activity of providing pandal and shamiana along with erection thereof is generally coupled with other incidental activities like supply of crockery, furniture, sound system, lighting arrangements, etc. It is a reasonably specialized job and is carried out by the supplier with the help of his own labour.

(ii) For a transaction to be regarded as "transfer of right to use goods", the transfer has to be coupled with effective control and possession. In the case of *Rashtriya Ispat Nigam Ltd. v. CTO 1990 77 STC 182,* the High Court held that since the effective control and possession was with the supplier, there is no transfer of right to use (upheld subsequently by Supreme Court in *2002 126 STC 0114*).

(iii) Further, in *Harbans Lal v. State of Haryana 1993 088 STC 0357*, the High Court held that if pandal, is given to the customers for use only after having been erected, then it is not transfer of right to use goods.

(iv) In the case of *BSNL v. UOI 2006 (2) S.T.R. 161 (S.C.),* the Supreme Court held that to constitute the transaction for the transfer of the right to use the goods, the transaction must have the following attributes:-

(a) There must be goods available for delivery;

(b) There must be a consensus ad idem as to the identity of the goods;

(c) The transferee should have a legal right to use the goods and, consequently, all legal consequences of such use including any permissions or licenses required therefor should be available to the transferee;

(d) For the period during which the transferee has such legal right, it has to be the exclusion of the transferor: this is the necessary concomitant or the plain language of the statute, viz., a "transfer of the right to use" and not merely a license to use the goods :

(e) Having transferred the right to use the goods during the period for which it is to be transferred, the owner cannot again transfer the same right to others.

(v) Applying the ratio of these judgments and the test formulated by Supreme

Court in the case of *BSNL v. UOI,* the activity of providing *pandal* and *shamiana* along with erection thereof and other incidental activities do not amount to transfer of right to use goods because effective possession and control over the pandal or shamiana remains with the service provider, even after the erection is complete and the specially made–up space for temporary use handed over to the customer.

(vi) Hence, services provided by way of erection of pandal or shamiana is a declared service, under section 66E(f) of Finance Act, 1994 and would attract service tax.

In the light of the above-mentioned Circular, the contention of Sohan Lal is not valid in law.

(c) The facts of the given case are similar to the case of *Uniworth Textiles Ltd. vs. CCEx. 2013 (288) ELT 161 (SC),* wherein the Supreme Court noted that section 28 of the Customs Act, 1962 clearly contemplates that for invoking extended period of limitation, the intention to deliberately default is a mandatory pre-requisite.

However, the assessee acted *bona fide* and claimed exemption by seeking clarification from the Development Commissioner. Hence, it could be inferred that assessee made efforts to adhere to the law rather than its breach.

The Apex Court held that mere non-payment of duties could not be equated with collusion or wilful misstatement or suppression of facts as then there would be no form of non-payment which would amount to ordinary default. Something more must be shown to construe the acts of the assessee as fit for applicability of extended period of limitation.

Therefore, in view of the above-mentioned ruling of the Supreme Court, the action of the Department of invoking extended period of limitation is not justified in the light of the provisions of the Customs Act, 1962.

4. (a) Yes, the statement is valid. As per rule 24 A of the Central Excise Rules, 2002, the books of accounts or other documents, seized by the Central Excise Officer or produced by an assessee or any other person, which have not been relied on for the issue of notice under the Act or the rules made thereunder, shall be returned within thirty days of the issue of said notice or within thirty days from the date of expiry of the period for issue of said notice:

Further, the Principal Commissioner of Central Excise or Commissioner of Central Excise, may order for the retention of such books of accounts or documents, for reasons to be recorded in writing and the Central Excise Officer shall intimate to the assessee or such person about such retention.

(b) (1) No, since fine or penalty are legal consequences of a person's actions and are

not in the nature of consideration for an activity.

(2) Yes, such forfeited advance represents consideration for the agreement that was entered into for provision of service.

(3) Yes. Since forfeited security deposits are for damages caused by the service receiver in course of receiving the service and not for accidental damages due to unforeseen actions, they relate to provision of service and thus, would constitute a consideration for provision of service [Rule 6(2)(vi) of the Service Tax (Determination of Value) Rules, 2006].

(4) Yes, demurrages payable for use of services beyond the period initially agreed upon constitute consideration for provision of service as per rule 6(1)(x) of the Service Tax (Determination of Value) Rules, 2006.

(c) As per section 15(1)(b) of the Customs Act 1962, the relevant date for determination of rate of duty and tariff valuation in case of warehoused goods is the date when a bill of entry for home consumption (ex-bond bill of entry) in respect of such goods has been presented under section 68 of the Customs Act, 1962. Therefore, in the given problem, the relevant date for determination of rate of duty is 01.07.20XX (date of presentation of ex-bond bill of entry) and not 05.07.20XX when the goods are actually removed from the warehouse. Thus, the customs duty will be payable at 8% and not 10%.

5. (a) Section 35FF of the Central Excise Act, 1944 provides for payment of interest @ 6% per annum on the delayed refund of pre-deposit from the date of the payment of pre-deposit to the date of its refund.

Therefore, ST & Co. will be entitled to payment of interest on such delayed refund of pre-deposit as under:

No. of days of delay = 76 days [01.10.20XX – 15.12.20XX]

Thus, interest payable on refund of pre-deposit of Rs. 1,00,000 will be Rs. 1,249 (rounded off)

[Rs. 1,00,000 x 6% × 76/365].

(b) Works contract service is notified as a "continuous supply of service" vide *Notification No. 38/2012 ST dated 20.6.2012* issued under rule 2(c) of Pont of Taxation Rules, 2011 (PoTR). In case of continuous supply of service, the date of completion of each event which requires the service receiver to make any payment to service provider, as specified in the contract shall be deemed to be the date of completion of provision of service [Clause (i) of proviso to rule 3 of PoTR].The point of taxation will, then, be determined accordingly in terms of provisions of rule 3 of PoTR.

Therefore, in the given case, the date of completion of various stages of construction - which require payments to be made (including initial booking) - will be considered as dates of completion of service and point of taxation will be determined in accordance with rule 3 as under:

Stage of Completion	Point of taxation
Initial booking	May 01, 20XX as the date of completion of service, date of issuance of invoice and date of payment are the same.
50%	Since invoice has been issued within 30 days of completion of service (June 20, 20XX), point of taxation is date of invoice (June 30, 20XX) or date of payment (August 25, 20XX) whichever is earlier, i.e. June 30, 20XX.
75%	Since invoice has not been issued within 30 days of completion of service (July 30, 20XX), point of taxation is date of completion of service (July 30, 20XX) or date of payment (August 30, 20XX) whichever is earlier, i.e. July 30, 20XX.
100%	Since invoice has been issued within 30 days of completion of service (September 25, 20XX), point of taxation is date of invoice (October 03, 20XX) or date of payment (October 01, 20XX) whichever is earlier, i.e. October 01, 20XX.

(c) Section 18 (dealing with provisional assessment) incorporates the principle of unjust enrichment in case of refund arising out of finalization of provisional assessment. Sub-section (5) of section 18 of Customs Act, 1962 provides that if any amount is found to be refundable after finalisation of provisional assessment, such refund will be subject to doctrine of unjust enrichment.

Further, section 28D places the onus on the person who has paid duty to prove that he has not passed on the incidence of such duty. In the absence of any proof from such person, section 28D deems that the burden of duty has been passed on to the buyer.

Therefore, in the given case, the Department's action will be correct if M/s CIB does not produce any evidence of bearing the burden of duty.

6. (a) As per section 31(c) of Central Excise Act, the term **'case'** means any proceeding under Central Excise Act or any other Act for the levy, assessment and collection of excise duty, pending before an adjudicating authority on the date on which an application under section 32E(1) is made. Thus, application to Settlement Commission can be made only when a 'case' is pending before adjudicating authority on date of application in accordance with section 32E(1) read with section

31(c) of Central Excise Act.

However, any proceeding referred back in any appeal/ revision by any court, Appellate Tribunal or any other authority, to the adjudicating authority for a fresh adjudication/ decision is not deemed to be a proceeding pending within the meaning of this clause.

Or

If the excisable goods cleared under A.R.E. 1 are not exported for any reason and the exporter intends to divert the goods for home consumption, he may request in writing the authority which accepted the Bond or Letter of Undertaking [LUT] to allow cancellation of application, and diversion of goods for consumption in India. He will be permitted to do so if he pays the duty as specified in the application along with interest on such duty from the date of removal for export from the factory or warehouse till the date of payment of duty. The permission shall be granted within three working days. Since duty assessment on A.R.E. 1 has to be done in normal course, there will not be any need for re-assessment by the Department or the assessee unless there are reasons to believe that the assessment was not correct. After discharge of duty, the exporter may take credit in his running bond (where bond is furnished) on the basis of letter of permission, invoice and GAR-7 Challans on which duty is paid. He shall also record these facts in the Daily Stock Account.

If the exporter, after clearing the goods for export without payment of duty, intends to change the destination or buyer or port or place of export, he may do so provided he informs the Bond/LUT accepting Authority in writing about the changes and makes necessary changes in all the copies of A.R.E. 1 and the invoices. If he intends to cancel the original export documents and issue fresh ones, the same may be done under permission and authentication by bond/LUT accepting authority which will ensure that the serial no. and date of the initial documents are endorsed on the fresh documents. In such cases, if bond was furnished for single consignment, fresh bond may not be asked.

(b) As per *Notification No. 41/2012 ST dated 29.06.2012,* the procedure for obtaining electronic rebate through ICES system is as follows:-

(i) The exporter should register his bank account number and central excise registration number or service tax code number (STC), as the case may be, with Customs ICES. The exporter who does not have STC can obtain the same by filing a declaration in Form A-2 to the jurisdictional Assistant/Deputy Commissioner.

(ii) While presenting the electronic shipping bill/bill of export to the proper officer of Customs, the exporter should declare therein to the effect that-

(1) the rebate of service tax is claimed electronically through ICES system on the basis of the notified 'schedule of rates';

(2) no further rebate will be claimed on the basis of the documents or in any other manner even if the rebate obtained is less than the service tax paid on the services;

(3) conditions of the notification have been fulfilled.

(iii) Rebate of service tax shall be calculated electronically by the ICES system, by applying the rate specified in the schedule against the said goods, as a percentage of the FOB value.

(iv) Rebate so calculated will be deposited in the bank account of the exporter.

(v) Shipping bill/bill of export on which rebate has been claimed electronically in the manner discussed above should not be used for claiming rebate on the basis of documents.

(vi) Minimum service tax rebate for an electronic shipping bill/bill of export is Rs. 50.

(c) The salient features of Special Economic Zones (SEZ) are as follows:

(i) SEZ is deemed as a separate island outside India where inputs, capital goods and input services can be obtained without payment of duties and taxes such as customs duty, excise duty, central sales tax, State VAT and service tax.

(ii) For the sheer objective of ensuring consistent development of SEZ, an exclusive Act namely Special Economic Zone Act, 2005 (hereinafter abbreviated as SEZ Act) was passed. The twin prime purposes of foregoing Act are to ensure smooth operations in SEZ as well as Single Window Clearance with a view to set up either an SEZ or a Unit in SEZ.

(iii) An SEZ may be established under SEZ Act, either jointly or severally by the Central Government, State Government, or any person for manufacture of goods or rendering services or for both or as a Free Trade and Warehousing Zone.

(iv) All goods manufactured in SEZ are expected to be exported out of India. However, if cleared in DTA, normal import duty will become payable.

(v) Any goods imported directly from outside India or procured from within India shall be allowed to be imported in SEZ without payment of customs duties.

(vi) SEZ could be set up for manufacturing goods, rendering of services, production, processing, assembling, trading, repair, re-making, re-conditioning and re-engineering, making of gold, silver and other articles of precious metals and jewellery.

(vii) It shall be under the administrative control of the Development Commissioner. All activities in the SEZ, unless otherwise specified, shall be carried out

through self certification procedure.

(viii) Supply of goods to SEZ from DTA are 'exports' and are entitled to export benefits.

7. (a) It has been held by the Supreme Court in the case of *C.K Gangadharan v. CIT, Cochin, 2008 (228) ELT 497* that merely because Revenue has not preferred an appeal in some cases, it would not prevent the Revenue to prefer an appeal in another case if it is in the public interest or there is just cause for doing so or for a pronouncement by the higher Court when divergent views are expressed by the different High Courts.

However, the Supreme Court has given a conflicting decision in the case of *CIT v. J.K. Charitable Trust 2008 (232) ELT 769 (SC 3 members bench)* wherein it has held that if in respect of some years, in respect of same assessee, no appeal was filed involving an identical dispute, revenue can be precluded from filing an appeal if the fact situation in subsequent years remains the same.

Further, it may be noted that section 35R, *inter alia,* provides that where in pursuance of any instruction issued by CBEC with regard to fixing monetary limits for filing appeal etc., Central Excise Officer has not filed any appeal against any decision passed under the provisions of the Act, then it shall not preclude such officer from filing appeal in any other case involving the same or similar issues or questions of law.

(b) Section 78A of the Finance Act, 1994 makes a director, manager, secretary or other officer of the company personally liable to a penalty upto ₹ 1 lakh in case of certain specified contraventions committed by the company. Such penalty is leviable if the director, manager, secretary or other officer of the company was in charge of, and was responsible to, the company for the conduct of business of such company at a time when any of the specified contraventions was committed provided the same was within the knowledge of such director, manager, secretary or other officer of the company.

The specified contraventions *inter alia* include availment and utilisation of credit of taxes or duty without actual receipt of taxable service or excisable goods either fully or partially in violation of the rules made under the provisions of Chapter V.

Though in the given case, Mr. Pawan and Miss. Saakshi were in charge of, and were responsible to, Tough (P) Ltd. for the conduct of its business at the time of such irregular availment and utilization of the credit, personal penalty could be imposed on both of them only if they are knowingly concerned with such contravention. Further, if it is established that Mr. Pawan and Miss. Saakshi are knowingly concerned with the contravention, the amount of penalty in case of Mr. Pawan will have to be restricted to ₹ 1,00,000.

Yes, penalty can be imposed on manager or officer of a company in other cases as well. As per section 78A, such other cases are-

(i) evasion of service tax; or

(ii) issuance of invoice, bill or, as the case may be, a challan without provision of taxable service in violation of the rules made under the provisions of Chapter V; or

(iii) failure to pay any amount collected as service tax to the credit of the Central Government beyond a period of six months from the date on which such payment becomes due.

(c) The differences between two schemes are as follows -

(i) 'Advance Authorisation' is not transferable. DFIA is transferable after export obligation is fulfilled.

(ii) Material imported under Advance Authorisation is not transferable even after fulfillment of export obligation. Material imported under DFIA will be transferable after fulfillment of export obligation.

(iii) Advance Authorisation scheme requires 15% value addition, while in case of DFIA, minimum 20% value addition is required.

(iv) Advance Authorisation scheme is available to gem and jewellery sector but not DFIA.

(v) Advance Authorisation can be issued even if SION for that product is not fixed. DFIA can be issued only if SION has been fixed for the product to be exported.