

CHAPTER XXI : MINISTRY OF YOUTH AFFAIRS & SPORTS

Lakshmibai National Institute of Physical Education, Gwalior

21.1 Avoidable payment of Customs Duty

Lakshmibai National Institute of Physical Education, Gwalior, (LNIPE) failed to follow the Ministry's advice to import Synthetic Athletic Track material through Sport Authority of India/State Sport Authority resulting in avoidable payment of Customs Duty of ₹ 1.06 crore including interest, demurrage and other charges.

Lakshmibai National Institute of Physical Education (LNIPE), Gwalior decided (July 2007) to construct a Synthetic Athletic Track within its campus through the Central Public Works Department (CPWD). The Track was to be used for non-commercial activities i.e. for academic purpose and national/international coaching. The LNIPE conveyed (November 2008) administrative sanction for ₹ 3.28 crore to the CPWD against the above work.

The CPWD awarded the work to M/s Porplastic Sportsbau von Cramm GmbH & Co. Germany and requested (July 2011) LNIPE to obtain a Customs Duty Exemption Certificate from the Ministry of Youth Affairs & Sports (MYAS) for exemption from payment of Customs Duty on material required to be imported from Germany for laying the Synthetic Athletic Track. The LNIPE requested (July 2011, September 2011 and December 2011) the MYAS to issue such a certificate.

The MYAS, in consultation with the Ministry of Finance, advised (January 2012) LNIPE that, to get the exemption from payment of Customs Duty, it should import the Synthetic Athletic Track material through the Sports Authority of India (SAI) or Sports Authority of State (Madhya Pradesh) (SAS (MP)). The advice was based on the opinion of the Ministry of Finance, that under Notification no. 146/94-Customs dated 13 July 1994, as amended from time to time, synthetic playing surfaces are exempted from payment of custom duty, subject to, inter alia, the condition that the said goods are imported into India by SAI or Sports Authority of the concerned state for use in a national or international championship to be held in India or abroad or for the purpose of training.

Audit found that there was nothing on record to suggest that LNIPE ever asked CPWD to import the Synthetic Track material through SAI or SAS.

Audit observed that due to a dispute, CPWD cancelled the contract with M/s Porplastic Sportsbau von Cramm GmbH & Co. Germany for the work of laying the synthetic track. Subsequently, CPWD awarded (June 2014) the said work to another firm M/s Jianguyin Wenming Physical Plastic Co. Ltd. China. LNIPE requested (December 2014) SAI to issue a letter to the Customs authorities to grant exemption from payment of Customs duty on the Synthetic Athletic Track material, being imported by the CPWD from China. On receipt of LNIPE's request, SAI issued (December 2014) a letter to this effect to the Customs authorities and requested them to grant customs exemption benefit under the Notification no. 146/94- Customs dated 13 July 1994.

The CPWD imported the Synthetic Track material from China and filed (January 2015) Bill of Entry with the Customs Department for clearance of the goods claiming exemption from payment of Customs Duty.

The Customs Department did not allow the exemption benefit and took the view (February 2015) that exemption benefit under the Notification no. 146/94- Customs dated 13 July 1994, was available only when the import was made by SAI or SAS. But in the instant case, the import was made by the CPWD which was not entitled for exemption from payment of duty.

LNIPE paid (February 2015) an amount of ₹ 105.51 lakh to the CPWD for payment of the Customs Duty (₹ 88.51 lakh), interest (₹ 0.96 lakh) thereon, demurrage (₹ 2.66 lakh) and other charges (₹ 13.38 lakh).

Failure of LNIPE to follow the advice of MYAS to import the Synthetic Athletic Track material through the SAI or SAS (M.P.) resulted in avoidable payment of ₹ 105.51 lakh on account of Customs Duty including interest thereon and other charges.

LNIPE in its reply (July 2015) stated that MYAS had informed (17 January 2012) that for import of Synthetic Track material, Customs Duty Exemption certificate can be obtained either from the SAI or the SAS (MP).

The reply of LNIPE was not acceptable as the MYAS had never advised LNIPE to obtain exemption certificate from SAI or SAS (MP). The MYAS had rather advised LNIPE to import the said material through SAI or SAS (MP). LNIPE

did not explain the reason for not following the Ministry's advice. The failure of LNIPE to follow the Ministry's advice resulted in avoidable payment of ₹ 105.51 lakh.

The matter was reported to the Ministry (December 2015); there reply was awaited (December 2015).