

**CHAPTER III : MINISTRY OF COMMUNICATION AND
INFORMATION TECHNOLOGY**

Department of Telecommunications

Centre for Development of Telematics

3.1 Avoidable payment of customs duty

Centre for Development of Telematics, Bangalore wrongly interpreted a notification, resulting in avoidable payment of customs duty amounting to Rs. 18.84 lakh on the import of integrated circuits.

In terms of the first schedule to the Customs Tariff Act 1975, the import of electronic integrated circuits and micro assemblies was exempt from customs duty. The Government of India, by a notification issued in July 1996, exempted certain goods falling within the said schedule from the whole of duty, when imported by public funded research institutes, universities, etc. This was further amended by a notification issued in March 2002, according to which the exemption would be from so much of the portion of duty, which was specified in the schedule, as was in excess of five *per cent* ad valorem. Thus, the duty payable on such goods was only five *per cent* ad valorem, even if a higher rate was prescribed in the schedule. The notification of March 2002 did not impose any duty on goods for which no duty was prescribed in the schedule.

The Centre for Development of Telematics (C-DOT), Bangalore had been importing integrated circuits. It was noticed in audit that consequent upon the notification of March 2002, C-DOT started paying customs duty on integrated circuits at the rate of five *per cent* though no duty was prescribed in the schedule. The amount of duty paid during 2002-04 was Rs 18.84 lakh.

C-DOT, Bangalore stated in October 2004 that the notification issued by customs authorities did not specify that the items for which no duty was payable in the schedule would be exempted from the levy of five *per cent* ad valorem duty for public funded institutions. The reply of C-DOT was not acceptable because as per the notification issued in March 2002, the customs duty on the goods specified in the schedule in excess of five *per cent* was exempted. This clearly indicated that no duty was payable on the goods already exempted in the schedule.

Department of Telecommunication stated in November 2005 that the issue was being got examined through external experts for taking the appropriate corrective action.

Thus, incorrect interpretation of the Govt. notification resulted in avoidable payment of customs duty amounting to Rs. 18.84 lakh on the import of integrated circuits exempted from such levy.