

F. No. 380/75/DBK/14-RA

F. No. 380/85/DBK/14-RA

F. No. 380/65/DBK/14-RA

F. No. 380/76/DBK/14-RA

F. No. 380/64/DBK/14-RA

REGISTERED SPEED POST AD



**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

**Office of the Principal Commissioner RA and
Ex-Officio Additional Secretary to the Government of India**
8th Floor, World Trade Centre, Cuffe Parade,
Mumbai- 400 005

F. No. 380/75/DBK/14-RA
F. No. 380/85/DBK/14-RA
F. No. 380/65/DBK/14-RA
F. No. 380/76/DBK/14-RA
F. No. 380/64/DBK/14-RA

Date of Issue:

ORDER NO. ¹⁴⁵⁻¹⁴⁹ /2020-CUS (WZ) /ASRA/MUMBAI DATED 27/08/2020 OF THE
GOVERNMENT OF INDIA PASSED BY SMT.SEEMA ARORA, PRINCIPAL
COMMISSIONER & EX-OFFICIO ADDITIONAL SECRETARY TO THE
GOVERNMENT OF INDIA, UNDER SECTION 129DD OF THE CUSTOMS ACT,
1962.

Applicant : Commissioner of Customs
Custom House,
Kandla

Respondent : M/s Oswal Salt and Chemical Industries
Maitri Bhawan, Plot No. 18,
Sector-8, Gandhidham,
Kutch - 370201
& Four Others

Subject : Revision Applications filed under Section 129DD of the Customs Act,
1962 against OIA No. 67 to 89/2014/Cus/Commr(A)/KDL/2014
dated 10.03.2014 passed by the Commissioner of Customs(Appeals),
Kandla.

ORDER

These revision applications have been filed by the Commissioner of Customs, Kandla(hereinafter referred to as “the applicant” or “the Department”) against OIA No. 67 to 89/2014/Cus/Commr(A)/KDL/2014 dated 10.03.2014 passed by the Commissioner of Customs(Appeals), Kandla in the case of M/s Oswal Salt and Chemical Industries(hereinafter referred to as “the respondent no. 1”).

2.1 M/s Oswal Salt and Chemical Industries, Maitri Bhawan, Plot No. 18, Sector 8, Gandhidham(Kutch) – 370201(hereinafter referred to as “respondent no. 1”) are engaged in the export of agriculture products including Soya Bean De Oiled Cake(hereinafter referred to as DOC) in the year 2006-07, 2007-08 and 2008-09 falling under Tariff Item No. 2304 0020 of the First Schedule to the Customs Tariff Act, 1975. Shri Jitendra Kumar Sanghvi(hereinafter referred to as “respondent no. 2”) was the partner in respondent no. 1 firm at the relevant time. All the activities of the respondent no. 1 relating to export and availment of duty drawback had taken place as per his directions. The said respondent no. 1 had exported Soya De Oiled Cake from Kandla Port falling under the jurisdiction of the Commissioner of Customs, Kandla under claim of drawback.

2.2 M/s Vippy Industries Ltd., Dewas(hereinafter referred to as “respondent no. 3”), M/s Ambika Solvex Ltd., Jaora(hereinafter referred to as “respondent no. 4”) and M/s Rama Phosphate Ltd., Indore(hereinafter referred to as “respondent no. 5”) are manufacturers engaged in the manufacture of soya oil and soya DOC by solvent extraction process using hexane as solvent in their factories and had sold the said DOC to the respondent no. 1 which was exported by respondent no. 1 by availing the facility of duty drawback.

2.3 An intelligence gathered by the Directorate General of Central Excise Intelligence(DGCEI) , Regional Unit, Indore indicated that the respondent no. 1 had exported the DOC falling under Tariff Item No. 2304 0020 of the First

Schedule to the Customs Tariff Act, 1975 from Kandla Port by availing the benefit under Duty Drawback. The said DOC was purchased by them from the manufacturers who had manufactured the same by availing the benefit under Rule 19(2) of the CER, 2002 by procuring hexane without payment of central excise duty by following the procedure as prescribed under Rule 19(2) of the CER, 2002 and notifications issued thereunder. The said hexane procured without payment of central excise duty was used in the manufacture of DOC and such DOC was exported by respondent no. 1 under claim of duty drawback @ 1% of FOB value as per All Industry Rate of Drawback(Sr. No. 23) prescribed vide Notification No. 81/2006-Cus(NT) dated 13.07.2006, 68/2007-Cus(NT) dated 16.07.2007 superseded by Notification No. 103/2008-Cus(NT) dated 29.08.2008.

2.4 In view of the provisions of Rule 3 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 and condition 7(f) of the Notification No. 81/2006-Cus(NT) dated 13.07.2006, 68/2007-Cus(NT) dated 16.07.2007 (and other similar notifications), it appeared that All Industry Rate of Drawback specified under the Schedule annexed to Notification No. 81/2006-Cus(NT) dated 13.07.2006, 68/2007-Cus(NT) dated 16.07.2007, as amended, from time to time (and other similar notifications) are not admissible on export of DOC if the same is manufactured in terms of sub-rule (2) of Rule 19 of the CER, 2002 by using excisable material (hexane) in respect of which duties have not been paid.

3.1 On the basis of the details, partywise chart submitted by the respondent no. 1 and the investigation carried out at the end of the manufacturers, the documents of duty free procurement of hexane by availing the benefit under Rule 19(2) of the Central Excise Rules, 2002 resumed from them; viz. hexane procurement and consumption registers, Appendix-46 and invoices of petroleum companies M/s HPCL, M/s BPCL, M/s IOCL etc. and the statements of authorised persons of the manufacturer and the legal position mentioned above, it appeared that the respondent no. 1 had wrongly claimed and availed duty

drawback amounting to Rs. 12,42,084/- from Kandla Port on the exported goods(DOC) purchased by them from the manufacturers who had manufactured the same under bond by procuring hexane without payment of duty payable thereon and by availing the benefit under Rule 19(2) of the CER, 2002. It therefore appeared that the respondent no. 1 was not entitled to duty drawback on the exports of such DOC in view of the provisions of Rule 3 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995(Drawback Rules) and condition 7(f) of Notification No. 81/2006-Cus(NT) dated 13.07.2006, 68/2007-Cus(NT) dated 16.07.2007 and condition no. 8(f) of Notification No. 103/2008-Cus(NT) dated 29.08.2008 and therefore the said amount of duty drawback paid to them appeared to be recoverable from them under Rule 16 of the Drawback Rules read with Section 75 and Section 28(1) of the Customs Act, 1962. It also appeared that the said respondent no. 1 had wrongly claimed and irregularly availed the said amount of duty drawback by suppression of facts and willful mis-declaration as they had not disclosed the facts of manufacturing the DOC by availing the benefit of Rule 19(2) of the CER, 2002 in the Appendix-III submitted with the shipping bills for claim of drawback. The respondent no. 1 was also liable to pay interest at the applicable rate under Section 28AB of the Customs Act, 1962.

3.2 It appeared that these acts of omission and commission on the part of respondent no. 1 and respondent no. 2 - the partner of the company who looked after all the export related work including the availment of drawback at the relevant period had knowingly and intentionally got filed incorrect declaration in Appendix-III of the shipping bills that DOC had been manufactured without availing the benefit of Rule 19(2) of the CER, 2002 thereby rendering themselves liable to penalty under Section 114 of the Customs Act, 1962 and Section 114AA of the Customs Act, 1962.

3.3 The manufacturers of DOC; respondent no. 3, respondent no. 4 and respondent no. 5 had in connivance with the respondent no. 1 deliberately not

issued ARE-2 for removal of the said DOC and had by abetting/omission rendered the DOC liable for confiscation under Section 114(iii) of the Customs Act, 1962. The respondent no. 3, respondent no. 4 and respondent no. 5 had also been asked to show cause why penalty should not be imposed on them under Section 114(iii) of the Customs Act, 1962 for having connived with the exporter by purposely not issuing ARE-2. The respondents were issued SCN on the above grounds.

4. After careful consideration of the evidences adduced by the investigation and relying on various case laws, the Additional Commissioner of Customs, Custom House, Kandla vide OIO No. KDL/DBK/1304/ADC/SS/2013-14 dated 09/11.10.2013 disallowed the drawback claims amounting to Rs. 12,42,084/- and ordered recovery of the amount of duty drawback already sanctioned/released, directed the respondent no. 1 to pay back the amount of duty drawback erroneously availed by them, ordered recovery of interest on the amount of duty drawback erroneously sanctioned, imposed penalty of Rs. 10,00,000/- each on respondent no. 3, respondent no. 4, respondent no. 5 and imposed a penalty of Rs. 5,00,000/- on respondent no. 2.

5. Aggrieved by the OIO, the respondents filed appeal before the Commissioner(Appeals). The Commissioner(Appeals) averred that procurement of raw materials under Rule 19(2) of the CER, 2002 would not be a hindrance for claiming 1% drawback being the customs component. He took note of the fact that the dispute related to the period prior to 17.09.2010. However, he discussed the contents of Circular No. 35/2010-Cus dated 17.09.2010 for interpretation of Notification No. 81/2006-Cus(NT), 68/2007-Cus(NT) & 103/2008. He observed that condition 5/6 of these notifications identifies the customs component when CENVAT facility has been availed. It also clarifies that in a situation where the drawback under the category of CENVAT facility availed and CENVAT facility not being availed is the same signifies that the drawback pertains only to the customs component. The benefits under Rule 18 and Rule

19(2) would have no effect on drawback of customs component. He observed that the respondent no. 1 had claimed drawback of 1% of FOB value which was the customs component of AIR drawback. He averred that rebate of duty on export goods and drawback of customs component does not amount to double benefit. The Commissioner(Appeals) concluded that Notification No. 84/2010-Cus(NT) dated 17.09.2010 & Circular No. 35/2010-Cus dated 17.09.2010 reinforce the position that drawback of customs available even if facility under Rule 18 or Rule 19(2) has been availed. He held that circulars are clarificatory nature and would apply to notifications issued earlier if the provisions therein are identical and that Notification No. 84/2010-Cus(NT) and Circular No. 35/2010-Cus make explicit what was implicit in earlier notification. In the light of these findings, the Commissioner(Appeals) vide his OIA No. 67 to 89/2014/Cus/Commr(A)/KDL/2014 dated 10.03.2014 set aside the OIO with consequential relief to the appellants.

6. The Commissioner of Customs, Kandla found that the OIA No. 67 to 89/2014/Cus/Commr(A)/KDL/2014 dated 10.03.2014 was not legal and proper and therefore directed the Assistant Commissioner to file revision application on the following grounds :

- (i) AIR Drawback is not available when an exporter avails the facility under Rule 19(2) of the CER, 2002 as per condition 7(f) of Notification No. 81/2006-Cus(NT) and 8(f) of Notification No. 103/2008-Cus(NT).
- (ii) Rule 5 of the Drawback Rules provides that revised rate of drawback could be given retrospective effect whereas in the instant case the benefit of AIR drawback has been allowed only w.e.f. 20.09.2010 under Notification No. 84/2010-Cus(NT) as clarified by the Office of the Drawback Commissioner vide letter dated 04.01.2012 and therefore there is no retrospective effect.
- (iii) Commissioner(Appeals) has ignored the clarification dated 04.01.2012 issued by Commissioner(Drawback), misinterpreted Board Circular No.

35/2010-Cus and Notification No. 84/2010-Cus(NT) although it clearly mentions that it is effective only w.e.f. 20.09.2010.

- (iv) Reliance was placed on the judgment of the Hon'ble Supreme Court in the case of Rubfila International Ltd. vs. Commissioner[2008(224)ELT A133(SC)] wherein it was held that where it was evident that inputs had not suffered any duty, the mischief of Rule 3(1)(ii) of the Drawback Rules would be attracted and no drawback can be claimed.
- (v) Reliance was also placed upon the judgment of the Hon'ble Supreme Court in the case of CCE, Chandigarh-I vs. Mahaan Dairies[2004(166)ELT 23(SC)], Hon'ble Delhi High Court in the case of Sesame Foods Pvt. Ltd. vs. UOI[2010(253)ELT 167(Del)]. Reliance was placed upon the decision in the case of Sterling Agro Industries Ltd. Government of India Order No. 214-215/10-Cus dated 06.07.2010 against which the party filed W.P. No. 5894/2011 before the Division Bench of the Gwalior Bench of Hon'ble High Court of Madhya Pradesh and their Lordships held that drawback would be admissible under Rule 3(1) of the Drawback Rules if the benefit from payment of duty or rebate of CENVAT had been reversed, thus upholding the stand that simultaneous avilment of drawback and Rule 19(2) cannot be permitted.
- (vi) The case laws of Mars International[2012(286)ELT 146(GOI)] and Aarti Industries Ltd.[2012(285)ELT 461(GOI)] relied upon by the Commissioner(Appeals) in the impugned order pertained to the period after 20.09.2010 after issuance of Notification No. 84/2010-Cus(NT) dated 17.09.2010.
- (vii) Even the C & AG had pointed out this fraud in PAC Audit Report No. 15/2011-12 in para 2.3.12.

7.1 Shri H. U. Patel, Superintendent(DBK), Custom House, Kandla attended the personal hearing on 15.10.2019 on behalf of the Department and submitted

letter dated 09.10.2019 of the Assistant Commissioner(DBK), Kandla stating that they had nothing more to add and requested that the case may be decided on merits.

7.2 The respondent no. 1 and respondent no. 2 had been granted personal hearings on 24.09.2018, 08.01.2020 and 14.01.2020. However, none appeared on their behalf. Shri Ashutosh Upadhyay, Advocate appeared on behalf on respondent no. 3 for personal hearing on 04.10.2019. He explained their contention and relied upon the decision In Re : Rama Phosphate Ltd.[2014(313)ELT 838(GOI)]. Thereafter vide their letter dated 04.01.2020, the respondent no. 3 further stated that their counsel Shri Ashutosh Upadhyay had attended earlier personal hearing fixed on 04.10.2019, explained the case and filed written reply/submissions well within the time period. They stated that they do not wish to add anything further or again attend a hearing. They prayed that the case may be decided on merits as per the grounds of appeal and submissions filed by them. They requested that the revision application filed by the Department be dismissed/rejected.

7.3 Shri Gokul Sharma, Senior Manager of Respondent No. 4 appeared for personal hearing on 15.10.2019 and reiterated the Cross Objections filed during the hearing. Shri Ashutosh Upadhyay, Advocate appeared on behalf of respondent no. 5 on 14.01.2020. He placed reliance upon the decision In Re : Gokul Auto Pvt. Ltd.[2018(363)ELT 817(GOI)] to contend that where the exporter has claimed duty drawback in respect of customs duty, they would be eligible for refund of excise duty. They also placed reliance upon the decision In Re : Rama Phosphate Ltd.[2014(313)ELT 838(GOI)] to canvas their case that they cannot be penalized as they had not misdeclared in any document and that the allegation of connivance with merchant manufacturer was without any documentary evidence.

8.1 The Respondent No. 4 submitted in the cross objections that 1% drawback can be claimed by them and that if there was any liability arising, it was the exporter who was liable. In the cross objections filed by them, the Respondent No. 4 submitted that DGCEI does not have power to issue SCN as per Circular No. 14/2014-Cus. Moreover, as per para 5 of Board Circular No. 44/2011-Cus dated 23.09.2011 it was directed that officers of DRI and DGCEI shall not exercise authority under Section 28(8) of the Customs Act, 1962 even though they had been assigned functions of "proper officers" vide Notification No. 44/2011-Cus(NT) dated 06.07.2011. Since the OIO passed was based on an SCN issued without authority and jurisdiction, it was not sustainable in law. It was further submitted that they had purchased and used duty free hexane only during 2006-07 and 2007-08 and the other production unit at Jaora at Patharia and Kalapipal always used duty paid hexane. They claimed that the period of use of the duty free hexane was prior to the delegation of powers to DGCEI and the SCN issued for that period was not legal. They averred that the SCN has been issued beyond a period of one year of the so called offence and hence was invalid.

8.2 The respondent no. 4 submitted that the order passed by the Commissioner(Appeals) was passed after verification of all the facts and circumstances and did not call for interference. They pointed out that the rate of drawback for residue and waste from food industries prepared animal fodder was 1% where CENVAT facility had not been availed and also for a situation where CENVAT facility had been availed. They claimed that most of the hexane consumed by them was duty paid and therefore drawback was admissible. They placed reliance upon the decision in the case of Monte International vs. Commissioner of Customs[2016(5)TMI 1192 – CESTAT New Delhi to contend that the DGCEI had no power to issue SCN till 16.09.2011. They placed reliance upon the decision of the Government of India In Re : Rama Phosphate Ltd.[2014(313)ELT 838(GOI)] upholding denial of rebate claim but setting aside penalty on the manufacturer in that case. They also placed reliance on the

decisions in the case of Benny Impex Pvt. Ltd.[2003(154)ELT 300], GOI Order No. 38/2009-CX dated 30.01.2009 in the case of William Industries and GOI Order No. 49-53/2001 in the case of Aarti Industries[2013(7)TMI 838] which the respondent no. 4 contended were involving similar facts.

8.3 With regard to non-issue of ARE-2, the respondent no. 4 argued that substantial benefit could not be denied for procedural technical lapse. In this regard, they placed reliance on the judgments/decisions in the case of Suksha International & Nutan Gems & Anr.[1989(39)ELT 503(SC)], A. V. Narsimhlu[1983(13)ELT 1534(SC)], Formika India[1995(77)ELT 511(SC)], Mangalore Chemicals and Fertilizers Ltd.[1991(55)ELT 437(SC)], Himalayan Co-op. Milk Product Union Ltd.[2000(122)ELT 327(SC)], Tata Iron and Steel Co. Ltd.[2005(4)SCC 272(SC)], Reliance Industries Ltd.[2012(275)ELT 277(GOI)], Shrenik Pharma Ltd.[2012(281)ELT 477(SC)], Shree Parvati Metal Pvt. Ltd.[2013(290)ELT 638(GOI)], Manubhai & Co.[2011(21)STR 65(Tri-Ahmd)], Sigma Vibracoustic (India) Pvt. Ltd.[2013(31)STR 207(Tri-Del)], C-metric Solutions Pvt. Ltd.[2013(32)STR 648(Tri-Ahmd.)] and Agro Solvent Products P. Ltd.[2013(32)STR 666(Tri-Del)]. They placed reliance upon the decisions in the cases of Madura Coats Pvt. Ltd.[2013(293)ELT 371(Tri-Chen)] and Sigma Vibracoustic (India) Pvt. Ltd.[2013(31)STR 207(Tri-Del)] to lend strength to their submission that the law does not permit the export of taxes.

9.1 Government has carefully gone through the relevant case records and perused the impugned order-in-original and order-in-appeal. Government observes that the short issue in all these revision applications is whether duty drawback @ 1% of FOB value is admissible to the exporter respondent on the exports of DOC under Rule 3(1) of the Drawback Rules read with the provisions of Notification No. 81/2006-Cus(NT) dated 13.07.2006, 68/2007-Cus(NT) dated 16.07.2007 and 103/2008-Cus(NT) dated 29.08.2008.

9.2 It is observed that the detailed investigation has established that respondent no. 3, respondent no. 4 and respondent no. 5 had procured duty free hexane by availing the facility under Rule 19(2) of the CER, 2002 and used the same for the manufacture of DOC and sold the same to respondent no. 1 during 2006-07, 2007-08 and 2008-09. Government takes note that the second proviso to Rule 3 of the Drawback Rules at clause (ii) thereof bars drawback if goods are produced or manufactured using imported materials or excisable materials or taxable services in respect of which duties or taxes have not been paid. Similarly condition no. 7(f) of Notification No. 81/2006-Cus(NT), 68/2007-Cus(NT) and condition no. 8(f) of Notification No. 103/2008-Cus(NT) provide that the rates of drawback specified in the schedule shall not be applicable to export of a commodity or product if such product is manufactured or exported in terms of sub-rule (2) of Rule 19 of the CER, 2002. Thus it is apparent that the All Industry Rates of Drawback specified under the schedule annexed to the notifications are not applicable to the exporter of such goods if the goods have been manufactured with inputs on which duty has not been paid and have been procured by availing the facility under Rule 19(2) of the CER, 2002.

10. Government finds that the respondents have not denied the fact of duty free procurement of inputs and their use in the manufacture of DOC by the manufacturers and their export under claim of duty drawback. The inference that can be drawn from the condition in the notifications and Rule 3 of the Drawback Rules that duty should necessarily have been suffered on the inputs used in the export product. This is also the settled legal position. The duty element on the inputs is the primary ingredient for deciding the admissibility of drawback on exports. With regard to the inferences drawn by the Commissioner(Appeals) in the impugned order based on CBEC Circular No. 35/2010-Cus dated 17.09.2010, it is apparent from the text of the circular that the clarification regarding drawback in a situation where the raw materials have been procured without payment of central excise duty under Rule 19(2) of the

CER, 2002 has been specifically stated to be admissible only with reference to Notification No. 84/2010-Cus(NT) dated 17.09.2010. It is pertinent to note that the portion where the issue has been raised in clause (d) of para 4(vi) of the circular, the notification mentioned is Notification No. 103/2008-Cus(NT) dated 29.08.2008. However, the notifications determining AIR rate of drawback for the preceding periods do not find mention in the portion where the reference has been answered and only Notification No. 84/2010-Cus(NT) dated 17.09.2010 finds mention. Therefore, it is obvious that the clarification issued by the Board applies only to Notification No. 84/2010-Cus(NT) dated 17.09.2010 which is applicable from 20.09.2010. The issue has been settled beyond doubt by the clarification issued by the Office of the Drawback Commissioner vide his letter F. No. 609/292/2008-DBK dated 04.01.2012 to the Federation of Indian Export Organisation.

11.1 Government takes note of the judgments of the courts on the issue. In the case of Rubfila International Ltd. vs. Commissioner[2008(224)ELT A133(SC)], the apex court upheld the principle that when there is evidence that the inputs had not suffered duty, the mischief of Rule 3(1)(ii) of the Drawback Rules would be attracted and no drawback can be claimed. So also, in the case of Sesame Foods Pvt. Ltd. vs. UOI[2010(253)ELT 167(Del)], their Lordships held that “drawback” presupposes that it is preceded by a transaction that has suffered some incidence of duty and if goods like agricultural inputs are not imported and do not suffer incidence of excise duty, the question of fixing AIR for such commodities cannot arise. In the case of Suraj Impex (India) Pvt. Ltd. vs. Secretary, Union of India[2017(347)ELT 252(M.P.)], the Hon’ble High Court of Madhya Pradesh held that simultaneous availment of drawback as well as Rule 19(2) was introduced by omission of clause 8(f) of the erstwhile Notification No. 103/2008 and the introduction of new clause 9(b) in Notification No. 84/2010 which was made effective from 20.09.2010 and explained the same in Circular No. 35/2010. Since the Notification No. 84/2010 was effective from 20.09.2010

and the same cannot be given retrospective effect in the light of the aforementioned facts.

11.2 Government observes that in the case of Anandeya Zinc Oxides Pvt. Ltd.[2016(337)ELT 354(Bom.)], the Hon'ble Bombay High Court had occasion to examine the argument put forth by that manufacturer that drawback of customs portion could be availed alongwith facility for procurement of inputs under Rule 19(2) of the CER, 2002. The Hon'ble Bombay High Court found that the view taken by the authorities below that the petitioners in that case could not avail customs drawback under Notification No. 26/2003-Cus(NT) dated 01.04.2003 could not be faulted. It was further held that there was no scope for bifurcating drawback towards customs and excise allocation. Their Lordships noted that the notification clearly provides an exclusion to the applicability of the entire notification in specific situations which have been specified therein; one of which was - goods manufactured or exported in terms of sub-rule (2) of Rule 19 of the CER, 2002. They opined that nothing could be read into such notification and that it was well settled that taxation and fiscal statutes have to be strictly construed. Their Lordships firmly held that the Courts cannot read words into such provisos. The judgments of the Apex Court and the High Courts are binding precedents. The case laws which have been relied upon by the respondents do not consider these judgments and in some cases pertain to the period after 20.09.2010. Therefore, Government concludes that AIR drawback is not admissible to the respondent no. 1 and the drawback sanctioned and paid to the said respondent is liable to be recovered alongwith interest.

11.3 The respondents have made a few other short submissions. They have placed reliance upon the decision In Re : Gokul Auto Pvt. Ltd.[2018(363)ELT 817(GOI)] to contend that where the exporter has claimed duty drawback in respect of customs duty, they would be eligible for refund of excise duty. In this regard, it is observed that the Revisionary Authority has interpreted the matter in terms of Notification No. 68/2011-Cus(NT) dated 22.09.2011 which pertains

to the period after benefit of duty suffered on inputs and drawback was allowed simultaneously vide Notification No. 84/2010-Cus(NT) dated 17.09.2010 as clarified vide CBEC Circular No. 35/2010-Cus dated 17.09.2010. Therefore, the decision in the case of Gokul Auto Pvt. Ltd. would not be applicable to the facts of the present case. The respondents have argued regarding the fact that the SCN is hit by limitation in view of it having been issued beyond one year of the offence. Government observes that the SCN has been issued after the DGCEI carried out a laborious investigation which unraveled the willful mis-statement and suppression of facts on their part to falsely obtain drawback which was not due to them. In such cases, the Department is empowered to issue SCN within the extended period of five years in terms of Section 28 of the Customs Act, 1962 and hence the SCN's are not hit by limitation. The respondents in some cases have claimed that they had obtained duty paid hexane. However, these are nothing but bald assertions. These assertions were not made before the lower authorities. Needless to say, new grounds which have not been made before the adjudicating authority and the lower appellate authority cannot be made at the stage of second appeal.

11.4 In addition to these submissions, the respondents have also made certain submissions to contend that the DGCEI does not have power to issue SCN as per Circular No. 14/2014-Cus and Circular No. 44/2011-Cus. Government relies upon the judgments in the cases of Sangameshwar Pipe & Steel Traders[2002(141)ELT 252(Tri-Del)] & Lark Chemicals Pvt. Ltd.[2014(301)ELT 138(Tri-Mum)]. The respondents should have raised the objection regarding jurisdiction at the earliest opportunity. Such an objection at the stage of second appeal would be barred by estoppel. The respondents did not challenge the jurisdiction of DGCEI when the SCN's were served upon them. The respondent has participated in the investigation carried out by the DGCEI, duly received the SCN and submitted to and acquiesced to the jurisdiction of the show cause issuing authority as well as to the process of adjudication before the adjudicating

authority. The respondents have been party to the proceedings before the lower authorities without demur or protest and have not raised any issues or protested against action in excess of jurisdiction. Raising these issues at this stage is clearly an afterthought. In the circumstances, these arguments cannot be given any credence and are rendered superfluous.

12. Government proceeds to consider the case for imposition of penalty on the exporter and the manufacturers who have supplied DOC to the exporter. The respondent no. 3, respondent no. 4 and respondent no. 5 have not issued ARE-2 for removal of the DOC but have only issued export invoices while clearing the goods. The fact that three different manufacturers failed in following the procedure in an identical manner puts a question mark on their actions. Such synchronized failure in not issuing the ARE-2's cannot be passed off as a coincidence. The fact that further weakens the defence about their bonafides and their claim that non-issue of ARE-2 was merely due to oversight is the fact that the DGCEI has booked cases against several manufacturers and exporters who had adopted the same practice of not issuing ARE-2's. There are a total of 18 manufacturers/exporters involved in the proceedings under the impugned order. Besides these manufacturers/exporters there are other cases booked by the DGCEI which involve identical facts and involve several other manufacturers/exporters. It is therefore apparent that the procedure adopted by the manufacturers was ideal for the exporter to claim ignorance of the fact that inputs had been procured by availing the facility of Rule 19(2) of the CER, 2002 and claim drawback. The fact that this practice was adopted by several manufacturers/exporters across Commissionerates is a pointer to the adoption of this modus to enable exporters to claim drawback where the manufacturers had availed the facility under Rule 19(2) of the CER, 2002 to procure inputs. Government is therefore of the view that the respondent no. 1 as well as the manufacturers have rendered themselves liable to be penalized. In Re : Rama Phosphate Ltd.[2014(313)ELT 838(GOI)], the Government had arrived at the

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conclusion that the manufacturer could not be penalized as there was no documentary evidence. The Government finds that the very fact that all the manufacturers had not issued ARE-2 and the practice has been commonly adopted by all of them evidences the fact that there was some sort of an arrangement between the manufacturers and the exporters to enable the exporter to avail drawback. Government therefore holds that both the manufacturers and the exporters are liable to be penalized.

13. Government therefore sets aside the impugned OIA No. 67 to 89/2014/Cus/Commr(A)/KDL/2014 dated 10.03.2014 and restores the OIO No. OIO No. KDL/DBK/1304/ADC/SS/2013-14 dated 09/11.10.2013 passed by the Additional Commissioner of Customs, Custom House, Kandla. The revision applications filed by the Department are allowed.

14. So ordered.

(SEEMA ARORA)

Principal Commissioner & Ex-Officio
Additional Secretary to Government of India

ORDER No. ¹⁴⁵⁻¹⁴⁹ /2020-CX (WZ) /ASRA/Mumbai DATED 27/08/2020.

To,

1. M/s Oswal Salt and Chemical Industries
Maitri Bhawan, Plot No. 18,
Sector-8, Gandhidham,
Kutch - 370201
2. Shri Jitendra Kumar Singhvi
Partner of M/s Oswal Salt and Chemical Industries,
Maitri Bhawan, Plot No. 18,
Sector-8, Gandhidham,
Kutch - 370201
3. M/s Vippy Industries Ltd.
28-30, Industrial Area,

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Dewas, Madhya Pradesh

4. M/s Ambika Solvex Ltd.
304, Satyageeta Apartment,
90/47, Sneha Nagar, Main Road,
Indore
5. M/s Rama Phosphates Ltd.
Ujjain Road, Dharampuri,
Indore

Copy to:

1. The Commissioner of Customs, Custom House, Kandla
2. The Commissioner of Customs(Appeals), Kandla
3. Sr. P.S. to AS (RA), Mumbai
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