Circular No. 89
dated 9/8/95

F.No. 528/ 73/ 92 - (TU)

Government of India
Ministry of Finance
Department of Revenue, New Delhi

Subject: Assessment under Project Import Regulations, 1986 - Requirement of cash security in lieu of bank guarantee.

I am directed to refer Board's letter F.No. 521 / 192/ 90-Cus.(TU) dated 9.1.1992 advising Customs Houses / Collect orates to take cash security equivalent to 5% of C.I.F. value of goods, at the time or registration of Project Contract under Project Import Regulations, 1986, An exception was, however, made in the case of imports by the Government Department and Public Sector Undertakings, wherein it was decided to continue with the practice in vouge. Vide Board's letter F.No. 521/ 192/ 90- Cus. (TU) dated 14.3.1993 it was further decided that in cases where case security of 5% of the value of the contract exceeds Rs. 50 lakhs importers may be given an option to furnish cash security of Rs. 50 lakhs and balance amount by a bank guarantee backed by an under-taking to renew it till the finalisation of the contract.

2. The issue regarding furnishing of a cash security equal to 5% of the CIF value of the goods sought to imported under Project Import has further been examined by the Board and in view of he reduction in import duty and ongoing liberalisation, it has been decided that in future case security equivalent to 2% of the CIF value of goods sought to be imported subject to a maximum of Rs. 50 lakhs, would only be taken in place of 5% cash security, presently, being taken. the balance amount shall be covered by a bank guarantee backed by an undertaking to renew it till the finalisation of the contract. The Government Department and Public Sector Undertaking would, however, continue to be exempted from furnishing the above cash security. In respect of Fertiliser Projects which are liable to Zero rate of duty, Commissioner are advised to take only a nominal case security not exceeding 0.5% of the duty foregone at project import rate subject to a maximum of Rs. 20 lakhs.

Sd/-
(V.K. Singh)
Senior Technical Officer

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