Circular No. 97/2000-Cus
29-11-2000

F. No. 528/51/2000-Cus.(TU)
Government of India
Ministry of Finance (Department of Revenue)
Central Board of Excise & Customs, New Delhi

Subject :- Execution of Legal Undertaking (LUT) in place of Bank Guarantee (BG) for import of goods by importers who have signed production Sharing Contract (PSC) with the Government of India on re-export basis under para 5.7 (a) of EXIM Policy - Reg.

I am directed to refer to the subject mentioned above and to say that a reference in this regard has been made to Board stating that Custom authorities are insisting on furnishing of Bank Guarantees for import of goods by importers who have signed a Production Sharing Contract (PSC) with the Government of India, on re-export basis under para 5.7(a) of EXIM Policy. A request has been made that LUTs may be accepted in lieu of BGs.

2. The matter has been examined. As per Sl. Nos. 221, 222, 223 of Notification No. 16/2000-Cus., dated 1-3-2000 specified goods required for petroleum operations are fully exempted from custom duties subject to the conditions mentioned therein. These conditions entail *inter alia* that the contractor/importer produces an undertaking binding him to pay any duty, fine or penalty that may become payable. The Ministry of Petroleum & Natural Gas has written to Board in this regard stating that import of such goods under PSC may be cleared on the basis of the essentiality certificates issued by the Directorate of Hydro Carbons by accepting an LUT in place of BG as provided under Para 5.7(a) of the EXIM Policy.

As there is no duty obligation on importers of such 3. goods subject to furnishing of an Undertaking it has been decided that furnishing of an LUT in place of BG will suffice for the purpose of fulfilment of EXIM Policy condition. Further, as para 5.7(a) of EXIM Policy expressly provides for taking an LUT, there appears no necessity for insisting of BGs. Custom Houses are hereby advised to clear such goods on the basis of LUTs furnished by importers, without insisting on Bank Guarantee. Any difficulty encountered may be brought to the notice of the Board.

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