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Chairman, Tariff Revision Committee.

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
(TARIFF REVISION COMMITTEE)

28th February, 1968.

Dear Shri Lall,

I have pleasure in presenting herewith the Report of the Tariff Revision Committee on the Import Trade Control Schedule. The Committee, in its two previous reports on the Customs Tariff and on the Central Excise Tariff, had recommended that they should be broadly aligned with the Brussels Tariff Nomenclature. In the present report we have explained that once the Customs Tariff is revised, the revision of the Import Trade Control Schedule will become inevitable and that it will have to be based on the revised Customs Tariff at the level of the main headings.

2. As one of the matters germane to the objective of our enquiry, we have considered in detail how the expression of import control policy and the writing out of import licences can be improved so as to minimize difficulties in Customs clearance. Our suggestions in this regard, which are contained in Chapter 4 of the report, will we hope go some way to help both the importing public and the Customs administration.

3. The Committee was greatly assisted by the co-operation and support afforded to it by the Ministry of Commerce and the Department of Revenue and Insurance.

I should also like to acknowledge the sustained interest which my colleagues on the Committee showed in its work and the effort ungrudgingly put in by them, both in the main Committee and in the various Sub-committees.

Yours sincerely,

Sd/- P. D. KASBEKAR.

Shri K. B. Lall,
Secretary to the Government of India,
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New Delhi.

Significance of Abbreviations used in the Report

- B. T. N.** — **Brussels Tariff Nomenclature**
- A classification of goods evolved for tariff purposes, and now adopted by about hundred countries and territories as the basis of their tariffs. It is administered by the Customs Co-operation Council, which has its headquarters at Brussels.
- R. C. T.** — **Revised Customs Tariff**
- The draft Customs tariff prepared by the Committee and contained in its Report on the Customs Tariff. It is based on the B. T. N., with necessary modifications to make it suitable for the needs of India. It is correlated to the R. I. T. C.
- R. I. T. C.** — **Revised Indian Trade Classification**
- The classification used for compiling statistics of India's import and export trade. It is an amplified version of the S. I. T. C. (Revised), a classification of goods evolved for the purpose of compiling trade statistics and used for this purpose by a large number of countries. This latter classification is administered by the United Nations Statistical Office.
- I. T. C. Schedule** — **Import Trade Control Schedule**
- The first schedule to the Imports (Control) Order, 1955 made by the Central Government under Sections 3 and 4A of the Imports and Exports (Control) Act, 1947, specifying the goods subject to Import Trade Control. It is related to the current Import Tariff Schedule.
- C. C. I. & E.** — **Chief Controller of Imports and Exports, New Delhi.**

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CHAPTER 1

INTRODUCTION

1.1 The Tariff Revision Committee was initially constituted, under Government of India Resolution No. 10(8)/63-GATT, dated the 17th March, 1964, to conduct a comprehensive enquiry into the structure of the Indian Customs Tariff and recommend revisions and improvements. The Committee's report on the Customs Tariff was submitted on the 7th April, 1966. Meanwhile, by a resolution dated the 1st February, 1966, Government entrusted the Committee with the revision of the Central Excise Tariff Schedule and the Import Trade Control (I.T.C.) Schedule. Copies of the relevant resolutions are contained in Appendix 1. Further, the Committee was reconstituted by Government in consonance with its changed terms of reference. The composition of the Committee as reconstituted is given in Appendix 2. Shri S. Subramanian, who was subsequently appointed as a Member of the Tariff Commission, continued as Chairman of the Committee till the submission of its report on the Central Excise Tariff on the 31st August, 1967. Thereafter, Shri P. D. Kasbekar, Chief Controller of Imports and Exports, became the Chairman.

1.2 As regards Import Trade Control, the Committee was required to examine (i) the desirability of achieving a closer alignment between the Customs Import Tariff Schedule and the Import Trade Control Schedule and (ii) the question whether and to what extent the Import Trade Control Schedule could be aligned with the statistical classification now operating for the collection of import and export trade statistics.

1.3 As the rationalization of the Import Trade Control Schedule was a subject of importance to the public and

the import and export trade in general, we decided to invite public opinion through a questionnaire as in Appendix 3. The questionnaire was issued to 177 Chambers of Commerce, organizations of trade and manufacturing interests and 28 other interested parties and persons. Among the latter were Government officials including Collectors of Customs, the heads of the regional I.T.C. Organizations, and knowledgeable persons connected with industry and trade.

1.4 We received 24 replies to the questionnaire as well as a number of notes and memoranda on the subject matter of our study. We have included in Appendix 4 the names of the bodies and persons who replied to the questionnaire. On the basic issues, most of the replies received were in favour of an I.T.C. Schedule based on the Revised Customs Tariff (R.C.T.) up to the level of main headings, sub-divisions being then made for purposes of licensing policy, following to the extent possible the distinctions in the R.I.T.C. and correlated to the R.I.T.C. On the conversion of established importers' quotas, the general view was that these should not be affected merely because of the change in nomenclature. Several of the replies received were in favour of an Appellate Tribunal to which disputes on classification and other matters could be referred at some stage.

1.5. As we did in connection with our previous reports, we set up a number of Sub-committees for the detailed examination of various issues. A Policy Sub-committee furnished us with the basis of our approach. Four commodity Sub-committees considered in detail portions of the draft Schedule relating to various commodities. The scope and membership of the various Sub-committees are shown in Appendix 5.

1.6. After some progress had been made in the drafting of the Revised Schedule, specimen chapters were circulated to the public, and to Collectors of Customs and the heads of the I.T.C. Organizations at the major ports. Oral evidence was also taken at various centres, including Madras, Bombay, Calcutta and New Delhi. A list of the bodies and persons who gave evidence before the Committee is at Appendix 6 and the gist of the evidence is at

Appendix 7. The views expressed during oral evidence were broadly on the lines of those expressed in reply to the questionnaire.

1.7. The plan of work we had adopted linked the revised I.T.C. Schedule closely with the R.C.T., since these were to be identical at the main heading level. This gave rise to certain problems. In their Resolution dated the 6th October, 1966 (reproduced in Appendix 8), the Government of India, while generally agreeing with the Committee's main conclusions on the revision of the tariff nomenclature, stated that a very careful and detailed study of the draft (tariff) Schedule would, however, be necessary before those recommendations could be implemented through appropriate legislation. In pursuance of this decision, the R.C.T. has been under detailed scrutiny in the Ministries of Commerce and Finance (Department of Revenue and Insurance). In the light of the views expressed by the Collectors of Customs, the Department of Revenue and Insurance were of the view that the R.C.T. would need to be modified, particularly in regard to the chapters relating to machinery, in order to facilitate its administration. The details of the amendments required are still in the process of being worked out.

1.8 As the draft I.T.C. Schedule was dependent on the R.C.T., we started with the assumption that the headings (and sub-headings, where necessary) could be finalized only when the R.C.T. had been given its final shape, and at first concentrated on the revision of the Central Excise Schedule. Subsequently, however, we came to the conclusion that this was not necessary, and that the R.C.T., at the main heading level, and with amendments in detail as might be decided upon by Government, could itself be adopted as the basic I.T.C. Schedule. The I.T.C. policy could be announced within the framework of this Schedule.

1.9 After we were given our fresh terms of reference, we held eleven meetings, two of which were mainly devoted to the revision of the Central Excise Tariff Schedule. The present report was finalized at our 18th meeting, held in New Delhi on the 8th and 9th February, 1968.

1.10 In this report, after the introductory chapter, we have given in Chapter 2 the basis of the revised I.T.C. Schedule, and the reasons which have weighed with us in adopting this basis. This Chapter covers our major term of reference, while the next three Chapters cover the residual term of reference, *viz.* "to make such recommendations as may seem germane to the objective of the enquiry". Chapter 3 deals with the Red Book, its contents and the modifications required in consequence of the adoption of the revised Schedule. Chapter 4 contains specific suggestions in regard to the statement of policy and the writing-out of import licences, with the object of minimizing doubts and difficulties at the time of clearance. Chapter 5 relates to important general issues, such as the conversion of quotas held by established importers, the "Weekly Meeting" between the Customs and the I.T.C. authorities, and the Headquarters Co-ordination Committee. Our conclusions and recommendations are contained in Chapter 6, which is followed by a chapter of acknowledgments.

CHAPTER 2

BASIS OF THE REVISED IMPORT TRADE CONTROL SCHEDULE

General

2.1 We have been asked to make recommendations for the revision of the I.T.C. Schedule, taking into account the need for consistency between the interpretation of the Tariff and the I.T.C. Schedules, and also the need for correlation of the I.T.C. Schedule with the statistical classification (R.I.T.C.).

2.2 What is called the I.T.C. Schedule is the first Schedule to the Imports (Control) Order, 1955, made by the Central Government under Sections 3 and 4A of the Imports and Exports (Control) Act, 1947. The Order and the Schedule can be amended by the Central Government. Therefore the revision of the Schedule can be effected by a notification, and there is no need for legislation, as is the case with the Customs Tariff Schedule, which forms part of an Act of the Legislature.

2.3 The import policy is enunciated in detail in the Policy Handbook, popularly known as the Red Book. In the Red Book, the import policy for individual commodities is shown within the framework of the I.T.C. Schedule, but many of the headings in the latter (commonly referred to as Serial Numbers or "S. Nos.") have been split up, sometimes into a large number of separate sub-headings, in order to reflect the differences in licensing policy between different articles. Where elaborate differentiations have to be made, or a long list of articles has to be mentioned, use is made of Appendices to the Red Book. The articles which are separately mentioned depend on the I.T.C. policy in force at the time; the entries and lists

change from time to time, depending on indigenous manufacture and similar factors, and it is not necessary or desirable to give them permanent shape by including such minute details in the Schedule proper. We have assumed that this convenient scheme will continue, with a basic I.T.C. Schedule containing headings which can be expected to be fairly permanent, while changes in the individual entries to serve the needs of I.T.C. policy as it is evolved from time to time can be made in the Red Book and its Appendices as at present. We shall consider in the next chapter details of layout and wording of the Red Book.

2.4 The great majority of the opinions expressed to us, both by the public and by departmental officers, are in favour of an I.T.C. Schedule based on the revised Customs Tariff, which itself is based on the B.T.N. While framing our report on the revision of the Customs Tariff, we examined in detail the features of the various existing classifications, including the current Customs Tariff, the I.T.C. Schedule, the B.T.N. and the R.I.T.C. We came to the conclusion that the Revised Tariff Schedule should adopt the broad structure of the B.T.N. with such contractions and expansions as might be necessary in the light of the country's trade pattern, development needs and other factors and that in opening sub-headings, reference should be freely made to the R.I.T.C. The draft Tariff Schedule contained in our report, and referred to in this report as the Revised Customs Tariff or the R.C.T., was on this basis. As mentioned in Chapter 1, our recommendation has been accepted by Government in principle.

THE PRESENT SCHEDULE—NEED FOR REVISION

2.5 In proceeding to consider the revision of the I.T.C. Schedule, it will be useful to understand how it came to assume its present form. In Appendix 9 we have traced the history of the Schedule and explained its main features. One important feature is the division of the Schedule into six "Parts" which is a relic of an earlier period when each part fell within the jurisdiction of a different licensing authority. This division of jurisdictions is no longer applicable, but the old sequence of entries based on this division continues in force. The result is a somewhat odd

arrangement which is not a kin to any of the standard classifications followed in international trade, and in which some similar articles fall within different parts of the Schedule.

2.6 The other important feature of the Schedule is its reliance on the terminology and interpretation of the present Tariff Schedule. A note in the Imports (Control) Order lays down that the respective entries in the I.T.C. Schedule shall have the same meaning as the corresponding entries in the Tariff Schedule. We have also observed that in deciding the I.T.C. classification of any article, the I.T.C. authorities are mainly guided by the corresponding Customs classification. One consequence of the revision of the Customs Tariff, on the basis of the B.T.N., would be the use of a whole set of new terms and definitions, which would be interpreted in accordance with the B.T.N. concepts and not those of the present Tariff Schedule. The Importer and the Customs Appraising Officer are concerned with the Tariff Schedule as well as the I.T.C. Schedule. If these two schedules were to differ in their definitions and interpretations, it would evidently be a source of constant inconvenience and confusion. It is no doubt because of this that our terms of reference have stressed the need for consistency between the interpretation of the Tariff and the I.T.C. Schedules.

2.7 Although the arrangement of the I.T.C. Schedule is appreciably out of date, its revision has not upto now been a matter of pressing urgency. However, when the Customs Tariff Schedule is revised, the matter would certainly become urgent, in view of the dependence of the interpretation of the I.T.C. Schedule on that of the Customs Tariff Schedule, to which we have referred above. Bearing in mind the need for avoidance of confusion, and the fact that the importer and the customs officer would in any case have to familiarize themselves with the Customs Tariff for the time being in force, we consider that the best course would be to revise the I.T.C. Schedule also and align it with the R.C.T. However, the alignment should not have the effect of making the I.T.C. Schedule unduly complicated. The Revised Customs Tariff drafted by us contains a total of 647 main headings based on the B.T.N. In order to maintain the duty differentiations which taxation

policy requires, sub-headings numbering 1117 have been created. These sub-headings are relevant only for duty purposes and we do not see any necessity to refer to them for the purposes of I.T.C. policy. We therefore recommend that the R.C.T. at the *main heading* level, may be adopted as the basic I.T.C. Schedule, i.e. the Schedule as it would appear in the Imports (Control) Order. This Schedule will be found in our report on the Customs Tariff, and it is not therefore necessary to reproduce it in this report.

THE RED BOOK

2.8 As in the I.T.C. Schedule, the detailed enumeration in the Red Book has also reached a stage where its review is obviously necessary. This will be apparent from Section II of the Red Book, which attempts to show the import policy for every commodity in brief. The commodities are listed in accordance with the classification contained in the present I.T.C. Schedule, but a large number of sub-headings have been created in order to display the differences in policy between different articles falling within the same heading of the main I.T.C. Schedule. Thus, as against 636 main headings in the Schedule, Section II of the Red Book contains a total of 1156 headings and sub-headings. Although these sub-headings were intended to reflect differences in policy, there seems to have been a tendency to regard a sub-heading once created as being of a permanent nature, irrespective of whether it continued to be relevant. For instance, S. No. 86 of Part V of the Schedule, covering "Conveyances, not otherwise specified" and their parts, has been divided in the Red Book into five sub-headings, which were evidently relevant at some time in the past; but at present the policy for each of these sub-headings is identical, namely "Nil". The same applies to the seven sub-headings under S. No. 314 of Part IV covering parts of arms, etc. Other examples could be found to show that the detailed presentation in the Red Book also needs to be revised.

2.9 In the next Chapter, we shall set out in greater detail our concept of the Red Book. We need only say here that this publication, which seeks to show the I.T.C. policy on all articles, should be constantly revised in order to make that policy clear. The present practice is

that, even if only one article out of several covered by a single I.T.C. heading or sub-heading is allowed to be imported, the entire heading or sub-heading is reproduced in the Red Book, and it is only by a study of the "Policy" and "Remarks" columns that one can get to know the precise article or articles intended to be allowed. In the system we have in mind, the heading numbers of the basic I.T.C. Schedule (which would be the same as the R.C.T. at the main heading level) would continue to be used as the framework for announcing the policy; but wherever possible the description actually shown would be that of the specific article which can be allowed import. This concept of elasticity in the wording of the entries in the Red Book would also mean that there is no need to evolve sub-headings under each of the R.C.T. main headings, as has been done in the Customs Tariff Schedule. Sub-headings, which would in fact be extracts from the main headings, would be carved out from time to time as required by the I.T.C. policy in force.

POINTS ARISING OUT OF THE REVISION OF THE SCHEDULE-ADVANTAGES

2.10 In order to complete the picture regarding the revised I.T.C. Schedule, there are a few further points which may be mentioned.

(a) As stated in Chapter 1, Government, while generally accepting the R.C.T. as drafted by the Committee, are expected to make some changes in the matters of detail. When we refer to the adoption of the R.C.T. as the basic I.T.C. Schedule, we have in mind the R.C.T. as it may be amended and finalised by Government.

(b) The R.C.T. covers a few articles such as bullion, currency and articles made wholly or mainly of gold or silver, whose importation is controlled under the Foreign Exchange Regulation Act. In some of these cases it may not be possible to have a complete alignment with the R.C.T., as it appears that the importation of coin etc. cannot be even formally controlled under the Imports and Exports (Control) Act.

(c) The R.C.T. includes interpretative rules, Section notes and Chapter notes to assist in determining precisely the meaning of the various entries. In the revised I.T.C.

Schedule, it is proposed to retain a note (as in the present I.T.C. Schedule) to the effect that each entry shall have the same meaning as that of the corresponding entry in the R.C.T. We are advised that if this is done the chapter notes etc. could be omitted from the revised Schedule, making it considerably more compact than the R.C.T.

(d) A matter which has been attracting attention from the start is as to how the existing quotas of established importers would be interpreted after the revised Schedule is adopted. We have devoted a great deal of study to this question, and have aimed at effecting the conversion in such a manner that there will be no hardship or inconvenience to quota holders. Chapter 3 explains our proposals on this matter.

2.11 We have already stressed the need for uniformity in the nomenclature and interpretation of the Tariff and I.T.C. Schedules. The adoption of a common basis for the two Schedules would have some other advantages as well. For instance, in the operation of import trade control, it is frequently useful to have statistics of goods imported, classified according to the classification adopted for licensing purposes. At present the I.T.C. Schedule is not closely correlated to the R.I.T.C. and difficulty has been experienced in collecting statistics in the manner required. In the scheme which we have recommended, the I.T.C. Schedule and the R.C.T. would be fully aligned at the level of the main headings, and the R.C.T. would be correlated with the R.I.T.C. With such a system, it would be possible to obtain statistics of imports of any goods according to groups corresponding to the main headings of the revised I.T.C. Schedule. This would meet the need for correlation of the I.T.C. Schedule with the Statistical Classification to which reference has been made in our terms of reference.

2.12 Again, we would not underestimate the importance of getting our importers to conform to a standard terminology in describing the goods required. One of the difficulties experienced in processing applications for actual users' licences is that it is often difficult, on the basis of the description mentioned in the application for Licence, to decide what exactly are the goods the applicant has in mind. The use of a standard terminology

would assist the authorities carrying out a technical scrutiny of these applications to be more sure as to the applicant's requirements. The B.T.N., on which the R.C.T. is based, and on which the revised I.T.C. Schedule is also proposed to be based, is a modern classification, which is kept continuously up-to-date and employs modern terminology in describing the various kinds of goods. With the exception of the U.S.A. and the East European countries in general, most of the countries from whom we have imports of machinery and similar articles whose classification presents difficulties, have based their tariffs on the B.T.N. If therefore we can accustom our importers to use a standard terminology based on the B.T.N., matters would be simpler for all concerned. This may even reduce misunderstandings between traders in India and those abroad regarding the goods forming the subject of correspondence between them.

ENUNCIATION OF POLICY AND WRITING OF LICENCES

2.13 Having set out the advantages which we expect to accompany the scheme we have proposed, we would draw attention to a point which we consider to be of great importance. However detailed or logical a classification may be, it is ultimately an import licence which has to be interpreted and acted upon; and the licence is based on import policy as announced in the Red Book. If the policy is not stated in a manner free from ambiguity, or if the licence is not worded clearly, or is accompanied by conditions which give rise to doubt, there will still be problems and delays in the clearance of goods. Therefore, in addition to adopting a rational I.T.C. classification it is also very necessary that the language used in announcing import policy and in writing out licences should be as clear as possible. We deal with this question in Chapter 4.

CHAPTER 3

THE RED BOOK

General

3.1 Information as regards I.T.C. policy and procedure is available to the public in two publications of the Import Control Organization, namely (i) the "Red Book", and (ii) the "Handbook of Rules and Procedure". In addition announcements on specific points are made from time to time through public notices.

HANDBOOK OF RULES AND PROCEDURE

3.2 The Handbook gives general information about the organization of the department and the different licensing authorities. It also gives the main features and conditions relating to each category of import licence. The appendices include the Imports and Exports (Control) Act, 1947, the Imports (Control) Order, 1955, and other information of a permanent nature, such as O.G.L. IV relating to the importation of samples and advertising materials rules regarding baggage conditions for the importation of built-up cars, etc.

3.3 The Handbook is generally published every year, but it has not always been found possible to issue it simultaneously with the Red Book. As it is meant to complement the information briefly given in the Red Book, we recommend that the publication of each new edition should be synchronized with that of the Red Book.

THE RED BOOK: ITS PRESENT ARRANGEMENT

3.4 The Red Book, which announces the import policy for each licensing period, was originally published twice

a year, but is now being published at the beginning of each financial year. It is divided into four sections, followed by an index. The contents of the various sections are described below.

3.5 Section I of the Red Book gives the salient features of the licensing system. Some of the subjects mentioned in this Section are treated in greater detail in the Handbook.

3.6 Section II reproduces the I.T.C. Schedule in full, with additional sub-headings, and indicates briefly against each heading or sub-heading the I.T.C. policy in general terms, i.e. whether the goods are licensable to actual users or established importers, or are not allowed to be imported. Several of the entries in this part read "Nil", which signifies a total ban in the case of the established importers and non-permissibility, unless an exception is made on merits, in the case of the actual users. We have described in the previous chapter (paragraphs 2.8 and 2.9) the system followed in this section, where in some cases sub-headings appear which do not have any relevance under present conditions, while in other cases sub-headings could usefully have been opened to indicate that it is only a small portion of the articles falling within the main heading which are allowed to be imported.

3.7 Section III of the Red Book, which gives the import policy in detail, is divided into three parts. Part A mentions the commodities which are ordinarily licensable to actual users. Part B lists in alphabetical order the export goods against which replenishment imports are admissible; this part is not based on the I.T.C. Schedule. Part C lists the articles which are licensable to established importers.

3.8 Parts A and C together contain the policy for the main categories of importers, namely, actual users and established importers. Part A has three columns which show respectively the Part and Serial Number of the I.T.C. Schedule; the description as in the relative I.T.C. heading or sub-heading; and the licensing policy. It is the last

column which specifies the particular articles for which licences may be issued, the names of the sponsoring authorities, etc.

3.9 Part C, which is applicable to established importers contains 4 columns. These relate respectively to the Part and Serial Numbers of the I.T.C. Schedule; the description (as in the I.T.C. heading or sub-heading); the Import Policy (which generally states the value of the licence which will be issued, as a percentage of the applicant's imports during the qualifying period); and a remarks column, which often indicates either restrictions or relaxations. Typical remarks are those laying down a "face value restriction" which permits the importation of specified articles only upto a certain percentage of the value of the licence. Other remarks make the licences valid for articles which are not covered by the description in the relative item.

3.10 One feature of the statement of policy, particularly in Part C, is the fact that the goods which are actually allowed to be imported sometimes very appreciably from those mentioned in the "description" column, for which they would normally be expected to be valid. In some cases this has been done as a matter of convenience, because there are articles covered by a generic description such as "garage tools" or "dental goods", which extend over a large number of headings in the Schedule, but which it is convenient to group together for the purposes of I.T.C. Policy. In such cases the import policy is shown against one or two Serial Numbers only, corresponding to the important heading or headings under which the majority of the goods fall. Elsewhere, the variation can be traced to gradual modifications of policy. By their very nature the quota items have reference to old imports and to past circumstances, while in many cases these circumstances have changed, and with them the I.T.C. policy. Therefore, although some of the "E.I." headings have a wide scope, only some selected types of articles can be imported under them. (For instance, although S. No. 92(g)(2) of Part V lists 6 different types of instruments, only one out of these, viz. slide rules, is allowed to be imported). On the other hand, an effort has been made in recent years to rationalize the policy by permitting a

considerable degree of interchangeability in the goods which can be imported against E.I. licences. This will be clearly seen from the Annexure to Part C, which contains 9 groups of "E.I." items. Within each group or sub-group, licences issued for one of the items are treated as valid for all the others.

3.11 Section IV of the Red Book contains a number of Appendices. These are mainly lists of articles which are permissible against licences issued under particular Serial Numbers, or are banned or restricted. Typical Appendices are No. 25, which lists articles which can be allowed under licences for garage tools; Appendix 26, containing the policy for motor vehicle parts; Appendix 35, which refers to machinery and parts; and Appendix 54, covering dental goods. As mentioned above, many of these Appendices contain goods falling under a large number of items of the Schedule, grouped together under a generic term, such as "dental goods".

3.12 The concluding portion of the Red Book is a comprehensive alphabetical index giving the I.T.C. classification of various articles. The index is revised for each issue of the Red Book, to incorporate fresh classification rulings and amendments to the existing rulings.

THE RED BOOK: THE REVISED PRESENTATION

3.13 Some features of our revised scheme for the Red Book have been mentioned in paragraph 2.9. We shall now set out our ideas in greater detail.

3.14 The sequence of the entries in the Red Book would of course follow that in the R.C.T., and the terminology in the R.C.T. would be used wherever possible (and would be interpreted in the same manner). In regard to the drafting of the individual entries, the point to be stressed is that the "sub-headings" used for announcing the I.T.C. policy should not be invested with a permanence which they do not need. The object being to mention in the Red Book the particular articles which may be allowed importation, these "sub-headings" would be evolved from the main headings and utilized as and when required. Thus, instead of having a comprehensive description

such as "Carborundum files, abrasive bricks, emery powder, emery grain, emery cloth, emery paper, abrasive grain and carborundum powder" and whittling this down to cover "carborundum powder (silicon carbide) upto and including 300 mesh only", the attempt would be to show in the main description itself only the permissible articles (which in the present case would be carborundum powder upto and including 300 mesh), although the corresponding main heading in the Schedule would be much more comprehensive; and in the example given in paragraph 3.10 the description would read as "side rules" only, although the corresponding main heading of the R.C.T. covers a variety of instruments.

3.15 coming to the individual Sections of the Red Book, we have no special suggestions to make as regards Section I. Section II, as already explained, will be selective, in the sense that articles whose importation is not permitted would not be mentioned. For instance, heading No. 08.01 of the R.C.T. specifies 10 different nuts and fruits, but out of these only one, namely dates, is relevant for the purposes of I.T.C. policy, and therefore only this would be mentioned in this section. Again, if none of the articles included in a particular heading of the revised Schedule can be allowed to be imported—for example, pipes and similar smokers' requisites falling within R.C.T. heading No. 90.11 (corresponding to S. Nos. 328 and 329 of Part IV), Section II would not contain any entry relating to heading No. 98.11. Any person interested in importing such articles would necessarily have to acquaint himself with the relevant R.C.T. heading or headings, as these would give the duty payable by him on importation. By referring to the appropriate portion of Section II, he would either find the applicable policy stated therein or, if there were no mention of the relevant heading or headings, would know that the importation was not permitted.

3.16 While thus making Section II more selective, we also consider that it can be made more comprehensive in certain respects. There are a number of articles against which the policy is shown as "Nil" in Section II, which are in fact licensed to actual users on the merits of each case. We consider that Section II should be amplified to include reference to these articles also, with an appropriate

remark such as "to A. U. on merits". We understand that it may not be too difficult for this amplification to be done with the help of the technical authorities concerned.

3.17 In this connection a doubt has been raised whether it is legally in order to include in a licence articles which according to the Red Book are not allowed to be imported. Every import licence includes a condition that the licence will be subject to the conditions in force as described in the relevant Policy Book or any amendment thereof upto the date of issue of the licence. It could be argued that this condition would operate so as to make the licence invalid even for articles specifically mentioned in it if according to the Red Book those articles are not permitted to be imported. Such a view would completely destroy the effect of the specific mention of goods in a licence, to which we have attached great importance. In order to meet any technical objection of this nature, we suggest that the Red Book may include a clause which will ensure that the enunciation of policy therein does not have the effect of excluding any article which has been specifically mentioned in a licence.

3.18 As regards Section III, this may remain in substantially the same form as at present, except that the present Part B, relating to the Import Policy for Registered Exporters, might more conveniently be published separately, while still being considered as a part of the Red Book. Our general observations regarding Section II would also apply to Part A of Section III, covering the policy for actual users.

ESTABLISHED IMPORTERS

Quotas and Quota Certificates

3.19 The entries which concern established importers are those in Part C of Section III. In the Red Book for April 1967—March 1968, this part contains about 70 entries. With one or two exceptions, each of these relates to one heading or sub-heading, or a group of allied headings, in the I.T.C. Schedule. A number of the entries relate to specific articles such as electric bulbs, wines and spirits, cinematographic films and books. There are also headings

with a wider range, which would correspond to a fairly large number of headings in the revised Schedule. (This is particularly so in the case of machinery parts).

3.20 Licences are issued to established importers on the basis of quota certificates held by them indicating the value of their past imports with reference to a particular Serial Number of the Schedule. In contrast to the position for actual users, the licences issued to established importers are not accompanied by a list, but are valid for all the articles covered by the respective Serial Numbers, subject to the remarks and conditions in the policy. With the introduction of a revised Schedule, arrangements would have to be made for expressing the quotas in terms of the revised Schedule, and for indicating (again with reference to the revised Schedule) the goods which will be allowed to be imported against "E.I" licences issued under the new heading numbers.

3.21 In dealing with the question of the conversion of quotas, we have proceeded on the assumption that two conditions should be observed, namely (i) there should be no reduction or loss of any importer's quota purely as a result of the revision of nomenclature, and (2) there should be no question of past quotas having to be refixed on the basis of individual importations and bills of entry. (In other words, the conversion should be based on the existing quota certificates).

3.22 Having regard to these principles, we recommend that action on the following lines may be taken for the revision of Part C and the conversion of established importers' quotas :—

(a) The entries in Section III. Part C would be rearranged in accordance with the sequence of headings in the revised Schedule. A consequence of this will be that in a number of cases the quotas for different Serial Numbers can be combined. In two cases, the interests of logical presentation would demand the splitting up of existing items. These are S. Nos. 31(b)/II "Parts of Petrol, Gas and Kerosene Engines", which would be split up between heading No. 84.06, R.C.T. (for parts of petrol and kerosene engines) and heading 84.08, R.C.T. (for parts of gas engines); and S. No. 74(iii)/V, "Spare parts of agricultural tractors

and for tractor drawn agricultural implements", which would be split up between heading No. 84.24 R.C.T. (for parts of the implements) and heading No. 87.06 (for parts of tractors);

(b) In the description column, reference would be made to the articles whose importation is actually permitted (for example, although S. No. 84/IV refers to "Brandy, gin and whisky", the new entry would mention only "Brandy and whisky", since the import of gin is not permitted);

(c) Where an existing Serial Number corresponds to two or more headings in the revised Schedule, action would be taken in different ways, depending on the circumstances :—

- (i) If the various headings are of almost equal importance, and also form a logical group [as in the case of machinery spare parts covered by the existing S. Nos. 36(5)/II, 4(5)/III, and 65(5)(iii)/IV], the quota would continue to cover the same articles. The entry would appear against the most important heading number, while the scope of the entry would be defined by a remark and/or a detailed Appendix (as has been done for example in the current Red Book for Garage Tools—S. No. 275(b)/IV and Appendix 25). In a very few cases it may be convenient to repeat the entries against two or more of the headings, making it clear however that there will be a joint quota and joint policy for those headings.
- (ii) If the headings are of almost equal importance, but do not form a logical group, [as in the two cases mentioned in sub-paragraph (a)] the existing entry would be broken up, and separate quotas fixed against the different headings. In order to avoid difficulties to the quota holder, he would be given the option to choose once for all, at the time of conversion, in what proportion he would like his quota to be split up; and even thereafter, interchangeability for the purpose of utilizing licences would be allowed between the headings to which the split-up quotas are allocated;

- (iii) If some of the headings are of no practical significance, the quota under the revised Schedule would not be applicable to them. (For instance, S. No. 302/IV in theory covers both unexposed and exposed X-ray films, but as it is not the intention to allow the importation of exposed X-ray films, the new entry would not include these).
- (iv) Where there are a number of allied entries for which the policy considerations are the same (and in particular where the articles would fall, within the same heading of the Revised Schedule), the quotas would be combined (as for example in the case of machinery required for jute and hemp textile industries, for other textile industries, and for other industries in general; or spare parts of electric motors and spare parts of generators).

(d) Once Section II, Part C has been rearranged as above, fresh quota certificates may be issued, based on the existing ones.

3.23 In order to test the practicability of the above proposals, a revised draft of Part C was evolved by the Secretariat, in consultation with the I.T.C. Organization. This is based on the present draft of the R.C.T. and without taking into account any possible amendments. It has been reproduced in Appendix 10, in order to illustrate the manner in which the policy announcement would be made in future on the basis of our proposals.

APPENDICES AND INDEX

3.24 Coming to Section IV, the revised Red Book would also contain appendices indicating in detail the policy for particular categories of articles. It will be necessary to rearrange these appendices in the order in which the particular commodities occur in the revised Schedule. Additions and modifications would have to be made; we shall make some suggestions in this regard in Chapter 4. As regards the wording of the appendices, the terms used should obviously be the same as those occurring in the R.C.T. wherever this is possible. The use of proprietary or trade names should be avoided.

3.25 Like the present Red Book, the revised one should have an alphabetical index. In drafting this index, the alphabetical index to the R.C.T. would be of help. The index should cover the various articles mentioned in the R.C.T. main headings, those mentioned in the Red Book, and those which have been the occasion for I.T.C. classification rulings.

CHAPTER 4

SUGGESTIONS REGARDING THE ENUNCIATION OF POLICY AND THE WRITING OUT OF IMPORT LICENCES

General

4.1 As we mentioned in Chapter 2, the ultimate effect of import trade control is to produce a licence (in favour of a specified entity or in general) which has to be acted on by the Customs authorities at the time of clearance. The I.T.C. Schedule furnishes the framework for the I.T.C. policy, while the policy contains the guide-lines for the contents of the licence; and the licence itself contains a description (often reinforced by detailed lists). An ambiguity at any of these points can lead to difficulties in clearance. We have already considered, in the preceding chapters, the framework of the Schedule and the procedure for the announcement of policy. In this chapter we shall go further and examine in detail what improvements can be made (a) in the manner of enunciation of the policy, and (b) in the method of translating the policy into the description incorporated in an individual licence.

4.2 The Study Team on the Customs Department, with Shri D. N. Tiwary as Chairman, submitted a report in 1967 which includes a number of very useful recommendations on I.T.C. policy and procedure, and on the steps to be taken by the Customs authorities at the time of clearance. We have given in Appendix 11 a list of the recommendations which are of special relevance to our work, and which we believe will be acceptable to Government. A suggestion of special interest, which could go a long way in eliminating difficulties at the time of clearance, is that contained in paragraph 3.68 of the Study Team's report, namely that at the pre-clearance stage the Customs check may merely be to ensure that the goods are not of the prohibited variety

and that their value is within the value limit of the licence, the detailed scrutiny as to whether they were specifically authorized under the licence or not, being done after clearance. We understand that the details of the procedure in this regard are being worked out by the Department of Revenue and Insurance.

4.3 In making our own suggestions on this subject, we have consulted several sources. The replies to our questionnaire and communications received from the regional I.T.C. Officers have given us useful material in this regard. We have also received suggestions, both from our members and from the Collectors of Customs and other Government officials, in reply to a specific request. The main source of our material is however contained in a comprehensive study which was undertaken by an officer of the headquarters I.T.C. organization, with reference to the cases arising at a particular port, namely Bombay, the records of Weekly Meetings at all the ports, appeals to the Central Board of Excise and Customs, and other relevant material, covering a total of about 1000 cases.

4.4 Our recommendations are arranged broadly according to the categories of importers concerned. In each category we have tried to separate points relating to I.T.C. policy from those relating to the actual writing out of licences, though in many cases the division cannot be made entirely watertight.

GENERAL SUGGESTIONS

Policy

4.5 Although the pattern of import licensing is now more or less settled, new schemes involving the issue of import licences get announced from time to time, such as the erstwhile Export Promotion Scheme and the National Defence Remittance Scheme. It has been found that there are frequently doubts regarding the interpretation of licences issued under such schemes; for example, a question arose whether the provisions of paragraph 84 of the Handbook, allowing interchangeability between raw materials and components on the one hand, and spare parts of the equipment on the other, were applicable to E.P. licences; and whether articles appearing in Appendix

26 could be imported against licences for motor vehicle parts issued under the N.D.R. Scheme. Doubts of this nature would be minimized if all relevant points could be provided for when announcing a new scheme. This could be done by laying down the special features of the new scheme and then, for the residuary points, referring to any scheme of a similar nature which is already in existence, as has been done in the case of licences issued under the import policy for Registered Exporters.

4.6 Sometimes actual user licences are issued to the State Trading Corporation, with a letter of authority in favour of an actual user. In such cases a doubt has arisen whether the flexibility provisions in paragraph 84 of the Handbook are applicable. We understand that these provisions are intended to apply. The position may be made clear by suitably amending paragraph 84. If the other suggestions made by us are accepted, it will be necessary to make some other amendments also to paragraph 84.

4.7 Similarly, when some innovation is made, it would be useful if the various implications are considered in some detail. When the Imports (Control) Order was amended in 1966, to permit the importation without a licence of surgical, optical and dental instruments etc. by hospitals and registered medical practitioners for their own use, the following were among the doubts which were experienced by the Customs authorities:—

- (i) Whether this amendment permitted the import of only the instruments or of spares also;
- (ii) Whether it permitted the import of only dental instruments or dental goods also as detailed in Appendix 54 to the Red Book;
- (iii) Whether it permitted the import of banned types of instruments also; and
- (iv) Whether it permitted the import of chemicals used with the instruments.

We consider that an effort can be made to foresee such doubts and to clarify them in advance.

4.8 In a number of cases, disputes have arisen over the value to be debited to an import licence. We understand that normally it is the value assessed for the levy

of Customs duty which is debited. We find, however, that paragraph 252 of the Handbook, which deals with the question of value for the purpose of debits to I.T.C. licences, is not quite clearly worded. We recommend that this paragraph should indicate the various elements which may be included in the assessable value under the Customs Act, and state specifically that this assessable value will be debited to the licence unless the licence itself states otherwise.

4.9 A number of difficulties have arisen in connection with the importation of parts of machinery, vehicles, etc. Licences for spare parts are issued both to actual users and to established importers. In several cases the Customs authorities have raised objections to the import of particular articles on the ground that they cannot properly be regarded as spare parts. Some of the articles which were held up for this reason were pumps, motors, transmission and driving roller chains including bucket chains for shovels, endless belts, transmission gear and gear boxes, pistons, cylinder heads, micro switches, pressure switches, thermal overloads for refrigerating machinery, boiler mountings, bolts and nuts, grinding stones, dry batteries, brake linings, magnet chargers and disc meters. In order to avoid difficulties of this nature, we recommend that a detailed list be made showing (a) articles which will not be permitted as spare parts against actual users' licences unless they are specifically included in the licence, and (b) articles which will not be permitted at all against established importers' licences for spare parts. In this list an attempt should be made to include articles of a durable nature which generally do not need replacement (for example, watch dials and cases, base plates of engines, etc.). The list may also include articles which should not be allowed to be imported under the heading of "Accessories", since we understand that difficulties have arisen in interpreting this term as well.

4.10 The "Remarks" column in Section III of the Red Book frequently lays down face value restrictions, according to which only a specified percentage of the licence can be utilized for the import of particular articles. In some cases there are several such restrictions applicable

to a single licence. For instance, in the case of established importers' licences for spare parts of agricultural tractors and implements under S. No. 74(iii)/V, there is a face value restriction of $2\frac{1}{2}\%$ for bolts and nuts etc.; 4% for ball bearings; 10% for garage tools; 5% for fan belts; and $1\frac{1}{2}\%$ for pressure gauges. In order to give effect to these several face value restrictions, the Customs authorities have to maintain a detailed account at the time of clearance; this is time-consuming and leads to difficulties. We recommend that steps should be taken to reduce the number of such face value restrictions. Where the articles permitted are of a totally different category from those for which the licence is nominally valid (for example, garage tools in the case mentioned above), we think a separate licence can be issued for such articles. In regard to other articles, if it is not possible to do away with the face value restrictions altogether, we would suggest that at least a consolidated percentage may be fixed, within which all the "Restricted" articles should be accommodated.

4.11 Another opportunity for doubt has been afforded by the wording of Appendix 26, which mentions the articles that can or cannot be imported under established importers' licences issued for motor vehicle parts. This appendix contains three lists, of which the first mentions articles which are not allowed to be imported; the second, those allowed subject to a strict face value restriction; and the third, those which are allowed on a slightly more liberal basis. List III includes articles which are parts of stationary engines, tractors etc. However, it is specifically provided against this list that these articles can be imported only under licences for motor vehicle parts and under no other licence. No such indication has been given in Lists I and II, although we have been informed that the intention of the licensing authority is that the same position should prevail in regard to them, and that remarks to this effect have been given against some of the Serial Numbers under which such articles would normally have been licensed. This has led to disputes with the Customs authorities, the importers claiming that articles specified in Lists I and II can be imported against licences issued under other Serial Numbers, and the Customs authorities taking the contrary view (which, as mentioned above, represents the intention of the licensing authorities also). We recommend that the position may

be made clear beyond doubt by incorporating suitable remarks in Appendix 26 and also against the other relevant headings.

4.12 A somewhat similar problem arises in connection with the use of the expression "Specified elsewhere". In a number of cases, the remarks against an entry in Part A or Part C of Section III lay down that "Licences will not be valid for import of spares specified elsewhere....." Certain importers have contended that the expression "Specified elsewhere" is to be interpreted with reference to the I.T.C. Schedule as appearing in Section II of the Red Book; i.e., such a remark would not apply unless the article in question is classifiable under some other Serial Number of the Schedule. The Customs authorities have however taken the view that if an article is included in one of the Appendices of articles not permitted to be imported, it should be deemed to be "Specified elsewhere". Although it is reasonably clear that when an article is specifically mentioned in an Appendix as prohibited, it cannot be permitted by virtue of a general description at some other place, we recommend that a general remark may be given confirming this interpretation of the expression "Specified elsewhere".

4.13 Several references have been made to the problem of interchangeable parts. The Customs practice generally in the case of such articles is to classify them under the tariff item which yields the higher duty. This gives rise to difficulties for a licensee who has imported the articles with a view to their use for a purpose which in his opinion would make them fall under a classification carrying a lower rate of duty, and has a licence which accords with this classification. It is not possible to find an easy solution to the I.T.C. aspect of this problem. In view of the fact that the I.T.C. classification, at present as well as under our proposals, would depend on the tariff classification, it is obviously not possible to ignore the latter. However, some of the steps which we have suggested will be of relevance. Thus we are recommending elsewhere that the licence description may be made more specific, and that for actual users' licences the I.T.C. Serial Numbers need not be given. The provision of Appendices to the Red Book, such as Appendix 26, listing certain specific parts, irrespective of their actual use, will also help to remove doubts. In the R.C.T.

itself, an attempt has been made to eliminate difficulties arising out of a possible (but in fact unlikely) other use, by stressing the predominant use of the article. These and the other steps we have suggested should help to reduce the extent of the problem, even if they cannot eliminate it.

4.14 We have come across a number of cases where difficulties have occurred because of the use of terms in the policy which have not been properly defined. Some examples of these difficulties are given below:—

- (i) The export promotion scheme for leather and leather manufactures contemplated the licensing of such “fents of fancy fabrics” as were not indigenously available. However, instead of ascertaining which types of fancy fabrics were not so available and specifying them in the licences or in the policy, licences were issued with the vague description “fents of fancy fabrics not available indigenously”.
- (ii) Appendix 28 to the Red Book lists articles which can be imported (without any face value restriction) against established importers’ licences for dental goods, while Annexure II to this Appendix lists articles which can be imported upto 2½% of the value of such licences. “Nerve devitalizing fibre and paste” appeared both in the Appendix and in the Annexure. (This error has since been corrected).
- (iii) An import licence was issued under the National Defence Remittance Scheme for phosphorus other than yellow. The licensee imported “White” phosphorus. The Customs authorities held the view, which is supported by technical opinion, that “White” phosphorus was the same thing as “Yellow” phosphorus. The importer, however, relied on an I.T.C. Public Notice according to which the import of white phosphorus was allowed and that of yellow phosphorus was not, thus giving rise to the impression that these were two different articles. It was ultimately decided that “Yellow” phosphorus might be allowed to be imported.

4.15 A number of other terms have been suggested to us as requiring better definition. Among these are ball

bearings (the suggestion being that the sizes may be specified in millimetres rather than in terms of products of a particular make); metal scrap (industrial, rerollable, etc.); raw cotton (asking that suitable tolerances in determining the staple length be prescribed); iron and steel sheets, tin-plates, etc. (suggesting that the thickness may be prescribed in millimetres, with suitable tolerances, rather than in gauges of various types such as S.W.G., U.S.G. and B.S.); sulphur, aromatic chemicals, master batches, paper, stamping foils, shoddy wool, iron or steel wires, and antimony. We do not think it is necessary for us to consider all these suggestions in detail, but we recommend that the suggestions may be examined by the I.T.C. organization and improvements effected wherever possible when the I.T.C. policy is next announced.

4.16 In our recommendations relating to actual users' licences, we have stressed that the description of the articles licensed should be made as specific as possible. We recommend generally that where the description in the licence is quite clear and specific, and the goods are in accordance with the description, the Customs authorities should not hold up the goods on the ground that the licence is not in accordance with the policy. If they have any such doubts, they can bring the matter to the notice of the licensing authorities, without holding up the clearance. It is hardly necessary to add that our recommendation is not intended to apply when there is some other strong objection, such as the licence being an expired one or a suspicion of fraud having arisen.

LICENSING

4.17 We have also come across several cases where difficulties in clearance arose because of ambiguities in the licence. The following examples will illustrate some of the common types of ambiguities:

- (i) In some cases the description in the licence was so vague as to be of no value. For instance, some licences were found to have been issued with the general description "Hardware and general stores", and without any specific lists to show what was meant by "General stores".

- (ii) In other cases, the description given was not sufficiently detailed. For instance, power operated hydraulic pumps could be imported by actual users, but manually operated hydraulic pumps were banned. An import licence was issued with the description "Hydraulic pumps", without indicating that it was applicable only to power operated pumps; nor was the I.T.C. Serial Number, which in this case would have made the description more precise, included. The licensee imported manually operated hydraulic pumps, which had to be released in view of the lack of precision in the description.
- (iii) Instances were also noticed where the Serial Number under which the licence was issued was not applicable to the articles specified in the licence. This led to doubts at the time of clearance, particularly in those cases where the Serial Number under which the articles were correctly classifiable was one of those treated as banned. For example, an actual user licence was issued for "Powder flavours" under S. No. 130/IV. This Serial Number covers synthetic essential oils, and licences under it could be issued to actual users, whereas "Powder flavours" are correctly assessable under S. No. 79/IV, i.e. "Provisions and Oilman's stores etc.", which was banned. Similarly, an Export Promotion Licence was issued for parts of ball point pens under S. No. 167(ii)/IV, which covers parts of fountain pens, while the goods were classifiable under S. No. 168(c)/IV, as articles of stationery. Again, a licence under S. No. 22,31/V, which relates to "Chemicals", was issued mentioning specifically "Pancreation BP 63", which is classifiable as "Medicines" under S. No. 87,109/IV; a licence was issued for "Flash bulbs" under S. No. 78/V, although the I.T.C. classification of this article had been changed to 38A(f)/II; and "Cinnamon Cassia Blue" was licensed under S. No. 87,100/IV, though the correct classification was under S. No. 26/IV.
- (iv) There were also cases in which the licences involved a contradiction because they were not in accordance with the policy, or became meaningless when the policy was taken into account. Thus, licences

were issued for "Permissible parts of sewing machines", and "Permissible perfumery materials", whereas according to the relevant policy, none of these articles was permissible. Again, an import licence for textile machinery spares bore the endorsement : "Folding fillets which are not parts of folding machines of banned types are to be allowed", whereas according to the Customs authorities there were no folding fillets which were not parts of banned types of machines. In another case an Export Promotion licence contained a remark that "Upto 10% of the f.o.b. value could be utilized for machinery, equipment, testing apparatus, tools, and implements required for industry as permissible to actual users and established importers, but microscopes and accessories, microscopes slides and cover glasses should not be more than 5% of this 10%". The reference to microscopes was confusing because microscopes were not allowed at that time either to actual users or to established importers.

- (v) Elsewhere, there was a contradiction in the licence itself, as in a licence which was issued with the period of validity shown as upto 31-1-1967, and with a further condition that all shipments should be completed by 31-3-1967.

We realize that the I.T.C. authorities have to issue a very large number of licences, and that it is difficult to make every licence perfect. We hope, however, that the examples we have given will be of use to the I.T.C. organization as an illustration of the types of errors to be guarded against.

4.18 One cause of difficulties in clearance is the failure to check licences properly before they are sent out. No doubt paragraph 26(xvii) of the Handbook advises licensees to check that there are no technical defects in the licences issued to them. Nevertheless clearance had to be held up in a number of cases because of defects such as those in the examples mentioned below:—

- (i) Licences issued without indicating the country of origin;

- (ii) In a replacement licence, the country of origin and the country of shipment shown were different;
- (iii) In some cases, licences were issued without attaching the list of goods permitted;
- (iv) Certain licences, especially those for capital goods, were issued without indicating the limiting factor.
- (v) In other cases, the list of goods did not bear the licence number or the seal of the Assistant Controller.

We understand that there is no provision at present for a check of these aspects to be made in the office of the licensing authority before the licence is despatched. We recommend that such a check should be instituted. We also recommend that in the covering letter accompanying the licence, the licensee's attention should be specifically drawn to the important requirements such as the signatures on the licence and on the lists.

4.19 We observe that it has become the practice to include a large number of conditions in the body of import licences, with a view to ensuring that the imports are in accordance with the requirements of the policy. Many of these conditions are of a standard character. In order to avoid the body of the licence being made unnecessarily long, we think it will be useful if those conditions which are common to all licences of a particular category were clearly specified either in the Handbook or in the Red Book, and attention drawn to these conditions by a single remark in the licence. In this connection we think it would also be useful for a review to be made of the format of import licences in general, with a view to seeing how far it can be simplified.

ACTUAL USERS

Policy

4.20 At present, actual users are issued a combined licence for raw materials and components (of the product manufactured) and spare parts (of the installation or equipment). Provision has however been made in paragraph 84 of the Hand Book for interchangeability between the two categories, within limits. Experience shows that the two

categories require different treatment. While a manufacturer can estimate with some accuracy the nature and quantity of the raw materials and components required by him, his need for spare parts of his equipment depends on circumstances and cannot in the nature of things be accurately forecast at the time of his application for a licence. For this and other reasons we consider that it would be desirable to have separate licences for the two categories of articles; or, if this is not feasible, for the consolidated licence to be divided into two portions with specific value/quantity allocations. It has been mentioned to us in this connection that the lists attached to some actual user licences contain value or quantity indications against the individual items. Except in some special cases, as with licences for capital goods, it is not intended that there should be rigid adherence to these values or quantities, even if the applicant has mentioned them in the lists sent by him. However, the fact that these values or quantities are shown in the lists leaves some scope for confusion. We consider that where such limits are not intended to apply, the value or quantity indication, if any, included by the applicant should be struck out in the licensing office before a licence is issued.

4.21 Whereas in regard to raw materials and components the attempt should be to have a clear specification in the licence, the spare parts licence or spare parts portion of the consolidated licence should not (subject to what is stated in the next paragraph) contain a detailed list but should be for spare parts of machinery of a particular kind.

4.22 A number of articles of machinery and their parts are ordinarily not allowed importation, in view of the large proportion of indigenous manufacture. Articles of this kind are listed in Appendices 26 and 35 and elsewhere in the Red Book. However, the fact that articles of a given category are being manufactured in the country does not ensure that spare parts of particular specifications would be available; and therefore even articles which are nominally "banned" are allowed on merits, subject to their being cleared by the Directorate General of Technical Development or other sponsoring authorities from the indigeneous angle. This has led to a certain amount of confusion, particularly when expressions are used such as "excluding banned items", or "excluding items specified elsewhere". We

had therefore recommended (*vide* paragraph 4.9) that a detailed list be made out of the articles which will not normally be permitted as spare parts. It should however be open to an applicant for a licence for spare parts to include in his application articles contained in the comprehensive "banned" list mentioned above, and these may be endorsed in the licence, provided their import is essential and they are not manufactured indigenously. In such cases, however, some quantity or value limit should be laid down in order to prevent the entire licence being used for such articles which are not ordinarily permissible. We realize that at the time of submitting his application the licensee can make out such a list only on an approximate basis, but this procedure would cover the great majority of cases.

4.23 In some cases, particularly with machine tools, there is a possibility of articles imported as spares of equipment being actually meant for use as components. If the Customs authorities have reason to suspect in any case that this is happening, they should bring the matter to the notice of the licensing authority. However, as we have recommended in paragraph 4.16, they should not normally hold up the clearance of the goods if these are covered by the licence.

4.24 Ordinary chemicals are licensed under S. Nos. 22, 31/V, whereas pharmaceutical chemicals are licensed under S. Nos. 87, 109/IV. It has been found that in the case of some chemicals the purity of the commercial grade approaches that of the pharmaceutical grade; as a result, goods which were imported against licences for "Chemicals" have been held up on the ground that they required a licence for pharmaceutical chemicals. We recommended that appropriate executive instructions may be issued in order to avoid difficulties in cases of this nature. Further, we find that in List V of Appendix 28, specifying the aromatic chemicals which will be allowed to be imported, there is a final entry relating to "Aromatic chemicals not included in the list above", for which applications will be considered on merits. The inclusion of this last entry tends to create uncertainty about the scope of List V, and we recommend that the provision for aromatic chemicals not specified in the list may be made not in List V but in the preamble to Appendix 28.

Licensing

4.25 We think that difficulties in the clearance of goods against actual users' licences for raw materials and components can be considerably reduced if the description of the articles licensed is made as detailed and specific as possible (subject to what is stated in the next paragraph). If this is done, there would be no need to mention the I.T.C. Serial Number, and we therefore suggest that this need not be given. Although in theory applicants are required to state the I.T.C. Serial Number of each article applied for, in a large number of cases this is not done and is not insisted on. The general practice also is that if the description in an actual user's licence is quite specific, discrepancies in the Serial Number are ignored. The presence of the Serial Number only leads to disputes and delays in the event of discrepancies, without providing any appreciable additional safeguard, as will be evident from the cases mentioned in paragraph 4.17(iii).

4.26 Although we have recommended that the description should be specific, it is necessary to avoid its being burdened with unnecessary details which may lead to difficulties in clearance. We would refer in this connection to the recommendation of the Customs Study Team that details which are not relevant from the point of view of I.T.C. policy should not be included, as they would lead to difficulty in the event of a slight difference in specifications, though the I.T.C. policy may be the same. We give below an example of this nature:

An actual user licence was issued for an automatic coil winding machine. In the import application, the I.T.C. classification was given as S. No. 65(1-4)(x)/V, which covers machines operated by not less than $\frac{1}{4}$ H.P., and the licensing authority issued the licence under the same I.T.C. classification. The machine actually imported was of the same description as that given in the licence, but it was capable of being operated on less than $\frac{1}{4}$ H.P., and was therefore classified under S. No. 65(6)(b)/V, which was a banned item. The Custom authorities accordingly objected to the import. The party approached the licensing authority who recommended that, since the description in the licence did not mention the H.P. and the goods had been cleared from the

indigenous angle by the Small Scale Industries Committee, clearance might be allowed, which was done with a warning.

Other similar cases will be found in paragraph 4.17. In order that our recommendation may be given effect, it would be necessary for the Directorate General of Technical Development and other sponsoring authorities, while scrutinizing the applications, not merely to delete articles which it is not considered desirable to allow, but also to amend the description wherever necessary so that it may be generalized within the limits of the policy.

4.27 It is possible that certain articles which according to the import policy are "banned", are inadvertently included in a licence. Some cases of this nature have been mentioned in paragraph 4.17. In accordance with our recommendation in paragraph 4.16, we consider that, if the Customs authorities come across any such case, they should bring it to the notice of the licensing authorities without holding up the clearance of the goods. It can also happen that certain articles may advisedly be included in a licence on their merits, after taking into account the fact that the general category of articles to which they belong is "banned". Although paragraph 4.16 would apply here also, we consider that it would be desirable to make a further provision in these cases, so that there may be no occasion for the Customs authorities to entertain doubts or to make unnecessary references to the I.T.C. authorities. We therefore recommend that, where the scrutinizing authorities recommend the inclusion in a licence of articles which are nominally banned, they may either group such articles together with an appropriate indication that they are being permitted on their merits, or, if it is not possible to group the articles together, give such an indication against each such article.

CAPITAL GOODS AND HEAVY ELECTRICAL PLANT LICENCES

4.28 The conditions in regard to the issue of these licences are by and large similar to those applicable to actual user licences. The recommendations we have made in regard to the actual user licences will therefore be generally applicable to these licences also.

ESTABLISHED IMPORTERS

Policy

4.29 Established importers' licences covering articles of machinery etc. are normally valid only for "Spare parts". The intention is that these should be sold for use as spare parts and should not be made components for the first assembly of a machine, appliance, vehicle etc. In view of the wording of the description in the licence, the Customs authorities sometimes enquire closely into the purpose for which a particular article has been imported. This naturally leads to delays in clearance.

4.30 We feel that merely describing the goods in the licence as "Spare parts" cannot help the Customs authorities to decide at the time of importation how they are going to be used. It would also lead to considerable harassment and delay if in every case the Customs authorities were required to satisfy themselves about the probable use of the article imported or to take bonds or guarantees to establish the end-use. At the same time there is the danger that because of the difficulty involved in verification, articles which are meant for use as components are being passed against licences meant for the importation of spare parts.

4.31 We recommend the following steps to deal with this problem:—

- (a) Licences to established importers should be issued only for *spare parts* (and not for components). It is understood that this is the practice now in almost all cases, but it may be ensured that there are no exceptions.
- (b) Steps may be taken to compile a list of articles which are not normally used as spare parts (*vide* paragraph 4.9), and a provision made, excluding specified articles of this nature from the scope of the licences issued to established importers. A separate provision could be made for allowing the importation of such articles as spare parts in exceptional cases.

- (c) At the time of importation the Customs authorities would as at present check that the goods are covered by the licence, but they would not be required to make detailed enquiries as to the actual purpose for which the various goods are likely to be used.

4.32 In view of the fact that the I.T.C. authorities have the necessary powers under the Imports and Exports (Control) Act to deal with any cases of diversion which may come to light, we consider that the steps recommended above would suffice to meet the situation.

Licensing

4.33 Sometimes *ex gratia* licences are issued to established importers for permissible articles in lieu of banned articles, against the claims for previous periods. In such cases two licensing periods are involved, i.e. the period during which the import application was made and the period during which the licence is actually issued. It has been found that the conditions embodied in such licences are not always clear, with the result that the Customs authorities experience difficulties in interpreting the licence. For instance, an *ex gratia* licence was issued for brake parts. One of the conditions of the licence was that it was subject to the import policy for the April 1966—March 1967 period, which meant that the licence was inter-changeable for other articles in List III of Appendix 26. However, there was another condition on the licence according to which the licence was valid only for the import of brake parts. These two conditions were contradictory. The licensee imported articles other than brake parts, and clearance had to be allowed on the benefit of doubt. Some other cases of this nature will be found in paragraph 4.17. We recommend that instructions should be issued explaining to the licensing authorities that the conditions in such licences should be clear, and that by referring to the policy for two different licensing periods there should not be occasion for contradictory conditions being included in the licence.

MISCELLANEOUS

4.34 Chapter IX of the Handbook relates to the issue of replacement licences for goods supplied in circumstances where O.G.L. IV is not applicable. Where the replacement

is free of charge, these licences generally include a condition that the defective article should be surrendered to the supplier or the insurance company. In such cases, the Customs authorities attempt to verify whether the condition has been fulfilled. We find that this verification leads to delays in clearance. We recommend that no such condition should be included in such licences. The necessary verification that the replacement is being made free of charge may be made by the licensing authority before the licence is issued.

4.35 In certain cases licences are issued with a condition that the goods should be re-exported within a specified period from the date of importation, and that the importer should execute a bond to this effect. Such bonds are executed with the I.T.C. authorities, and the Customs authorities have to verify, before allowing clearance of the goods, that a bond has been executed. We understand that in some cases there were delays in the Customs authorities receiving the intimation from the I.T.C. authorities to the effect that a bond had been executed. We recommend that the procedure in this regard should be streamlined. It would be much simpler if the I.T.C. authorities made an appropriate endorsement on the licence itself.

4.36 Clause 11(gg) of the Imports (Control) Order exempts from import control gift parcels received by post, subject to certain value limits and to exceptions in respect of some specified articles. For the purpose of this exemption, it is the c.i.f. value (including air postage in the case of parcels sent by air) which has to be taken into consideration. We are informed that some of the public are under the impression that the value limits are applicable to the bare cost of the article, exclusive of the freight. We recommend that the position be clearly explained in paragraph 225(e) of the Handbook.

4.37 We have also been informed that in a number of cases gift parcels which were sent by sea freight (i.e. otherwise than as post parcels) were held up, since they were not covered by the terms of the above-mentioned exemption. We recommend that this clause may be amplified, or suitable instructions issued, in order to permit the clearance of gift parcels imported otherwise than by post, provided the other conditions laid down for exemption from import control are satisfied.

4.38 At present an import licence is treated as valid for goods shipped after the date of expiry of the licence, provided the shipment is made during a "grace period" of 15 days after the date of expiry. There are a number of cases where shipment is made a few days after the expiry of the grace period. We do not think any harm would be done if the grace period is extended to 30 days, it being made clear that no orders can be placed or letters of credit opened during the grace period.

CONCLUSION

4.39 What we have said above is directed mainly to the object of making the I.T.C. policy, as well as individual licences, as clear as possible. In addition, we have tried to cover some common situations where there is a technical breach of the rules, but the offence is usually condoned and the goods released after detention for some time. While no list of common difficulties can be fully comprehensive, we believe we have touched upon the more important factors. The main point which arises as a result of our study is that it is necessary for the I.T.C. authorities to keep constantly in mind the objective that the terms which they employ, whether in announcing a policy or in issuing a licence, should be clear not only to themselves, but also to the Customs Administration which would have to give effect to their intentions and the trading public who will ultimately be affected.

CHAPTER 5

OTHER MATTERS.

5.1 In this chapter, we shall deal with matters which are of a more general nature but have a bearing on the administration of the I.T.C. Schedule.

WEEKLY MEETINGS BETWEEN THE CUSTOMS AND I.T.C. AUTHORITIES

5.2 Although prohibitions and restrictions on grounds of import trade control are imposed under the Imports and Exports (Control) Act, penal action on goods imported in contravention of such prohibitions and restrictions is taken under Section 122 of the Customs Act, read with Section 111(d) *ibid*, which extends to "any goods which are imported.....contrary to any prohibition imposed by or under this Act or any other law for the time being in force". Consequently, while the adjudication of the case is the duty and responsibility of the appropriate Customs Officer (generally an Assistant Collector of Customs), he has to take into account the effect of the relevant I.T.C. policy, notifications, etc. Even after coming to a decision that the importation is not covered by a valid licence, the adjudicating officer, in order to decide the quantum of penal action, has to make up his mind whether the offence is technical, or a minor one, or one meriting deterrent action. Very often this requires a knowledge of the background to the existing I.T.C. policy. The adjudicating officer is therefore placed in the position of having to bear in mind the view-points of two different departments while deciding the case.

5.3 Various attempts have been made to provide methods by which the Customs Officer can acquaint himself with the I.T.C. aspects of the case. Generally speaking, it

is open to the Customs authorities to consult the I.T.C. department; or for the latter to make a recommendation to the former, either *suo motu* or on a request being made by the concerned importer. In order to expedite the process of consultation, a new arrangement was made in 1954. This was that there should be regular meetings between senior officers of the Customs and I.T.C. Departments at each of the major ports, and that at these meetings disputed cases where the Customs authorities felt the need for ascertaining the I.T.C. view-point should be discussed. It was the intention that these meetings should give the Customs Officers sufficient knowledge of the circumstances so that they could thereafter proceed to adjudicate the cases, without having to make formal references to the I.T.C. authorities and await their advice. The meetings were expected to be held approximately once a week, but in practice the periodicity depended on the circumstances. The arrangement has been called by different names, such as "joint committee", "joint weekly meeting", etc. It will be convenient to use the expression "Weekly Meetings".

5.4 The Committee finds that those Weekly Meetings have been performing a very useful function. They have enabled early decisions to be taken in a number of cases, thereby reducing delays in clearance, with the attendant evils of pilferage, etc. Since the officers present at these meetings cannot always have the full information which might be thought necessary, and they have to decide the cases without delay, the decisions have perforce to be of an *ad hoc* nature. This is a necessary feature of the system and it is always open to the importer who feels that the order passed in his case was wrong to take up the matter in appeal and revision.

5.5 We have heard it said that the Customs authorities in ultimately adjudicating the cases, do not give full weight to the views of the I.T.C. authorities expressed at the Weekly Meetings. Since the records of these meetings are not made public, such remarks are mainly based on impressions. The Customs authorities have taken pains to emphasize that since they are required to adjudicate cases under the Customs Act in a quasi-judicial manner, the views expressed at the Weekly Meetings cannot be binding on the adjudicating officer. The reiteration of this view has

perhaps led to the impression that the adjudicating officers do not pay regard to the views expressed at the Weekly Meetings. We have, however, been assured both by the Customs authorities and by the I.T.C. authorities that in practice the fullest weight is given to the conclusions reached at these meetings. We have also seen a detailed analysis of cases put up to the Weekly Meetings at all the ports for the period January-June, 1967. This analysis shows that in practically every case a decision was taken in consonance with the applicable I.T.C. policy as expounded by the representative of the I.T.C. Organization on the Committee. We are therefore satisfied that the I.T.C. view is given full weight at these meetings.

5.6 The argument has been advanced from time to time by trade representatives that, since the I.T.C. policy is best known to the I.T.C. authorities, their views in regard to the interpretation of the policy, or of a particular licence, should be regarded as binding, and even that, after the goods have arrived, they should have the last word as to whether the importation is authorized or not. A sweeping authority of this nature would, we think, be difficult to justify, particularly since in some cases the view of the I.T.C. authorities would be adverse to the party. Further the legal position has to be considered. If it is left to the I.T.C. authorities to decide such issues, logic would require that they should themselves be the adjudicating officers, and that the law should be amended accordingly. Such a suggestion is beyond the scope of our Committee, even if we considered such a change to be desirable, and we do not therefore pursue it.

5.7 Most importers would, we believe, be satisfied if the views of the I.T.C. authorities are taken into account when their cases are decided, provided this is done without undue delay. We note that in practice the Customs authorities do refer a case to the Weekly Meeting not only when they feel the need to know the I.T.C. background, but also when the importer desires such a reference to be made. However, we have also seen from the statistics made available to us that in a large number of cases the importer approaches the I.T.C. authorities direct, as soon as any objection is raised by the Customs Department, and the case is decided on a recommendatory letter issued by the I.T.C.

authorities rather than by discussion at the Weekly Meetings. Out of 32 cases in a particular Custom House, 25 were decided on the basis of recommendatory letters received from the licensing authorities, and only one on the basis of discussion at the Weekly Meeting. We have no doubt that in the 25 cases in which recommendatory letters were sent, the I.T.C. authorities must have satisfied themselves regarding the facts. Nevertheless, we feel that, when the mechanism of the Weekly Meetings has been specifically provided for resolving such cases, it should be utilized as far as possible. As a general rule we do not think it desirable for the I.T.C. authorities to send recommendations to the Customs Department without first ascertaining the facts by a reference to that Department. If the Weekly Meetings are held regularly and in consonance with the object of those meetings, there would be very little occasion for such recommendations. We do not think, however, that the I.T.C. authorities need be precluded from making recommendations straight away in cases where they find the facts to be sufficiently clear, without waiting for a report from the Customs authorities.

5.8 We have also found that in the great majority of cases put up to them, the Weekly Meetings did arrive at conclusions which enabled the pending cases to be dealt with. Since the main object of these meetings is to take quick decisions on cases where the goods are under detention, it follows that the decisions are often reached in an *ad hoc* manner and cannot therefore have much force as precedents. It is highly necessary that the decisions at the Weekly Meetings should be reviewed at a central point (say by a Headquarters Co-ordination Committee) where detailed consideration is possible, and either confirmed or modified. Cases which occur in the meanwhile should normally be dealt with on the basis of the first decision, unless and until it is reversed by the Headquarters. We have dealt with this question at greater length in the Section on the Headquarters Co-ordination Committee.

5.9 One other point in connection with Weekly Meetings has been frequently urged on behalf of the trade, namely, that the importer or his representative should be allowed to be present and to participate at the meeting when his case is discussed. At present the importer is entitled to a hearing before the Customs adjudicating officer

who will decide his case. We also understand that when a case is referred to the Weekly Meeting, the importer generally takes the opportunity of meeting the I.T.C. authorities and acquainting them with his side of the case. In addition to these opportunities of representing the case separately to the authorities concerned, the trade have been pressing for an opportunity of participating in the Weekly Meetings.

5.10 We can understand the feeling of the importers that there would be a better appreciation of their case if they could explain the matter personally at the Weekly Meeting. We have therefore devoted considerable thought to this question. We have been advised that the complete participation of the importer in the Weekly Meetings, making the proceedings similar to those in an adjudication by the Customs authorities, would be legally objectionable, since the meetings are purely informal and it is for the latter authorities to decide the case in accordance with law. It was however suggested to us that there might be no objection to the importer or his representative being allowed to appear before the officers at the Weekly Meeting, state his case, give any clarifications which those officers might require, and then retire, without demanding to be present when the case was discussed between the departmental representatives; it was suggested also that a condition might be laid down that legal practitioners would not be allowed at these meetings, thereby avoiding the possibility of long-drawn-out legal arguments.

5.11 We have considered this suggestion in detail. It appears to us that it is not likely to confer any great benefit on the importer. It is evident that the meaningful discussion between the officers comprising the Weekly Meeting would take place only after the importer had retired. His appearance would therefore only serve to postpone by that length of time the real discussion of his case, without giving him any further opportunity than he has already had to convince the I.T.C. and the Customs authorities separately. It is even possible that by allowing the importer to address the Weekly Meeting, and in effect, though indirectly, to interrogate the departmental officials, there may be a tendency for a hardening of attitudes on the part of the latter, with the result that they take a less favourable view of the case than they might otherwise have done.

5.12 The restricted and unsatisfactory nature of the additional opportunity sought to be provided cannot fail to prove irksome to the trade. Although the various restrictions and safeguards now proposed may be accepted in the beginning, there is every likelihood of pressure mounting in course of time to demand that the procedure be made more satisfactory to the importers by removing the restrictions and having a full discussion. In particular, there is likely to be an insistence on knowing the views of the representative of the I.T.C. organization present at the meeting. It is also likely that there will be a demand for legal practitioners to be allowed to represent the case. There is accordingly a clearly foreseeable danger that the arrangement would by stages be carried to a point where it would be surrounded by the various legal and administrative difficulties which are now sought to be avoided.

5.13 Bearing all these points in mind, we have come to the conclusion that it will not be desirable to do anything that will change the present informal status of these Weekly Meetings, and that the presence of the importers at these meetings would not be to the benefit either of the authorities or of the importers themselves.

PROCEDURE FOR DEALING WITH I.T.C. ENQUIRIES

5.14 Each of the regional I.T.C. officers, as well as the office of the C.C.I.&E., has a section for dealing with enquiries from the public. If the enquiries relate to the I.T.C. classification of any particular article, the importer is advised to follow the procedure set out in paragraph 17 of the Handbook i.e. make a reference to the appropriate regional licensing authority, giving the fullest description of the article in question. The regional office ascertains the correct I.T.C. classification (after consulting the Customs authorities and/or the C.C.I. & E's office) and informs the importer accordingly.

5.15 We have remarked earlier that the terms in the I.T.C. Schedule are given the same meanings as the corresponding terms in the Customs Tariff Schedule. So far as the latter Schedule is concerned the Customs authorities are naturally best qualified to advise on the correct classification of any article. In view of this, the I.T.C. classification (unless it has already been settled and included in

the index to the Red Book) is almost always decided after finding out the Tariff classification. In practice this means that in almost every case a reference is made to one or more Custom Houses, and a decision is reached only after a considerable time has elapsed.

5.16 We feel that the procedure in this regard offers scope for improvement. The enquiries which the I.T.C. authorities receive can be divided into three broad categories. They may be as regards the I.T.C. classification of a particular article, or the scope of a particular licence, or a general point of policy. The procedure in each case should be such as to ensure a correct reply being given with the least possible delay.

5.17 As regards queries on I.T.C. classification, the recommendations we have made should considerably reduce the number of such enquiries. Since the main headings of the I.T.C. Schedule will be the same as those of the Tariff Schedule, the customs classification will automatically apply for I.T.C. purposes also. Queries on classification should therefore be addressed by the public direct to the Customs authorities, whose rulings would be in the normal course be applicable for I.T.C. purposes as well. For proper co-ordination we would recommend that a copy of every reply given by the Customs authorities on classification should be endorsed to the Headquarters Co-ordination Committee.

5.18 There may be cases where a ruling on customs classification may not automatically solve the point at issue. This can happen if, within the same Customs main heading, there are two or more divisions for I.T.C. purposes and the terms used in making these divisions are not used or defined in the Customs Tariff. We consider that such queries should be referred by the regional offices to the Headquarters Co-ordination Committee for disposal.

5.19 The regional offices also receive enquiries regarding the scope of individual licences. Such queries often involve questions of policy, and we consider that these should also be replied to after making a reference to the Headquarters Co-ordination Committee. As a matter of convenience, we do not recommend that the licensees be asked

to address headquarters direct, as this would involve the transit of licences, with possibilities of delay, loss in transit, etc.

5.20 Enquiries are also received on questions of policy, for example, whether a particular article is to be treated as banned or otherwise, or whether some condition is applicable to a particular category of licences, etc. We consider that clarification on such points should be given only by the headquarters organization, and if such queries are received at a regional office, they should be forwarded to headquarters for direct disposal.

5.21 It will be seen that our recommendations would place a considerable responsibility on the Headquarters Co-ordination Committee. We have explained elsewhere what we consider should be the scope of this Committee. We would also like to stress that the referring of cases to the Headquarters Co-ordination Committee for instructions should not be a cause of delay in their disposal. On the other hand, a procedure should be clearly laid down to enable decisions to be taken and communicated as quickly as possible in these cases.

5.22 We would refer here to a connected point, namely, the procedure to be followed when an importer approaches an organization other than the Customs or the I.T.C. authorities. Cases have been brought to our notice where a sponsoring authority or a Government Department has written to an importer, expressing definite views about the scope or interpretation of his licence. We consider that this practice is not desirable, as it can lead to difficulties and embarrassment, if the Customs authorities are not able to agree with the views of the outside authority. In our view, the importer should be required to address the licensing authorities in such cases, and it should be for them to obtain a clarification from the outside authority if necessary. If at all the outside authority wishes to convey its views to the I.T.C. authorities and/or to the Customs, it should not inform the importer as to the nature of these views but merely tell him that its views have been communicated to the I.T.C./Customs authorities.

HEADQUARTERS CO-ORDINATION COMMITTEE

5.23 There is at present a Committee in the office of the C.C.I. & E., which is known as the Headquarters Classification Committee. This consists of a Joint Chief Controller of Imports and Exports and representatives of the D.G.T.D. and the Department of Revenue and Insurance. Matters which cannot be decided by the port authorities or the Weekly Meetings at their level are referred to this Committee. Matters referred by the trade when they are not satisfied with the I.T.C. classification given by the port authorities are also placed before this Committee.

5.24 As its name indicates, the Committee is primarily concerned with I.T.C. classification. It has been found that the number of cases referred to this Committee is very small. During a period of 20 months from April 1966, only 15 cases were considered by the Committee. The procedure followed by it is elaborate, involving references to all the Custom Houses and the D.G.T.D. and the time taken is also considerable.

5.25 In the scheme proposed by us, questions relating purely to I.T.C. classification would not figure largely, and therefore the Committee would have even less work of this nature. However, there are a number of other respects in which a Headquarters Committee of this kind can be of great value. It should, we think, be more concerned with giving prompt and correct replies to questions where a knowledge of policy background is necessary, and should also ensure that there is uniformity between the views taken by different regional I.T.C. organizations, and between the views taken on Tariff and I.T.C. classification. In other words, the functions of the Committee would be of a more general nature, and it should be given a designation appropriate to its changed functions. In this report we have tentatively adopted the name "Headquarters Co-ordination Committee".

5.26 The main functions which we contemplate for this Committee are described below. It should have an efficient Secretariat to scrutinize the mass of material which will come in, and to put up to the Committee only those cases where a point meriting the Committee's consideration is involved.

(i) With the adoption of the Tariff Schedule as the basic I.T.C. Schedule, Tariff rulings issued by the Department of Revenue and Insurance and the Central Board of Excise and Customs would become more relevant for I.T.C. purposes. The Committee's Secretariat should therefore scrutinize all such rulings, and wherever necessary arrange for the corresponding I.T.C. classification to be shown in the index to the Red Book. Normally these rulings would not have much practical effect for I.T.C. purposes. Where, however, they have such effect and where in any particular case the Committee feels that the ruling requires reconsideration, the matter can be taken up with the authority issuing the ruling.

(ii) Similarly, the Committee's Secretariat should also scrutinize replies to classification queries given by the Customs Department, and take further action wherever necessary. The Committee would also be concerned with references on classification made by the regional I.T.C. offices.

(iii) An important item of work for the Committee would be the scrutiny of the records of the Weekly Meetings held at the ports. If the Committee disagrees with the views taken at the Weekly Meeting, necessary action could be taken, for example, by issuing a public notice, so that the action taken at the port on *ad hoc* considerations does not become a precedent for a continuing series of importations.

(iv) The Committee would also deal with queries involving I.T.C. policy, which would be referred to it in consequence of our earlier recommendations.

5.27 In view of the importance of the functions being given to this Committee, it is necessary that its status should be sufficiently high. We feel that the C.C.I.&E. should be the Chairman of the Committee, and the other representatives should also be of a sufficient level, so that there can be some finality to the decisions taken by the Committee. Its Secretariat should consist of officers picked for their knowledge and experience.

5.28 We have considered whether a representative of the trade can be associated with this Committee. The cases which would be referred to the Committee would be

those requiring a knowledge either of the policy background or of the technical aspects of the commodities in question. We do not think that a single representative from the trade would be in a position to make an effective contribution on all the cases which may come before the Committee. We recognize however that it may frequently be useful for the Committee to have the advice of persons who are experts in their own line, whether they are from the trade or otherwise. The Customs Study Team had recommended that expert panels of advisers from the trade might be constituted to help the Customs authorities with their advice in technical fields like machinery, jewellery, literature, etc. We consider that such expert advisers could also be of help to the Headquarters Co-ordination Committee. We therefore recommend that this Committee may make use of the same or similar panels whenever this is considered necessary in connection with the technical questions which may come up for its consideration.

5.29 Some of the decisions taken by the Committee would require to be brought to the notice of the Customs or I.T.C. authorities and the trade, in order to prevent possibilities of abuse. The Committee would therefore have to decide in each case whether a public notice should issue. It may also have to indicate in the public notice whether the decision will take immediate effect or would have effect from the next licensing period. We consider that the following principles can usefully be followed in this connection:—

(a) A change in established classification should normally have effect only from the next licensing period. In such cases it should be possible to cover the point when enunciating the policy for the next period. Where the change is one which may be lost sight of by the public, it may be advisable to issue a public notice, indicating however that the change would take effect only from the next licensing period.

(b) In more urgent cases, a public notice could be issued straightaway. In such cases, the change should affect only the licences issued after the date of the public notice.

APPEALS

5.30 The occasions for disagreement between an importer and the administration, in the field of import trade control, can arise either at point of licensing or at the point of clearance. We shall comment briefly on the position which obtains in these cases.

5.31 The procedure for appeals against the decision of a licensing authority is laid down in Chapter XI of the Handbook. There is provision for a first appeal and a second appeal, and also for a further review. An appeal fee is payable only at the stage of the second appeal, and the amount is only Rs. 5. We have not heard any complaints against this procedure, and have no change to suggest.

5.32 The decision whether or not to allow clearance has to be taken by the Customs authorities in terms of the Customs Act, 1962 (vide paragraph 5.2). Their orders are subject to modification on appeal and revision. There has been a persistent demand for the setting up of an independent tribunal to deal with such cases. In Chapter 6 of our report on the Customs Tariff, we had suggested with reference to disputes on tariff classification, a change in the procedure, to the effect that, while the first appeal might continue to lie to departmental authorities, a second appeal or revision petition should lie to a tribunal, with a provision for reference to the High Courts on points of law. Subsequently, the Customs Study Team has suggested the setting up of appellate machinery somewhat on the lines of income-tax appellate tribunals. No doubt modifications could be made on points of detail, but we consider that the principle behind our recommendation in regard to tariff disputes, which principle has been accepted by the Customs Study Team, is equally applicable in regard to cases arising out of the I.T.C. regulations, and we would recommend the use of the same machinery for such cases.

PREPARATIONS FOR THE INTRODUCTION OF THE REVISED SCHEDULE

5.33 We shall now draw attention to some of the preparatory steps which would be necessary in the process of introducing the revised I.T.C. Schedule.

5.34 Since the new Schedule is proposed to be based on the revised Customs Tariff Schedule, it is obviously desirable that the introduction of the revised Schedules on the two sides should be synchronized. It should be noted however that the transition would not be as clear-out on the I.T.C. side as on the Tariff side. In the application of the Customs Tariff, it is the date of importation which is mainly relevant, and therefore, soon after the revised tariff is brought into force, all fresh imports would be classified in terms of that tariff. For I.T.C. purposes, however, the relevant policy is that in force at the time of issue of the licence. The actual arrival of goods against the licence would necessarily be staggered and therefore, for an appreciable period of time, there would be imports of goods of which some would be governed by the earlier policy and classification, and others by the revised policy and classification. This situation prevails to some extent even at present when at the same point of time the Customs authorities have to deal with imports against licences issued in different licensing periods. On the introduction of the revised Tariff, the problem would vary in degree but not in kind.

5.35 Making due allowance for the above position it would still be desirable that the two Schedules are formally brought into force at about the same time. The I.T.C. policy is announced at the beginning of an official year. It may be desirable to introduce the revised Tariff Schedule slightly in advance, say from the beginning of the calendar year, in order to avoid any complications resulting from budget changes, which generally take effect from the 1st of March.

5.36 In the first Red Book to be published after the adoption of the revised Schedule, there would naturally be several changes, both in the lay-out and in the contents, in view of the various suggestions we have made in Chapter 3 and 4. For instance, there will have to be a comprehensive Appendix specifying articles which would not normally be allowed as spare parts. Again, we have suggested that a number of terms occurring in the present policy may be better defined. A considerable amount of preparatory work on the part of the I.T.C. headquarters

organization would be necessary in order to incorporate in the new Red Book the various changes which would be required.

5.37 It would not be desirable for the public and others concerned to be taken by surprise by the various changes which would be found in the new Red Book. There would of course be material in the new policy which have to be treated as confidential until the policy is announced. However, we consider that it should be possible to issue a public notice in advance to draw the attention of the public to the nature of the procedural changes which are proposed to be made. Similarly, since some of the recommendations we have made would require the adoption of revised procedures by other Government departments and in particular by the Directorate General of Technical Development, these points should be taken up with them well in advance so that they may be ready in time.

5.38 One of the obvious preparatory steps would be the publication in advance of the revised Schedule. This is likely to be achieved in any case, since the revised I.T.C. Schedule would not be adopted before the introduction of the revised Tariff Schedule (in fact, we have recommended above that the revised I.T.C. Schedule should be introduced after a gap of about 3 months), and the revised Tariff Schedule would itself be introduced after a prior period of notice to the public. In publishing the revised I.T.C. Schedule, it would be desirable to give cross references to the existing Schedule.

5.39 Another matter to be considered is in connection with quota certificates and quota licences. As we have explained in Chapter 3, the quota holders would generally be issued licences having the same coverage as at present, though in some cases there would be a greater degree of interchangeability. It would happen only in a small number of cases that the existing quotas would have to be split up, and the quota holders required to choose the proportion in which they would be split up. Even in the few cases where the splitting up of quotas is involved, the applicants could exercise their choice while applying for licences under the new policy. All established importers licences could therefore be issued without waiting for the

conversion of the quota certificates in terms of the revised Schedule. This conversion could be done in the course of the period covered by the new policy, so that by the time the policy is next announced all the quota certificates for articles licensable to established importers would have been converted and fresh quota certificates issued in terms of the revised Schedule.

5.40 It is also quite likely that a number of problems would be thrown up immediately after the revised Schedule is introduced, and that doubts may be experienced both by the Customs and by the I.T.C. authorities. It may be helpful if such matters are discussed in the first instance at the port weekly meetings. More doubtful matters could be referred to the Headquarters Co-ordination Committee, which would have to be fairly active for some time after the introduction of the revised Schedule. We have already suggested above the directions in which this Committee would have to be strengthened in order to cope with the greater responsibilities which will devolve on it.

CHAPTER 6

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

(The figures in brackets refer to paragraphs of the report).

Chapter 2—Basis of the Revised Import Trade Control Schedule

6.1 The I.T.C. Schedule is contained in an order, made by the Central Government and its revision can be effected by a notification. (2.2)

6.2 It has been assumed that the present scheme will continue, with a basic I.T.C. Schedule containing headings of a permanent nature, and with changes being made in individual entries in the Red Book and its Appendices to serve the needs of day-to-day I.T.C. policy. (2.3)

6.3 The great majority of the opinions expressed are in favour of an I.T.C. Schedule based on the R.C.T. (2.4)

6.4 The division of the I.T.C. Schedule into six "Parts" based on the jurisdictions of licensing authorities in the past, is otiose. (2.5).

6.5 An important feature of the Schedule is its reliance on the terminology and interpretation of the present Tariff Schedule. (2.6)

6.6 If the Customs Tariff is revised and based on the B.T.N., and the I.T.C. Schedule retains its present basis, it would lead to inconvenience and confusion. When the Customs Tariff is revised, the revision of the I.T.C. Schedule would become a matter of pressing urgency. (2.6, 2.7)

6.7 It is recommended that the R.C.T., at the main heading level, may be adopted as the basic I.T.C. Schedule, i.e. the Schedule as it would appear in the Imports (Control) Order. (2.7)

6.8 The "Schedule" in the Red Book has also reached a stage where its review is obviously necessary. (2.8)

6.9 A number of sub-headings contained in Section II of the Red Book are still retained, though they are no longer necessary to show difference in policy. (2.8)

6.10 It is recommended that the heading numbers of the basic I.T.C. Schedule (i.e. the R.C.T. main headings) be used as the framework for announcing the policy; but wherever possible the description actually shown should be that of the specific article which can be allowed import. (2.9)

6.11 When reference is made to the adoption of the R.C.T. as the basic I.T.C. Schedule, what is meant is the R.C.T. as amended and finalized by Government (2.10(a)).

6.12 There may be a few articles such as coil which cannot be even formally included in the revised I.T.C. Schedule. (2.10(b))

6.13 If a note is inserted in the revised I.T.C. Schedule to the effect that each entry therein shall have the same meaning as the corresponding entry in the R.C.T., the Section and Chapter Notes etc. appearing in the R.C.T. could be omitted from the revised Schedule, making it more compact. (2.10(c)).

6.14 The scheme proposed would facilitate the collection of statistics of imports for I.T.C. purposes, according to groups corresponding to the main headings of the revised I.T.C. Schedule. (2.11)

6.15 The use of the standard B. T. N. terminology contained in the R.C.T. would assist the authorities concerned in carrying out a technical scrutiny of licence applications. It may even reduce misunderstandings between traders in India and abroad regarding the goods forming the subject of correspondence between them. (2.12)

Chapter 3—The Red Book.

6.16 As the Handbook complements the information given in the Red Book, the publication of each edition of the Handbook may be synchronized with that of the Red Book. (3.3)

6.17 A feature of the statement of policy, particularly in the portion relating to established importers, is the fact that the goods which are actually allowed to be imported sometimes vary appreciably from those mentioned in the "description" column for which they would normally be expected to be valid. (3.10)

6.18 In the revised scheme, the R.C.T. sequence and terminology would be used wherever possible, but the "sub-headings" used for indicating the policy would be evolved from the main headings and utilized as and when required. (3.14)

6.19 The entries in Section II would be selective, and articles whose importation is not permitted would not be mentioned. At the same time this Section would be made more comprehensive, as it would include articles against which the policy is shown as "Nil" at present, but which are in fact licensed to actual users on merits. (3.15, 3.16)

6.20 The Red Book may include a clause which will ensure that the enunciation of policy therein, particularly as regards articles whose importation is not ordinarily permitted, does not have the effect of excluding any article which has been specifically mentioned in a licence. (3.17)

6.21 The present Part B of Section III of the Red Book, relating to the Import Policy for Registered Exporters, may be published separately, while still being considered as a part of the Red Book. (3.18)

6.22 The observations regarding Section II would apply also to Part A (relating to actual users) of Section III. (3.18)

6.23 With the introduction of a revised Schedule, arrangements would have to be made for expressing established importers' quotas in terms of the revised Schedule and for indicating the goods which will be licenced to established importers. (3.20)

6.24 Proposals regarding quotas have been made on the assumption that (1) there should be no reduction or loss of any importer's quota purely as a result of the revision

of nomenclature, and (2) there should be no question of past quotas having to be refixed on the basis of individual importations and bills of entry. (3.21)

6.25 The entries in Section III, Part C, would be rearranged in accordance with the sequence of headings in the revised Schedule; in consequence, the quotas for different Serial Numbers can be combined in a number of cases. In a few cases existing items would have to be split up. (3.22(a))

6.26 In the description column, reference would be made to the articles whose importation is actually permitted. (3.22(b))

6.27 Where an existing Serial number corresponds to two or more headings in the revised Schedule, action would be taken in different ways, depending on the circumstances. (3.22(c))

6.28 Fresh quota certificates may be issued in due course based on the existing ones. (3.22(d))

6.29 On the basis of the R.C.T. as drafted by the Committee, a revised draft of Part C of Section III of the Red Book, relating to the Import Policy for Established Importers, has been drafted and appended to the report. (3.23)

6.30 The Appendices in Section IV would require additions and modifications. (3.24)

6.31 The revised Red Book should have an alphabetical index, covering the articles mentioned in the R.C.T. main headings, those mentioned in the Red Book, and those which have been the occasion for I.T.C. classification rulings. (3.25)

Chapter 4—Suggestions regarding the Enunciation of Policy and the Writing Out of Import Licences

6.32 The Customs Study Team has made several recommendations which would help considerably in eliminating difficulties at the time of clearance (4.2)

6.33 The suggestions made in this Chapter are based on material obtained from various sources, and in particular on a study covering about one thousand cases, made by an officer of the Headquarters I.T.C. Organization. (4.3)

6.34 When announcing a new scheme, doubts would be minimized if all relevant points could be provided for, referring to any scheme of a similar nature which is already in existence. (4.5)

6.35 The various recommendations made would involve amendments to paragraph 84 of the Handbook. (4.6)

6.36 When some innovation is made, it would be useful to foresee possible doubts and clarify them in advance. (4.7)

6.37 Paragraph 252 of the Handbook, which deals with the question of value for the purpose of debits to I.T.C. licences, may be made more specific. (4.8)

6.38 In order to resolve some of the difficulties in connection with the importation of "spare parts", and "accessories", a detailed list may be made out, showing articles which will not normally be permitted to be imported as spare parts. (4.9)

6.39 Steps may be taken to avoid having a large number of face value restrictions against a single entry in the Red Book. Separate licences could be issued or a consolidated percentage fixed for the articles subject to face value restrictions. (4.10)

6.40 It may be clarified in the Red Book that the articles specified in Appendix 26 are governed by the conditions mentioned therein, irrespective of the Serial Number under which they may fall. (4.11)

6.41 The significance of the expression "specified elsewhere" may be clearly explained. (4.12)

6.42 The steps suggested would help to reduce the difficulties arising out of the importation of inter-changeable parts. (4.13)

6.43 Difficulties occur because of the use of terms in the policy which have not been properly defined. Examples have been given. (4.14)

6.44 Reference has been made to a number of terms which have been suggested as requiring better definition. These suggestions may be examined by the I.T.C. Organization. (4.15).

6.45 Where the description in a licence is quite clear and specific, and the goods are in accordance with the description, the Customs authorities should not normally hold up the goods on the ground that the licence is not in accordance with the policy. (4.16)

6.46 Difficulties in clearance also arise because licences are not issued in clear terms. Examples have been given. (4.17)

6.47 A check for technical defects in licences should be made by the licensing authorities before despatching the licences. The covering letter should draw the licensee's attention to the important technical requirements. (4.18)

6.48 The standard conditions which are common to all import licences of a particular category may be specified, and attention drawn to them by a single remark in the licence. A review may be made of the format of import licences, with a view to seeing how far they can be simplified. (4.19)

6.49 It is desirable that actual users' licences should be issued for raw materials and components and for spare parts. If this is not feasible, the consolidated licence may be divided into two portions with specific value/quantity allocations (4.20)

6.50 Any values or quantities shown by the applicant in the list of goods submitted by him and ultimately attached to the actual user licence issued to him should be struck out in the licensing office, before a licence is issued, where it is not the intention that these value or quantities should be individually applicable to the articles to be imported. (4.20)

6.51 Spare parts licences should not ordinarily contain a detailed list. However, if the licence is intended to cover articles included in the "banned" list of spare parts, such parts should be endorsed in the licence, with a value or quantity limit. (4.21, 4.22)

6.52 If the Customs authorities suspect that articles imported as spares of equipment are actually meant for use as components of the product manufactured, they should bring the matter to the notice of the licensing authority. (4.23)

6.53 Appropriate executive instructions should be issued to avoid difficulties in the clearance of chemicals where the purity of the commercial grade approaches that of the pharmaceutical grade. (4.24)

6.54 The entry "Aromatic chemicals not included in the list above" appearing in List V of Appendix 28 may be omitted and the necessary provision made in the preamble to this Appendix. (4.24)

6.55 The description of articles in actual user licences should be made as detailed and specific as possible. However, the description should not be burdened with unnecessary details which may lead to difficulties in clearance. The D.G.T.D. and other sponsoring authorities should therefore, while scrutinizing the applications, amend the description wherever necessary so that it may be generalized within the limits of the policy. If these recommendations are followed, there will be no need to mention I.T.C. Serial Numbers in such licences. (4.25, 4.26)

6.56 When the scrutinizing authorities permit the inclusion in a licence of articles which are nominally banned, they should give an appropriate indication against such items. If a "banned" article appears without such an indication the Customs authorities should bring the matter to the notice of the licensing authorities. (4.27)

6.57 The recommendations made in regard to actual user licences will be generally applicable to licences for capital goods and heavy electrical plant. (4.28)

6.58 Questions sometimes arise whether articles imported against established importers' licences for spare parts are actually intended to be sold as spare parts. It is necessary to avoid delays in clearance on this account and at the same time to guard against possible misuse. (4.29, 4.30)

6.59 Licences to established importers should be issued only for spare parts, and not for components. (4.31(a))

6.60 The articles of which it is known that they are not normally used as spare parts should be excluded from the scope of established importers' licences. A separate provision may be made for allowing the importation of such articles in exceptional cases. (4.31(b))

6.61 At the time of importation, the Customs authorities should not make detailed enquiries as to the actual purpose for which the various goods are likely to be used. (4.31(c))

6.62 The conditions in *ex gratia* licences should be clear, and there should not be references to the policy for two different licensing periods in such a manner as to result in contradictory conditions. (4.33)

6.63 In replacement licences, there should not be a condition that the defective article should be surrendered to the supplier or the insurance company. (4.34)

6.64 Where licences are issued with a condition that the goods should be re-exported within a specified period, and the licensee executes a bond to this effect with the I.T.C. authorities, an appropriate endorsement may be made by them on the licence itself. (4.35)

6.65 It may be clearly explained in paragraph 225(e) of the Handbook that the value limits for exemption of gift parcels from import control are of c.i.f. basis and include the amount of postage. (4.36)

6.66 Gift parcels imported otherwise than by post may be allowed without licences on the same conditions as those imported by post. (4.37)

6.67 The grace period for shipment of goods may be extended to 30 days after the date of expiry of the licence. (4.38)

Chapter 5—Other Matters

6.68 In dealing with cases involving the I.T.C. regulations, the Customs adjudicating officer has to bear in mind the view-points of two different departments. (5.2)

6.69 The "Weekly Meetings" between the Customs and I.T.C. authorities have been performing a very useful function. (5.4)

6.70 The view of the I.T.C. authorities is given full weight at the Weekly Meetings. (5.5)

6.71 The mechanism of the Weekly Meetings should be utilized for the resolution of doubts as far as possible. It is not ordinarily desirable for the I.T.C. authorities to send recommendations to the Customs Department without first ascertaining the facts by a reference to that Department, though they need not be precluded from making recommendations straight away where they find the facts to be sufficiently clear. (5.7)

6.72 The decisions at the Weekly Meetings should be reviewed at a central point, preferably by a Headquarters Co-ordination Committee. (5.8)

6.73 It has been urged on behalf of the trade that the importer or his representative should be allowed to be present and to participate at the meeting when his case is discussed. (5.9)

6.74 The Committee has been advised that the complete participation of the importer in the Weekly Meetings would be legally objectionable. (5.10)

6.75 The Committee has considered a suggestion that the importer might be allowed merely to appear before the Weekly Meeting, state his case and retire. The Committee is of the view that this would not confer any great benefit on the importers, but would in course of time lead to pressure for their full participation in the meetings, thus involving the various legal and administrative difficulties now sought to be avoided. Accordingly, the Committee has come to the conclusion that it will not be desirable to do anything that will change the present informal status of the Weekly Meetings. (5.11 to 5.13)

6.76 Queries on I.T.C. classification are almost always replied to after a reference has been made to the Customs authorities regarding the tariff classification. (5.15)

6.77 With the adoption of the revised Schedule, queries on I.T.C. classification should also be addressed to the Customs authorities. A copy of the reply given by those authorities should be endorsed to the Headquarters Co-ordination Committee for information. (5.17, 5.18)

6.78 Queries received by regional I.T.C. offices regarding the scope of individual licences should also be replied to after a reference to the Headquarters Co-ordination Committee. (5.19)

6.79 All queries on questions of I.T.C. policy should be referred to the Headquarters Co-ordination Committee. (5.20)

6.80 A procedure should be clearly laid down to ensure that the referring of cases to the Headquarters Co-ordination Committee does not lead to delay, and that decisions are reached and communicated as quickly as possible. (5.21)

6.81 If an importer wants a clarification about the interpretation of his licence, he should address the concerned licensing authorities. Outside authorities should not communicate their views on such matters to the concerned importer, though it will be open to them to do so to the I.T.C. Customs authorities (5.22)

6.82 The number of cases referred to the existing Headquarters Classification Committee is very small. The time taken by it for dealing with the cases is considerable. (5.24)

6.83 Under the revised scheme, the Headquarters Classification Committee would become a Headquarters Co-ordination Committee, with functions of a more general nature. (5.25)

6.84 The Headquarters Co-ordination Committee would have the following main functions:—

- (i) To scrutinize tariff ruling with an eye to their effect on Import Trade Control;
- (ii) To scrutinize replies to classification queries given by the Customs Department, and to deal with classification references from regional I.T.C. offices;
- (iii) To scrutinize the records of the Weekly Meetings and take appropriate action whenever necessary; and
- (iv) To deal with queries involving I.T.C. policy. (5.26)

6.85 The status of the Headquarters Co-ordination Committee should be higher than that of the present Headquarters Classification Committee, and it should have a Secretariat of knowledgeable and experienced officers. (5.27)

6.86 The Headquarters Co-ordination Committee may, wherever considered necessary, take the assistance of advisers from the trade in technical fields. The panels set up for this purpose in accordance with the recommendation of the Customs Study Team could be made use of or similar panels set up. (5.28)

6.87 Wherever necessary, the decision taken by the Headquarters Co-ordination Committee should be announced through public notices. A change in an established I.T.C. classification should normally have effect only from the next licensing period. In urgent cases where a public notice is issued straight away, the change should affect only the licences issued after the date of the public notice. (5.29)

6.88 The present procedure for appeals against the decisions of licensing authorities is satisfactory, and no change is required. (5.31)

6.89 In regard to decisions by Customs authorities on cases involving the I.T.C. regulations, resort to a tribunal at some stage may be provided for, as has been recommended for cases involving the Customs Tariff. (5.32)

6.90 The revised Tariff and I.T.C. Schedules should be introduced at about the same time, the former at the beginning of the calendar year and the latter at the beginning of the financial year. (5.35)

6.91 A considerable amount of preparatory work on the part of the I.T.C. Headquarters organization would be necessary in order to incorporate in the new Red Book the changes required. (5.36)

6.92 A public notice may be issued in advance to draw the attention of the public to the nature of the procedural changes to be made. Other concerned Government Departments should also be alerted in advance. (5.37)

6.93 The revised I.T.C. Schedule should be published in advance. Cross-references may be given to the existing Schedule. (5.38)

6.94 During the first licensing period after the revised Schedule is introduced, licences may be issued to established importers on the basis of their present quota certificates. Conversion of the certificates in terms of the revised Schedule may be done in the course of the licensing period. (5.39)

6.95 Doubts and problems arising after the introduction of the revised Schedule may be discussed in the first instance at the port Weekly Meetings. More doubtful matters could be referred to the Headquarters Co-ordination Committee. (5.40)

CHAPTER 7

ACKNOWLEDGEMENTS

7.1 This report on the revision of the Import Trade Control Schedule follows upon our previous reports on the Customs Tariff Schedule and on the Central Excise Tariff Schedule. While these three subjects were inter-connected, and there was a common basic approach, each of these Schedules had its own basic features and presented different problems. Our task of trying to find workable solutions has been greatly lightened by the whole-hearted co-operation and support which we received from all sides.

7.2 We are grateful to all those who assisted us in our work by sending replies to our questionnaire or by replying to our requests for information or suggestions, or by giving oral evidence. We also received abundant help from Government. We were encouraged by the interest taken in our work by the former Commerce Minister, Shri Manubhai Shah and the present Commerce Minister, Shri Dinesh Singh. Despite his many preoccupations, Commerce Secretary, Shri K. B. Lall, took interest in the progress of our work; while the Special Secretary, Shri B. N. Banerji, with his wide knowledge and background of Customs and trade control matters, was always ready to advise and guide us.

7.3 As with our previous reports, our work involved constant references to the officers of the Department of Revenue and Insurance in the Ministry of Finance. We are especially grateful to the Chairman of the Central Board of Excise and Customs, Shri D. P. Anand, not only for his valuable advice, but also for the co-operation which was freely given by the Board and by the Customs authorities. Shri S. P. Kampani, Director of Inspection, Customs and

Central Excise, also took a particular interest in the work of the Committee, and we are obliged to him for several illuminating suggestions.

7.4 We are deeply indebted to the Collectors of Customs, Shri M. G. Abrol (now Member of the Central Board of Excise and Customs), Shri M. A. Rangaswamy (now Textile Commissioner), Shri B. Sen, Shri C. T. A. Pillai and Shri G. S. Sawhney, for giving us the benefit of their views and for assistance to the Committee by giving facilities to us for our meetings at their ports.

7.5 We were greatly assisted in our work by the officials of the I.T.C. organization. We would like to make a special mention of Shri S. R. Minocha, Deputy Chief Controller of Imports and exports, for constantly assisting our Secretariat with his intimate knowledge of I.T.C. policy and procedure; and of Shri Takhat Ram, Senior Administrative Analyst, whose detailed study of the nature of the I.T.C. disputes which arise at the time of Customs clearance of goods has enabled us to make several specific suggestions in Chapter 4 of this report.

7.6 We have been fortunate in having the services of an efficient and devoted Secretariat, and our thanks are due to them as well as to the Secretaries of the Sub-committees. The Assistant Secretary, Shri Malhan, in addition to his contributions to the technical aspects of the Committee's work, has been responsible for its administrative work and the conduct of meetings. The other Assistant Secretary, Shri Sharma, was mainly occupied with the implementation of our report on the Customs Tariff, but his assistance for other work was cheerfully given whenever required. Principal Appraiser, Shri Punwani (who also officiated as Assistant Secretary) has done valuable work, by virtue of his long experience of Customs assessment, particularly in the field of machinery, where a large proportion of problem originates. Appraiser Shri Krishnan (who also officiated as Principal Appraiser) acquitted himself creditably. We would also thank all the other officers in our Secretariat, whatever their rank, for their united effort in making this report possible.

7.7 The Chairman and other Members of the Committee would be failing in their duty if they did not place on record their appreciation of the invaluable contribution

made by the Member-Secretary, Shri Venkatesan, in the fulfilment of the Committee's task. It was because of his diligence, attention to detail, and methodical identification of the various problems and the timely involvement of the Committee in an effort to find solutions for them, that the Committee has been able to complete its work within the time limit enjoined on it. In the Committee's deliberations also, Shri Venkatesan's unobtrusive but highly apposite intervention, based on study as well as experience, was an important factor in enabling of Committee to come to meaningful conclusions on a variety of matters. Thanks are also due to Shri Raghavan, who ably performed the duties of the Member-Secretary during the absence on leave of Shri Venkatesan.

7.8 We would also like to express our deep appreciation of the able leadership given by Shri S. Subramanian, as Chairman of our Committee, as well as of his continued interest and valuable suggestions after he had relinquished the Chairmanship.

7.9 The submission of this report marks the end of our work. We are happy that a Committee like ours, being fairly large and representing various sectors and shades of opinion, has been able to work in an atmosphere of complete cordiality and mutual understanding. The attitude of the Committee as a whole was to consider all viewpoints and reach a solution satisfactory to all, and we hope that our recommendations, reached in this manner, will be the more easily acceptable to Government.

Sd/- (P. D. KASBEKAR)
 Sd/- (R. V. LEYDEN)
 Sd/- (D. S. MULLA)
 Sd/- (R. C. SHAH)
 Sd/- (GULABCHAND G. SIRAJ)
 Sd/- (R. G. AGRAWAL)
 Sd/- (E. S. KRISHNAMOORTHY)
 Sd/- (M. PANCHAPPA)
 Sd/- (P. L. SAHGAL)
 Sd/- (C. BALASUBRAMANIAM)
 Sd/- (S. C. MUKHERJEE)

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Sd/- (K. K. DHAR)
Sd/- (C. P. JACOB)
Sd/- (RAM SARAN)
Sd/- (P. V. GUNISHASTRI)
Sd/- (S. G. RAO)
Sd/- (P. M. MUKERJI)
Sd/- (P. V. RAGHAVAN)
Sd/- (S. VENKATESAN)

NEW DELHI,
9TH FEBRUARY, 1968.

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APPENDIX I

(*vide* paragraph 1.1)

A—Resolution setting up the Tariff Revision Committee (incorporating subsequent amendments prior to the 1st February, 1966)

MINISTRY OF INTERNATIONAL TRADE

RESOLUTION

Customs Tariff

New Delhi, the 17th March, 1964

No. 10(8)/63-GATT.—The present structure of the Indian Customs Tariff follows, in its broad aspects, the League of Nations Draft Customs Nomenclature, prepared by the Sub-Committee of Experts of the Economic Committee of the League of Nations, set up in 1927. In the post-war period, new classifications and nomenclature of products have been evolved to suit the changed pattern of international trade. One of them is the "Brussels Tariff Nomenclature" prepared by the European Customs Union Study Group, 1955, which claims to have taken into account the common features of the tariff nomenclatures of the seventeen European countries which constituted the Group and also the latest technological and commercial developments. Another is the "Standard International Trade Classification" prepared by the United Nations Organization for compilation of national trade statistics on a uniform basis.

2. With the implementation of the successive Five Year Plans, considerable progress has been made in industrial and economic development leading to a substantial change in the composition and pattern of India's external trade. Both the Government of India and the business community have, therefore, felt the need for a detailed study of the present tariff with a view to revising it on modern lines and in a manner which, having regard to the pattern and composition of India's external trade, will be more appropriate. The need for a complete reform of the Indian Customs Tariff has also been stressed in the reports submitted by the various Committees and Commissions set up by the Government of India from time to time, the most recent among them being the Shri A. Ramaswami Mudaliar Committee. The Government of India have accordingly decided to appoint a Committee to conduct a comprehensive enquiry into the Indian Customs Tariff structure and to recommend the lines on which it may be revised and improved.

3. The Committee will consist of the following :

(1) Shri Subramanian, Indian Statistical Service.

Chairman

- (2) Shri P. Chentsal Rao, Secretary . Federation of Indian Chambers of Commerce & Industry, New Delhi
- (3) Mr. R. V. Leyden, M/s. Voltas Ltd., Bombay Associated Chambers of Commerce, Calcutta
- (4) Shri Y. A. Fazalbhoj, M/s. General Radio and Appliances Ltd., Bombay. All-India Manufacturers' Organization, Bombay
- (5) Shri Gulabchand G. Siraj, President All-India Exporters' Chamber, Bombay
- (6) Shri R. C. Shah, President . . All-India Importers' Association, Bombay
- (7) Shri M. Panchappa, Deputy Secretary Ministry of Finance (Department of Revenue) New Delhi
- (8) Dr. B. D. Kalelkar, Deputy Director-General (Engineering) Ministry of Supply & Technical Development (Directorate General of Technical Development), New Delhi
- (9) Shri G. Balasubramaniam, Deputy Secretary Ministry of Industry, New Delhi
- (10) Shri S. C. Mukherjee, Deputy Iron & Steel Controller Ministry of Iron & Steel, New Delhi
- (11) Shri S.P. Gugnani, Deputy Secretary Ministry of Mines & Metals, New Delhi
- (12) Shri S.D. Bhambri, Deputy Secretary Ministry of Petroleum & Chemicals, New Delhi
- (13) Shri J. Banerjee, Director, Export Assistance Ministry of Commerce (Export Promotion Organisation), New Delhi
- (14) Shri V. A. Padmanabhan, Special Officer (GATT & Tariff) Ministry of Commerce, New Delhi
- (15) Shri Ram Saran, Additional Economic and Statistical Adviser Ministry of Food & Agriculture, New Delhi
- (16) Dr. P. V. Gunishastri, Director (Review & Research) Tariff Commission, Bombay
- (17) Shri P. V. Raghavan, Director of Statistics. Office of the Chief Controller of Imports & Exports, New Delhi
- (18) Dr. S. G. Rao, Director-General Department of Commercial Intelligence & Statistics, Calcutta
- (19) Shri S. Venkatesan, Indian Revenue Service Member-Secretary.

4. The following will be the terms of reference of the Committee :—
- (1) To examine the present structure of the Indian Customs Tariff (Import and Export) Schedule with reference to the composition of products and pattern of India's import and export trade.
 - (2) In the light of the examination made under item (1) and having regard to the international developments and changed pattern of trade, to recommend whether the Import Tariff Schedule should be based on the Brussels Tariff Nomenclature or other international nomenclature or whether India may continue to have its separate Import Tariff Schedule after necessary improvement.
 - (3) To advise the Government of India regarding the lines on which the Customs Tariff Schedule should be revised, with particular reference to the need for—
 - (a) the creation of additional tariff items for articles of recent development and of commercial importance;
 - (b) revision of the classification of machinery, iron and steel and textiles in the context of the changed pattern of trade; and
 - (c) provision for assessment of parts of articles.
 - (4) To recommend suitable amendments to the classifications and nomenclature of the Export Tariff Schedule.
 - (5) To review the substantive provisions of the Indian Tariff Act, 1934, Tariff (Amendment) Act, 1949 as well as other relevant legislations and to recommend modifications or amendments required in respect of them.
 - (6) To make such other recommendations as may seem germane to the objective of the enquiry.
5. The Committee is not required to go into the question of the rates of duty applicable in respect of individual products or the different classes of products and it will not be concerned with the level of duty applicable under the Customs Tariff.
6. The Committee may coopt members as may be necessary from time to time.
7. The Committee will submit its report to the Government of India within *one year from the date of its appointment.

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned.

ORDERED also that the Resolution be published in the Gazette of India, for general information.

C. S. RAMACHANDRAN,
*Joint Secretary to the Government of
India.*

*Subsequently extended upto 28th February, 1966 by resolution No. 10(8)/63-GATT, dated the 25th June, 1965.

B—Resolution referring the Import Trade Control and Central Excise Tariff Schedules to the Committee and Resolution on the Committee's composition.

MINISTRY OF COMMERCE

RESOLUTION

**Customs Tariff, Import Trade Control and Central Excise Tariff
Nomenclature**

New Delhi, the 1st February, 1966

No. 1(54)TRC/66.—In modification of the Resolution of the late Ministry of International Trade No. 10(8)/63-GATT, dated the 17th March, 1964, the Government of India have decided to entrust the Tariff Revision Committee with the revision of the Import Trade Control Schedule and the Central Excise Tariff Schedule.

2. Accordingly, the aforesaid Resolution shall be further amended as indicated below :—

- (1) For the words "Customs Tariff", appearing as the subject of the Resolution, the following words shall be substituted:—

"Customs Tariff, Import Trade Control and Central Excise Tariff Nomenclature".

- (2) In paragraph 4, after sub-paragraph (5), the following sub-paragraphs shall be inserted:—

"(5A) to examine the classification of commodities in the Import Trade Control Schedule and make recommendations for its revision, taking into account in particular :—

- (a) the proposed Import Tariff Schedule and the need for consistency between the interpretation of the Tariff and the Import Trade Control Schedules;
- (b) the need for correlation of the Import Trade Control Schedule with the statistical classification of commodities in the import and export trade, so as to facilitate the framing of Import Trade Control policy in greater detail.

(5B) to scrutinize the nomenclature adopted in the Central Excise Tariff Schedule (viz. the First Schedule to the Central Excises and Salt Act, 1944), and to suggest suitable amendments thereto; in doing so, the Committee will:—

- (a) examine the desirability of achieving a closer alignment between the Customs Import Tariff Schedule and the Central Excise Tariff Schedule with a view to
 - (i) ensuring as far as practicable, uniformity in the interpretation and administration of the two Schedules, and
 - (ii) facilitating the removal of doubts and difficulties in the levy of countervailing duties;
- (b) examine also the question whether, and to what extent, the Central Excise Tariff Schedule can be aligned, for statistical purposes, with the system adopted for the maintenance of statistics of import and export trade."

(3) The following sentence shall be added at the end of paragraph 5 :—

“Similarly, the Committee will be concerned with the nomenclature and not with the rate structure as such of the Central Excise Tariff Schedule”.

(4) The following words shall be added at the end of paragraph 7.—

“or such extended period as Government may decide.”

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned.

ORDERED also that the Resolution be published in the Gazette of India, for general information.

A. V. VENKATESWARAN,
Joint Secretary to the Government of India.

MINISTRY OF COMMERCE

RESOLUTION

New Delhi, the 15th April, 1966

Customs Tariff, Import Trade Control and Central Excise Tariff Nomenclature

No. 1(54)-TRC/66.—In partial modification of the Resolution of the late Ministry of International Trade No. 10(8)/63-GATT, dated the 17th March, 1964 (as amended), the Government of India have decided to re-constitute the Tariff Revision Committee on the basis of the new terms of reference of the Committee as contained in the amending Resolution of the Government of India in the Ministry of Commerce No. 1(54)-TRC/66, dated the 1st February, 1966. The following amendment shall accordingly be made in the first mentioned Resolution dated the 17th March, 1964.—

After paragraph 3, insert the following as paragraph 3A.—

“3A. After the completion of the enquiry on the Customs Tariff, and for the purpose of the revision of the Import Trade Control Schedule and the Central Excise Tariff Schedule, the composition of the Committee shall be as follows :

1. Shri S. Subramanian, Indian Statistical Chairman
Service
2. Mr. R. V. Leyden, M/s. Voltas Ltd., Associated Chambers of Commerce of India, Calcutta
Bombay.
3. Shri D. S. Mulla All-India Manufacturers' Organization, Bombay
4. Shri Gulabchand G. Siraj All-India Exporters' Chamber,
Bombay

5. Shri R. C. Shah, President . . . All-India Importers' Association, Bombay
6. Dr. R. G. Agrawal, Deputy Secretary Federation of Indian Chambers of Commerce and Industry, New Delhi
7. Shri E. S. Krishnamoorthy . . . Ex-chairman, Central Board of Revenue
8. Shri K. Narasimhan, Officer on Special Duty Ministry of Finance, (Department of Revenue and Insurance), New Delhi
9. Shri P. L. Sahgal, Industrial Adviser Ministry of Supply & Technical Development (Directorate General of Technical Development), New Delhi
10. Shri C. Balasubramaniam, Deputy Secretary Ministry of Industry, New Delhi
11. Shri S. C. Mukherjee, Deputy Iron & Steel Controller Ministry of Iron & Steel, New Delhi
12. Shri S. P. Gugnani, Deputy Secretary. Ministry of Mines & Metals, New Delhi
13. Shri A.P. Verma, Deputy Secretary . . . Ministry of Petroleum & Chemicals, New Delhi
14. Shri Ram Saran, Additional Economic and Statistical Adviser Ministry of Food & Agriculture, New Delhi
15. Dr. P. V. Gunishastri, Secretary . . . Tariff Commission, Bombay
16. Shri P. V. Raghavan, Director of Statistics of Office of the Chief Controller, Controller of Imports & Exports, New Delhi
17. Dr. S. G. Rao, Director-General . . . Department of Commercial Intelligence & Statistics, Calcutta
18. Shri S. Venkatesan, Indian Revenue Service Member-Secretary

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India for general information.

S, BANERJEE,

Deputy Secretary to the Government of India

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE
RESOLUTION

**Customs Tariff Import Trade Control and Central Excise
Tariff Nomenclature**

New Delhi, the 26th September, 1967.

No. 1(54)/TRC/66.—In modification of the Resolution of the Government of India in the late Ministry of International Trade No. 10(8)-63-GATT, dated the 17th March, 1964 (as amended), the Government of India have decided that Shri P. D. Kasbekar, Chief Controller of Imports and Exports, shall be the Chairman of the Tariff Revision Committee for the purpose of revision of the Import Trade Control Schedule.

2. Accordingly, the aforesaid Resolution shall be further amended as indicated below :—

After the existing paragraph 3A, *insert* the following as paragraph 3B.

“3B. Shri S. Subramaian shall cease to be the Chairman of the Committee after the submission of its report on the Central Excise Schedule. Shri P. D. Kasbekar, Chief Controller of Imports and Exports, New Delhi, shall thereafter be the Chairman, until the submission of the Committee's report on the Import Trade Control Schedule.”

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India for general information.

Sd. (S. BANERJEE)

Deputy Secretary to the Government of India.

APPENDIX 2

(vide paragraph 1·1)

List of Members of the Tariff Revision Committee (as reconstituted)

- | | |
|---|--|
| 1. Shri P. D. Kaskebar, C.C.I. & E.,
(From 1-9-1967) | <i>Chairman</i> |
| 2. Mr. R. V. Leyden | Associated Chambers of Commerce & Industry of India, Calcutta |
| 3. Shri D. S. Mulla | All India Manufacturers' Organization, Bombay |
| 4. Shri Gulabchand G. Siraj | All-India Exporters' Chamber, Bombay |
| 5. Shri R. G. Shah, President | All-India Importers' Association, Bombay |
| 6. Dr. R.G. Agrawal, Deputy Secretary | Federation of Indian Chambers of Commerce and Industry, New Delhi |
| 7. Shri E. S. Krishnamoorthy | Ex-Chairman, Central Board of Revenue |
| 8. Shri K. Narasimhan, Officer on Special Duty (upto 31-8-1967) | Ministry of Finance (Department of Revenue & Insurance), New Delhi |
| Shri M. Panchappa, Secretary, Empowered Committee (from 1-9-1967) | |
| 9. Shri P. L. Sahgal, Industrial Adviser | Directorate General of Technical Development, New Delhi |
| 10. Shri G. Balasubramaniam, Deputy Secretary | Ministry of Industrial Development & Company Affairs, New Delhi |
| 11. Shri S. C. Mukherjee, Deputy Iron & Steel Controller | Ministry of Steel, Mines & Metals (Department of Steel), New Delhi |

12. Shri S. P. Gugnani, Director (upto 31-8-67) Ministry of Steel, Mines & Metals (Department of Mines & Metals), New Delhi
- Shri K. K. Dhar, Deputy Secretary
(from 1-1-1967)
13. Shri A. P. Verma, Deputy Secretary (upto 31-12-1966) Ministry of Petroleum & Chemicals (Department of Petroleum), New Delhi
- Shri K. G. Paranjpe, Deputy Secretary
(from 1-1-1967 to 31-8-1967)
- Shri C. P. Jacob, Supplies Officer
(from 1-9-1967)
14. Shri Ram Saran, Additional Economic & Statistical Adviser Ministry of Food & Agriculture, New Delhi
15. Dr. P. V. Gunishastri, Secretary . Tariff Commission, Bombay
16. Shri P. V. Raghavan, Director of Statistics Office of the Chief Controller of Imports & Exports, New Delhi
17. Dr. S. G. Rao, Director-General . Department of Commercial Intelligence & Statistics, Calcutta
18. Shri P. M. Mukerji (Co-opted at meeting of 3-9-1966) Retired Director-General, Commercial Intelligence & Statistics, Calcutta
19. Shri S. Venkatesan Member-Secretary

APPENDIX 3

(*vide* paragraph 1.3)

(*Questionnaire issued by the Committee*)

MINISTRY OF COMMERCE

Tariff Revision Committee

The attached questionnaire is designed to cover the enquiry in connection with the revision of the Import Trade Control Schedule, which has been entrusted to the Tariff Revision Committee by the Government of India, Resolution No. 1(54)TRC/66, dated the 1st February, 1966. The terms of reference of this further enquiry are as follows :

To examine the classification of commodities in the Import Trade Control Schedule and make recommendations for its revision, taking into account in particular :—

- (a) the proposed Import Tariff Schedule and the need for consistency between the interpretation of the Tariff and the Import Trade Control Schedules;
- (b) the need for correlation of the Import Trade Control Schedule with the statistical classification of commodities in the import and export trade, so as to facilitate the framing of Import Trade Control policy in greater detail.

2. In case you do not find it possible or necessary to answer all the questions, please give replies to only those questions on which you wish to offer your views.

3. The residual questions, generally those occurring at the end of each part, invite general views on the subject. It is assumed that in replying to these questions the overall framework of the terms of reference will be kept in view.

4. The Revised Indian Trade Classification (R.I.T.C.), and the Committee's Report on the Customs Tariff, containing the draft of a revised tariff schedule, are priced publications which can be obtained from the Manager of Publications, Government of India. Copies will be available for reference in the Public Relations or Enquiry Offices of the various regional units of the Import and Export Trade Control Organization.

5. The Committee would be grateful if the replies are typed on one side of the sheet and if replies to different parts are given separately. It would also be greatly appreciated if you could send 6 copies of your reply.

6. Please send your reply so as to reach the Secretariat of the Committee by the 15th November, 1966 at the following address :—

**Tariff Revision Committee,
Ministry of Commerce,
Room No. 562,
Udyog Bhavan,
NEW DELHI.**

Tariff Revision Committee

(*Questionnaire on Import Trade Control Schedule*)

Part A

(*Principles*)

1. In the light of the proposed revision of the Import Customs Tariff and the need for correlation of the I. T. C. Schedule with the Tariff Schedule as well as the Statistical Classification, which of the following alternatives would you prefer :—

- (a) An I.T.C. Schedule based on the Revised Tariff Schedule, but with further sub-divisions to provide for differences in licensing policy, and correlated to the R. I. T. C. ;
- (b) An I. T. C. Schedule based on the R. I. T. C. (some of the Code Nos. covering similar articles being merged together), with sub-divisions considered necessary to provide for differences in licensing policy, and correlated to the revised Tariff Schedule;
- (c) An I. T. C. Schedule which will be the same as the revised Tariff Schedule upto the level of the *main headings only*, sub-divisions being then made for purposes of licensing policy, following to the extent possible the distinctions in the R. I. T. C., and correlated to the R. I. T. C.; or
- (d) Any other formula?

Part B

(*Modifications and details*)

2. What are your suggestions for the amendment (whether by amplification, abridgement or otherwise) of the nomenclature of the Import Trade Control Schedule? Please confine your suggestions to the descriptions of the headings.

Suggestions may be classified according to the following broad groups of commodities :

- (a) Agricultural; Leather and Textiles; Miscellaneous,
- (b) Minerals; Chemicals; Drugs and Medicines,
- (c) Metals (including iron and steel), and manufactures thereof.
- (d) Machinery; Instruments; Vehicles; etc.

Part C

(*General*)

3. If a new I. T. C. Schedule is adopted, the quotas of established importers, which are related to the present Schedule, would have to be converted in terms of the new Schedule. Do you have any suggestions as to how this can be done?

4. Are there any other preparatory steps which you think should be taken for avoiding difficulties in the transition to a new I.T.C. Schedule?

5. Do you consider that it is important that the interpretation of similar headings in the Tariff Schedule and in the I. T. C. Schedule should be uniform? If so, what are the specific steps which you suggest in this connection?
6. Can you suggest any improvement in the procedure followed for resolving difficulties in the interpretation of the I. T. C. Schedule?
7. Do you have any other suggestions regarding matters germane to the revision of the I. T. C. Schedule?

General Explanatory Notes on the Questionnaire

Import Trade Control Schedule

Note : The significance of some of the terms used in the questionnaire and in these notes is as shown below :

Brussels Tariff Nomenclature (B. T. N.) A classification of goods evolved for tariff purposes, and now adopted by about 100 countries and territories as the basis of their tariffs. It is administered by the Customs Co-operation Council, which has its headquarters at Brussels. It is correlated to the S. I. T. C., Revised.

Standard International Trade Classification (Revised)—(*S. I. T. C. Revised*) A Classification of goods evolved for the purpose of trade statistics, and adopted by large number of countries for that purpose. It is administered by the Statistical Office of the U. N.

Revised Customs Tariff (R.C.T.) The draft customs tariff has been prepared by the Committee. It is based on the B. T. N., with necessary modifications to make it suitable for the needs of India. It is correlated to the R.I.T.C.

Revised Indian Trade Classification (R. I. T. C.) The classification used for compiling statistics of India's import and export trade. It is an amplified version of the S. I. T. C., Revised, with a few modifications.

Part A

(Principles)

Question No. 1

The classification of goods for import trade control purposes is contained in the "Import Trade Control Schedule" *i. e.* Schedule I to the Imports (Control) Order, 1955 issued under the Imports and Exports (Control) Act, 1947. The import policy for different types of goods is contained in the "Red Book" published by the Ministry of Commerce.

The Import Trade Control Schedule is divided into 6 parts, containing 602 headings. The 6 parts of the Schedule correspond to the division of functions between different licensing authorities in the past, and do not constitute a systematic classification of the goods. The Red Book follows broadly the same lines as the I. T. C. Schedule, but is in greater detail, to facilitate the framing of I.T.C. policy. It contains 1218 headings.

At the time of clearance of the goods, the Customs Appraising Officer determines the classification for purposes of duty as well as I.T.C. A proper alignment of the Tariff and I.T.C. Schedules would not only facilitate the work of the Appraiser, but also reduce the conflict and difficulties which would arise if there were two completely different classifications applied in connection with the clearance of goods.

The Committee has, in its report on the Customs Tariff, submitted a draft Tariff (R.C.T.), based on the B.T.N., suitably modified to meet the needs of India. If the I.T.C. Schedule were also based on the B.T.N., the task of aligning the Tariff and the I.T.C. Schedules would be simplified.

A suggestion has been made that the I.T.C. Schedule might be aligned with the R.I.T.C., which is used for compiling statistics of import and export trade. Since however the framing of I.T.C. policy is based largely on indigenous availability and manufacture, rather than on the volume of imports, it may not be of great importance to have the I.T.C. Schedule based on the R.I.T.C. Further, it has been pointed out that the framing of I.T.C. policy is done centrally and only at intervals, whereas the clearance of goods through the customs takes place every day at different ports, and does not admit of delay.

Any attempt at a full and perfect correlation of all the three classifications, namely the Tariff Schedule, the I.T.C. Schedule and the Statistical Classification, though attractive in theory, is likely to result in a very complicated and detailed I.T.C. Schedule, which moreover, would have to be revised frequently consequent on each revision of the Tariff Schedule or the R.I.T.C. In order to achieve correlation without too much complication, it has been suggested that the main headings in the Revised I.T.C. Schedule should be the same as the main headings in the Revised Tariff Schedule. The I.T.C. Sub-headings might then be framed as required for purposes of the licensing policy (without reference to the sub-headings which have been provided in the R.C.T. for duty purposes). The sub-headings could be correlated to the corresponding R.I.T.C. Code Numbers.

Part B

(Notifications and details)

Question No. 2

Suggestions may be made for the removal of ambiguities in the descriptions of the headings, and for any other changes in nomenclature which may be considered desirable. Wherever necessary the I.T.C. Schedule appended to the Import Control Order may be amplified in the light of the more detailed classification contained in the Red Book.

Part C

(General)

Question No. 3

In the process of framing a revised Schedule, some of the headings in the present Schedule would be broken up or reshuffled. A particular article or a group of articles, now falling under one heading in the I.T.C. Schedule, may fall under one or more headings in the Revised I.T.C. Schedule, and those headings may also include some other articles. The question would then arise how to express the quotas at present admissible to established importers, in terms of the Revised Schedule. Whatever the method followed, it would have to be ensured (a) that there is no reduction or loss of any importer's quota as a result of the revision of the nomenclature, and (b) that there is no question of quotas having to be refixed on the basis of individual importations and bills of entry.

The problem is limited in scope, as it affects only the "Established Importers' items. An attempt can be made to provide corresponding headings/sub-headings for these Serial Numbers, so that each of them corresponds exactly to one or more headings/sub-headings in the revised I.T.C. Schedule. If this can be done, the

conversion would be quite simple, as each existing quota would then become valid for all articles covered by the group of headings/sub-headings corresponding to the existing Serial Number.

If in any particular instance it is not found possible to provide corresponding headings/sub-headings in the manner mentioned above, other methods for expressing the existing quotas in terms of the new Schedule would have to be worked out.

Question No. 4

It may be desirable to circulate the revised Schedule to the public and the departments concerned a few months in advance of its introduction, so that they may get familiar with it in advance. A similar recommendation has been made by the Committee in regard to the revised Customs Tariff.

Question No. 5

If the I.T.C. Schedule is aligned with the Tariff Schedule, or even with the R.I.T.C., the wording of many of the corresponding headings would be similar. It would obviously lead to difficulties and confusion if different interpretations were given to the same expressions used in the two Schedules. Such a possibility however exists, because the two Schedules are operated by different authorities. Further, in the case of the B.T.N. explanations and rulings are issued by the Customs Co-operation Council at Brussels. The departments concerned would have to take steps to ensure that conflicting interpretations are not issued.

Question No. 6

Where the Customs authorities are of the view that a particular consignment is not covered by a valid licence, adjudication proceedings under the Customs Act, 1962, may be taken. In its report on the Customs Tariff, the Committee has suggested the setting up of tribunals for dealing with such cases at the stage of second appeal.

An important arrangement adopted for resolving doubts before penal action is taken is that of periodical meetings between the Customs and the I.T.C. authorities.

At each major port, officers of the Customs and the I.T.C. meet periodically in order to discuss doubts regarding whether a particular consignment is eligible for importation against the import licence produced. These meetings serve to clarify the intentions of the I. T. C. authorities, in the light of which it may be possible to take a lenient view even if the importation is held to be technically unauthorised. The responsibility for taking a final decision, which may involve the imposition of fines and penalties, is however that of the adjudicating customs officers.

Requests have been made from time to time that importers concerned should be allowed to be present at these meetings. At present this is not allowed, since these are regarded as informal consultations, the importers being given full opportunity for a hearing subsequently before the adjudicating customs officers, in case the licence is held to be inadmissible.

Fears have been expressed that if the concerned importers were allowed to appear before this Committee, its meetings would tend to assume the character of hearings before a tribunal, and the question of legal representation might arise; this might create difficulties and vitiate the adjudication proceedings of the customs officers if such proceedings have to be taken at a later stage.

APPENDIX 4

(*vide* paragraph 1.4)

List of bodies and persons who gave suggestions in reply to the Committee's Questionnaire

(In addition to those who replied to the general questionnaire, this includes those who sent their views and suggestions on specific points in response to requests by the Secretariat. The list does not include members of the Committee).

A. CHAMBERS, ASSOCIATIONS

1. The Associated Chambers of Commerce and Industry of India, Calcutta.
2. The Indian Merchants Chamber, Bombay.
3. All-India Importers' Association, Bombay.
4. Indian Electrical Manufacturers' Association, Bombay.
5. Motor Vehicles & Allied Industries, Association, Madras.
6. The Madurai Ramnad Chamber of Commerce, Madurai.
7. Indian Rubber Industries Association, Bombay.

B. GOVERNMENT DEPARTMENTS AND OFFICIALS

1. Shri S. P. Kampani, Director of Inspection (Customs & Central Excise), New Delhi.
2. Shri C. T. A. Pillai, Collector of Customs, Calcutta.
3. Shri G. S. Sawhney, Collector of Customs, Bombay.
4. Shri D. N. Kohli, Collector of Customs and Central Excise, Cochin.
5. Shri N. Mookerjee, Collector of Central Excise, Calcutta.
6. Shri M. C. Das, Collector of Customs, Alfandega, Panjim.
7. Shri E. C. Sanker, Joint Chief Controller of Imports & Exports, Madras.
8. Shri Amar Kanta Sen, Joint Chief Controller of Imports & Exports, Calcutta.
9. Shri K. Rajaraman, Joint Chief Controller of Imports & Exports (C.L.A.), New Delhi.
10. Miss P. Lal, Joint Chief Controller of Imports & Exports, Office of the Chief Controller of Imports & Exports, New Delhi.

11. Shri Raj Pal, Joint Chief Controller of Imports & Exports, Office of the Chief Controller of Imports & Exports, New Delhi.
12. Shri T. N. B. Nedungadi, Joint Chief Controller of Imports & Exports, Office of the Chief Controller of Imports & Exports, New Delhi.
13. Shri J. S. Bedi, Joint Chief Controller of Imports & Exports, Office of the Chief Controller of Imports & Exports, New Delhi.
14. Shri N. N. Chaudhary, Officer on Special Duty, Office of the Chief Controller of Imports & Exports, New Delhi.
15. Shri M. K. Punshi, Deputy Collector of Customs & Central Excise, Jaipur.
16. Shri N. N. Roychoudhury, Deputy Collector of Customs and Central Excise, Amritsar.
17. Shri P. Madhavan Nair, Deputy Chief Controller of Imports & Exports, Ernakulam.
18. Shri K. Jayaraman, Deputy Chief Controller of Imports & Exports, Panjim.
19. Shri O. N. Anand, Deputy Chief Controller of Imports & Exports, Bombay.
20. Shri D. D. Bhargava, Deputy Chief Controller of Imports & Exports, Kanpur.
21. Shri Jai Kishan, Principal Postal Appraiser (Customs), Foreign Post, New Delhi.
22. Shri M. Bapanna, Controller of Imports & Exports, Visakhapatnam.
23. Shri K. M. R. Menon, Controller of Imports & Exports, Pondicherry.
24. Shri P. J. Joshi, Controller of Imports & Exports, Rajkot.
25. Shri K. N. Kapoor, Controller of Imports & Exports, Jammu & Kashmir, Srinagar.
26. Shri S. Rajagopalan, Assistant Controller of Imports & Exports, Bangalore.

G. FIRMS

1. Escorts Limited, New Delhi.
2. Jyoti Limited, Baroda.
3. Metal Distributors Limited, Calcutta.

APPENDIX 5

(*vide* paragraph 1.5)

Membership of Policy Sub-committee and Import Trade Control Sub-committees

A. POLICY SUB-COMMITTEE

Terms of reference

To suggest to the Committee the lines on which the Central Excise Tariff Schedule and the Import Trade Control (I.T.C.) Schedule might be revised, having regard to the Committee's terms of reference, the suggestions in its Report on the Customs Tariff, the views expressed at the meeting of the Committee held on the 18th April, 1966, and other relevant factors.

Convener

Mr. R. V. Leyden, Associated Chambers of Commerce and Industry of India, Calcutta

Members

1. Shri E. S. Krishnamoorthy, Ex-Chairman Central Board of Revenue
2. Shri R. C. Shah, President, All-India Importers' Association, Bombay
3. Shri D. S. Mulla, All-India Manufacturers' Organisation, Bombay
4. Dr. R. G. Agrawal, Deputy Secretary, Federation of Indian Chambers of Commerce & Industry, New Delhi
5. Shri K. Narasimhan, Officer on Special Duty, Ministry of Finance (Department of Revenue & Insurance), New Delhi
6. Shri P. V. Raghavan, Director of Statistics, Office of the Chief Controller of Imports & Exports, New Delhi
7. Shri S. Venkatesan, Member-Secretary, Tariff Revision Committee, New Delhi
8. Shri P. M. Mukerji, Retired Director-General, Department of Commercial Intelligence & Statistics, Calcutta
9. Shri S. R. Minocha, Deputy Chief Controller of Imports & Exports, Office of the Chief Controller of Imports & Exports, New Delhi

B. IMPORT TRADE CONTROL SUB-COMMITTEE

Terms of Reference

- (1) to evolve the draft of the portions of the new Import Trade Control Schedule relating to the commodities falling within their purview, keeping in view the principles already approved by the Tariff Revision Committee, and taking into account the views of trade representatives conversant with the commodities, and concerned Government departments including the Customs and Import Trade Control authorities, as also the replies received in response to the questionnaire of the Committee.
- (2) to advise the Tariff Revision Committee on any other matter relating to the commodities falling within the scope of the Sub-committees, which might be referred to them by the Committee or its Secretariat.

The membership of the four I.T.C. Sub-committees is given below :—

1. Sub-committee for Agricultural, Leather and Textiles and Miscellaneous articles.

(Covering R.C.T. chapters 1 to 24, 41 to 46, 50 to 67, 71, 72 and 94 to 100)

<i>Convener</i>	<i>Members</i>
Shri K. Narasimhan, Officer on Special Duty, Ministry of Finance (Department of Revenue & Insurance), New Delhi.	<ol style="list-style-type: none"> 1. Dr. R. G. Agrawal, Deputy Secretary, Federation of Indian Chambers of Commerce & Industry, New Delhi 2. Dr. S. G. Rao, Director-General, Department of Commercial Intelligence & Statistics, Calcutta 3. Shri P. L. Sahgal, Industrial Adviser, Directorate General of Technical Development, New Delhi 4. Shri P. V. Raghavan, Director of Statistics, Office of the Chief Controller of Imports & Exports, New Delhi 5. Shri Ram Saran, Additional Economic & Statistical Adviser, Ministry of Food, Agriculture, Community Development & Co-operation, New Delhi 6. Shri S. Venkatesan, Member-Secretary, Tariff Revision Committee, New Delhi 7. Shri K. Raja Raman, Joint Chief Controller of Imports & Exports (C.L.A.), Office of the Chief Controller of Imports & Exports, New Delhi 8. Shri I. B. Dutt, Industrial Adviser, Textile Commissioner's Office, Bombay 9. Shri Jai Kishan, Principal Postal Appraiser, Foreign Post Office, New Delhi—(Member-Secretary)

2. *Sub-committee for Minerals, Chemicals, Drugs and Medicines*

(Covering R.C.T. chapters 25 to 40, 47 to 49 and 68 to 70)

Convener

Shri E. S. Krishnamoorthy, Ex-Chairman, Central Board of Revenue

Members

1. Shri C. Balasubramaniam, Deputy Secretary, Ministry of Industrial Development & Company Law Affairs, New Delhi
2. Shri S. P. Gugnani, Director, Ministry of Steel, Mines & Metals (Department of Mines & Metals), New Delhi
3. Shri K. G. Paranjpe, Deputy Secretary, Ministry of Petroleum & Chemicals (Department of Petroleum), New Delhi
4. Shri P. L. Sahgal, Industrial Adviser, Directorate General of Technical Development, New Delhi
5. Shri P. V. Raghavan, Director of Statistics, Office of the Chief Controller of Imports & Exports, New Delhi*
6. Shri S. Venkatesan, Member-Secretary, Tariff Revision Committee, New Delhi
7. Shri E. C. Sanker, Joint Chief Controller of Imports & Exports, Madras
8. Shri C. Parthasarathy, Chemical Examiner, Madras
9. Shri M. V. S. Prakasa Rao, Inspecting Officer, Ministry of Finance, (Department of Revenue & Insurance), New Delhi—(Member-Secretary)

3. *Sub-committee for Machinery, Instruments, Vehicles etc.*

(Covering R.C.T. chapters 84 to 93)

Convener

Shri R. C. Shah, President, All-India Importers' Association, Bombay

Members

1. Shri G. G. Siraj, All-India Exporters' Chamber, Bombay
2. Shri D. S. Mulla, All-India Manufacturers Organization, Bombay

3. Shri S. P. Gugnani, Director, Ministry of Steel, Mines & Metals (Department of Mines and Metals), New Delhi
4. Shri P. L. Sahgal, Industrial Adviser, Directorate General of Technical Development, New Delhi
5. Dr. P. V. Gunishastri, Secretary, Tariff Commission, Bombay
6. Shri P. V. Raghavan, Director of Statistics, Office of the Chief Controller of Imports & Exports, New Delhi
7. Shri S. Venkatesan, Member-Secretary, Tariff Revision Committee, New Delhi
8. Shri N. H. Nagarwalla, Joint Chief Controller of Imports & Exports, Bombay
9. Shri M. M. Punwani, Principal Appraiser, Tariff Revision Committee, New Delhi—(Member-Secretary)

4. Sub-Committee for Metals

(Covering R.C.T. chapters 73 to 83)

<i>Convener</i>	<i>Members</i>
Shri S. G. Mukherjee, Deputy Iron & Steel Controller, Calcutta	<ol style="list-style-type: none"> 1. Shri S. P. Gugnani, Director, Ministry of Steel, Mines & Metals (Department of Mines & Metals), New Delhi 2. Dr. S. G. Rao, Director-General, Department of Commercial Intelligence & Statistics, Calcutta 3. Shri P. L. Sahgal, Industrial Adviser, Directorate General of Technical Development, New Delhi 4. Shri P. V. Raghavan, Director of Statistics, Office of the Chief Controller of Imports & Exports, New Delhi 5. Shri S. Venkatesan, Member-Secretary, Tariff Revision Committee, New Delhi 6. Shri A. K. Sen, Joint Chief Controller of Imports & Exports, Calcutta

7. Shri P. M. Mukerji, Retired Director-General, Department of Commercial Intelligence & Statistics, Calcutta
8. Shri G. D. Binani, Binani Metal Works Ltd., Calcutta. } Representatives of Metal Trade (Local);
9. Shri Somnath Roy, Mahindra & Mahindra Ltd., Calcutta. }
10. Shri S. A. Sognani, Inspecting Officer, Ministry of Finance (Department of Revenue & Insurance), New Delhi
(Member-Secretary)

APPENDIX 6

(vide paragraph 1.6)

**List of bodies and persons who gave evidence before the Tariff
Revision Committee**

A. CHAMBERS, ASSOCIATIONS, ETC.

1. The Madras Chamber of Commerce, Madras.
2. The Southern Chamber of Commerce, Madras.
3. Andhra Chamber of Commerce, Madras.
4. Tamil Chamber of Commerce, Madras.
5. Motor Vehicles & Allied Industries Association, Madras.
6. The All-India Manufacturers' Organisation, Bombay.
7. The Indian Merchants' Chamber, Bombay.
8. Silk and Art Silk Mills Association, Bombay.
9. All-India Importers' Association, Bombay.
10. Indian Woollen Mills Federation, Bombay.
11. The Indian Cotton Mills Federation, Bombay.
12. Bharat Chamber of Commerce, Calcutta.
13. Engineering Association of India, Calcutta.
14. The Associated Chambers of Commerce & Industry of India, Calcutta.
15. The Bengal Chamber of Commerce, Calcutta.
16. Steel Re-rolling Mills Association, Calcutta.
17. Indian Chemicals Manufacturers' Association, Calcutta.
18. Bengal National Chamber of Commerce & Industry, Calcutta.
19. Bihar Chamber of Commerce, Patna.
20. Punjab & Delhi Chamber of Commerce & Industry, New Delhi.
21. Merchants' Chamber of Uttar Pradesh, Kanpur.

B. FIRMS

1. Lucas-TVS, Madras.
2. Metal Distributors Limited, Calcutta.

C. GOVERNMENT DEPARTMENTS

1. Shri E. C. Sanker, Joint Chief Controller of Imports & Exports, Madras.
2. Shri N. H. Nagarwalla, Joint Chief Controller of Imports & Exports, Bombay.
3. Shri I. B. Dutt, Industrial Adviser, Textile Commissioner's Office, Bombay.
4. Shri-G. Sankaran, Deputy Collector of Customs, Bombay.
5. Shri M. G. Abrol, Collector of Customs, Calcutta.
6. Shri A. K. Sen, Joint Chief Controller of Imports & Exports, Calcutta.
7. Shri R. Prasad, Collector of Central Excise & Land Customs, New Delhi.
8. Shri K. Rajaraman, Joint Chief Controller of Imports & Exports (C.L.A.), New Delhi.

APPENDIX 7

(vide paragraph 1.6)

List of [Evidence given Before the Committee on the Revision of the Import Trade]Control ; Schedule

[As the Committee was concerned with the revision of the Import Trade Control and also the Central Excise Schedule, points relating to both Schedules were raised during oral evidence. In the record below, references to Central Excise matters have been omitted: they will be found in the Committee's Report on the Central Excise Tariff].

Madras (23rd February, 1967)

Shri E. C. Sanker, Joint Chief Controller of Imports and Exports, Madras,

Shri Sanker thought that the revision of the I.T.C. Schedule and its alignment with the R.C.T. would be quite helpful. For a proper and satisfactory administration of Import Control and inter-change of Officers between the Import Control Wing and the Customs Wing would be necessary. This had taken place at the level of Joint Chief Controllers in the past. On the appellate side also the inter-change of officers would be useful and helpful so that appeals preferred by Importers/Exporters might be decided quickly. Questioned by Shri Siraj and Mr. Leyden, Shri Sanker agreed that at the periodical meetings, trade representatives could be associated when classification matters alone were discussed. It would not however be possible to associate them when other matters were discussed. Shri Sanker expressed the view that the appendices in the Red Book played an important part in the working of the Import Control mechanism. Streamlining of different parts of the Red Book might be necessary, but Shri Sanker was not in favour of doing away with the appendices.

Shri Sanker further pointed out that licences were issued according to allocation based on the classifications and descriptions indicated in the Red Book. In the event of differences over classification arising between the I.T.C. and the Customs at the time of importation, they were settled at the Weekly Meetings. To avoid different interpretations they were all co-ordinated at the Central Appeal Division in the C.C.I. & E.'s Office. Shri B. Sen, Collector of Customs, Madras, agreed with Shri Sanker's views regarding the revision of the I.T.C. Schedule in alignment with the R.C.T., so that both authorities could use the same language.

Lucas-TVS and Motor Vehicles and Allied Industries Association, Madras

The following witnesses representing the two Associations were examined :

1. Shri T. S. Ramamurthy . Lucas-TVS Association.
2. Shri K. R. Raghavan . Manager, India Motor Parts & Accessories Ltd., Madras.
3. Shri S. Govindaswamy . Secretary, Motor Vehicles & Allied Industries Association, Madras.

The witnesses agreed that the I.T.C. Schedule required revision and re-orientation and that it should be aligned on the basis of R.C.T. (which is now based on the international tariff nomenclature, viz. the B.T.N.).

The witnesses preferred the revision of I.T.C. and also its key i.e. the Red Book. There might not then be any problems of interpretation. Regarding classification problems the witnesses suggested that a representative of the trade should also be present at the periodical meetings when classification problems were discussed between the Customs and the I.T.C. authorities, as a number of doubts could then be decided on the spot satisfactorily.

The Madras Chamber of Commerce, Madras

Dr. B. V. Reddy represented the Madras Chamber of Commerce. Though the Chamber had no comments on the Questionnaire on the I.T.C. Schedule, they were in favour of the revision of the Schedule in alignment with the R.C.T.

The witness explained their activities in respect of the export of Madras handkerchieves, Bleeding Madras and import of chemicals etc. and said that no difficulty was experienced by them.

The Southern Chamber of Commerce, Madras.

The following witnesses representing the Chamber were examined :

1. Shri G. D. Damodaran.
2. Shri D. A. Rajan.
3. Shri V. K. Ranganathan.

Asked about the revision of the I.T.C. Schedule, the witnesses appreciated that the object of the Committee, to bring into uniformity all the three Schedules, namely the Import Trade Control, Central Excise and Customs Tariff Schedules, was quite laudable. In order to have uniformity, the I.T.C. Schedule should be aligned with the R.C.T.

Asked about the necessity to continue the Red Book, the witnesses said that because of it they were able to pin-point their difficulties and draw the attention of the authorities concerned to particular items and therefore it should continue.

Andhra Chamber of Commerce, Madras

The following witnesses representing the Chamber were examined :—

- 1, Shri V. P. Sarangapani.
2. Shri M. M. Rawal,
3. Shri M. S. Sambasivan.

Asked about their views regarding the revision of the I.T.C. and Central Excise Tariff Schedules, the witnesses stated that the I.T.C. Schedule was more important and that the revision of I.T.C. Schedule should be such as to align it with the R.C.T.

In the case of the Red Book there should be an improvement by examine the coverage of each entry and avoiding numerous notifications. The witnesses said that the Red Book could be effectively used in that case.

Tamil Chamber of Commerce, Madras

Shri G. K. Sanker represented the Tamil Chamber of Commerce.

The Chairman informed the witness that the Government had broadly accepted the Report on the revision of the Customs Import and Export Schedules and that the Committee's intention was now to align and correlate I.T.C. Schedule with the Import Tariff Schedule. He asked for the views of the witness about the approach of the Committee.

The witness stated that in the revision of the Import Trade Control Schedule the language should be simpler and understandable even to the common man. Detailed views in the matter would however be forwarded to the Committee by his Secretariat shortly with particular reference to the revision of the I.T.C. Schedule in alignment with the R.C.T.

Bombay (13th and 14th March, 1967)

Shri N. H. Nagarwalla, Joint Chief Controller of Imports and Exports, Bombay.

Shri Nagarwalla stated the weekly meetings between the Customs and the I.T.C. authorities were useful as they had enabled them to solve a good many problems, concerning the I.T.C. He saw no objection to the association of the trade with these meetings.

Regarding the revised I.T.C. Classification, Shri Nagarwalla observed that the correlation of the I.T.C. Schedule with the revised Customs Tariff (R.C.T.) should facilitate the clearance of imported consignments. While he did not expect any difficulty in the issue of licences under the new classification, he thought that problems might arise in connection with the fixation of quotas, particularly in cases where an item in the existing I.T.C. Schedule was divided into a number of items in the revised Schedule, as for example in the case of books and motor vehicle parts.

Shri Raghavan pointed out that the question of revising the quotas would not arise. As soon as the work of the Sub-committees was completed, a two-way index indicating the correlation between the present I.T.C. Schedule and the revised Schedule would be prepared. This would go a long way in overcoming the difficulties if any, during the transition period and also thereafter. It was quite possible that some of the items of the existing schedule would be split up into more than one item in the revised Schedule. In such cases the quotas would be re-fixed in terms of the revised I.T.C. Schedule instead of a single item of the existing schedule. In short, the only effect of the revised schedule would be that the I.T.C. numbers against which the quotas were now current, would be taken to have been fixed under the corresponding headings of the revised I.T.C. Schedule. All these questions would be examined as soon as the work of the four Sub-committees in drafting the schedule was finalised in consultation with the various Port Officers who had fixed the quotas. If necessary, and in order to avoid any difficulty in re-fixing the quotas, more sub-divisions would be created in the proposed revised I.T.C. Schedule to accommodate the quotas of the established importers.

Referring to the function of the Red Book, Shri Nagarwalla stated that it contained not only the policy including that for actual users but also the quota percentages and therefore this book was essential. However, the Red Book had become somewhat complicated in practical working as a result of the recent modifications made in the presentation. Shri Raghavan stated that it was proposed to revert to the old plan. Shri Nagarwalla replied in the negative when asked whether he had any objection to the size of the Red Book being reduced.

Regarding practical suggestions for inter-change of staff, Shri Nagarwalla stated that already customs officers were coming into the Import-Export Organization upto the Controller's level.

Asked about the usefulness of a new manual incorporating the various decisions of the Government on I.T.C. matters, Shri Nagarwalla stated that while it would certainly be helpful, he was not sure whether the labour involved would be commensurate with the result. Shri A. K. Roy, Collector of Central Excise, Bombay, added that some of the appendices in the Red Book were of a permanent nature and could go into the manual.

Shri I. B. Dutt, Industrial Adviser, Textile Commissioner's Office, Bombay.

Shri Dutt said that regarding I.T.C., the Textile Commissioner's office decided the policy of import of textile machinery and spare parts. His organization issued licences to about 500 manufacturers of textile machinery parts and components who were in the small-scale sector. It would be desirable if both the new and the old I.T.C. Schedules were used concurrently for two years. It would also be desirable to circulate the revised Schedule a few months in advance. A common nomenclature for Customs, I.T.C. and Central Excise would facilitate interpretation by the Customs, Import-Export and Excise authorities and also the statistical organizations and the concerned development departments. He suggested that the association of a technical officer of his organization with the Customs and the I.T.C. Department would be helpful in clarifying the intention of the policy makers. He also suggested that in the Red Book the corresponding item of the R.C.T. should be indicated.

Shri G. Sankaran, Deputy Collector of Customs, Bombay.

Asked for his views regarding the weekly meetings, Shri Sankaran stated that the Assistant Collectors and the appraisers took part in these discussions. In difficult cases which could not be decided at these meetings, the Custom House took up the matter with the I.T.C. authorities. Asked as to the proportion of the cases in which these disputes had been resolved in favour of the importer, Shri Sankaran said that he did not have the information available with him. However, it could be said that in a large number of cases the Joint Weekly Meetings had resolved disputes in favour of the importers. Regarding the suggestion that the views of the I.T.C. authorities in matters relating to the interpretation of the I.T.C. classification should be binding on the Custom authorities, Shri Sankaran said that while the views of the I.T.C. authorities would be entitled to the highest consideration, they could not be made binding on the Customs authorities so long as the ultimate responsibility of deciding whether an import was authorized or unauthorized rested with them (the Customs). The question before the adjudicating officer was really not one of ascertaining the intention of the policy maker but one of deciding whether the import was covered by the licence as it was issued. If the licence did not mention the article in exact terms it was within the jurisdiction of the Customs to say that it was not covered by the licence. But by and large the I.T.C. weekly meetings succeeded in arriving at some workable solutions, even though they might be of a temporary nature. Shri Sankaran did not think it would be helpful if the concerned importer was also associated with the weekly meetings. He stated that the importer always had a chance to express his views before a decision was taken. The discussion at the meeting might have a bearing solely on the intention of the policy maker and it might enlarge the area of dispute if the importer was also present. However, there might be no harm if he merely placed his views and retired. Regarding correlation of the Customs Tariff with the I.T.C. Schedule, Shri Sankaran said that the difficulty was to know exactly which were the corresponding items in the two Schedules.

Silk and Art Silk Mitts Associations, Bombay.

S/Shri D. A. Joshi and R. S. Raghavan represented the Association. The witnesses stated that anything that could be done to minimise their difficulties would be welcomed. They wanted the Customs Tariff and the I.T.C., Schedule to be improved for this purpose.

Asked how much they imported on the whole in a year, the witnesses stated that their total imports were of the order of about Rs. 13 crores comprising synthetic yarn and other types of yarn. Asked whether their imports were related to exports, the witnesses stated that with the devaluation of the rupee the position was that unless they made exports, they could not import. To another question they replied that among the art silk fibres they preferred polyester the most and desired its import to be allowed as much as possible. In regard to the difficulties in ascertaining the quality of the imported yarn, the witnesses stated that the difficulties could be solved if the officials of the Central Excise, the Customs, the Joint Chief Controller of Imports and Exports and the Textile Commissioner met together and evolved a satisfactory procedure. The witnesses also referred to the difficulty in finding out banned items from the Red Book and suggested that such items should be listed in detail.

All-India Importer's Association, Bombay.

The following witnesses representing the Association were examined :

- | | |
|-----------------------|------------------------------------|
| 1. Shri P. G. Vaidya | . Vice-President |
| 2. Shri C. S. Shah | . Honorary Secretary |
| 3. Shri K. K. Manseta | . Member of the Managing Committee |
| 4. Shri N. V. Shah | . Secretary |

Asked how best the present difficulties of the importers could be solved, the witnesses stated that the I.T.C. classification should be very clear and unambiguous. There should also be better co-ordination between the Customs and the I.T.C. authorities which alone would make the weekly meetings useful and effective. They referred to the difficulty in the interpretation of the expressions "laboratory glassware", and "scientific glassware", and of "tissue paper" which was used for packing and other purposes. They emphasized that the I.T.C. authorities should be entitled to interpret any licence issued by them and in particular to clarify whether any goods were covered by the licence description.

Their experience with the Customs was that the latter always looked for defects in the import licences and did not take a rational view. They reiterated the point made by them in their written memorandum that the importers had to pay heavy detention charges on account of delay in adjudging customs offences and that the Port Trust would not entertain claims for refund which were not substantiated within the prescribed time limit.

They were not satisfied with the existing appeal procedure under which appeals were decided by departmental officers and favoured the appointment of an independent tribunal to hear the second appeal or revision application.

The All-India Manufacturers Organization, Bombay

The following witnesses representing the organization were examined :

- | | |
|---------------------------|----------------------|
| 1. Dr. B. V. Bhoota | . Vice President |
| 2. Shri Firoz Baldiwala | . Honorary Secretary |
| 3. Shri P. L. Badami | . Secretary |
| 4. Shri S. P. Subramanian | . Joint Secretary |

The witnesses stated that they were concerned with the I.T.C. Schedule only as actual users. The real difficulty according to them arose in respect of the import of component parts on which the duty charged by the customs was higher than that on the complete machine. This discouraged the indigenous manufacture of goods. Regarding the suggestion for an independent tribunal to settle disputes, the witnesses stated that they would like to give some more thought to this question though *prima facie* this would be a welcome step. The Organization would send a written memorandum to the Committee on this subject.

Indian Woollen Mills' Federation, Bombay.

Shri G. Lobo, Assistant Secretary and Shri A. N. Y. Rao, Statistical Officer, represented the Federation.

The witnesses stated that the I.T.C. difficulties which arose were mostly due to the lack of proper classification in the I.T.C. Schedule. They desired raw wool, wool tops and shoddy wool to be properly defined in the revised I.T.C. Schedule. They also suggested the rationalization of the items relating to different types of woollen yarn. In view of the complex nature of the proposals, the Chairman asked the witnesses to furnish a written memorandum to the Committee through the Textile Commissioner who would add his comments thereon. The witnesses agreed to do so.

The Indian Merchants' Chamber, Bombay.

The following witnesses representing the Chamber were examined :

1. Shri D. S. Pendurkar
2. Shri N. Ramamoorthy
3. Shri N. A. Samanta
4. Shri V. M. Rangnekar

Asked how much time would be required for the trade to familiarise themselves with the new I. T. C. Schedule, the witnesses stated that for at least three years both the old and the new schedule should be in simultaneous operation. They also wanted both the old and the new classification to be given side by side in the various forms required to be filled up.

Regarding difficulties in the interpretation of licences, the witnesses stated that the joint meetings between the licensing authorities and the Customs authorities held at present for deciding classification matters should continue.

The Indian Cotton Mills Federation, Bombay

S/Shri R. L. N. Vijayanagar, P. V. Jois and M. P. Gajoria represented the Federation. They confined their remarks to the revision of the Central Exise Schedule.

Calcutta (3rd and 4th April, 1967)

Shri M. G. Abrol, Collector of Customs, Calcutta.

Shri A. K. Sen, Joint Chief Controller of Imports and Exports, Calcutta.

Shri Sen felt that it should be possible to have a common schedule for both Customs and I. T. C. purposes. On the question of inter-departmental meetings between the Customs and I. T. C. Authorities, Shri Sen felt that, while these could serve a useful purpose, the decision on the particular case should necessarily

be taken by the Customs Officer concerned who would naturally give a full opportunity to the importer to present his case. Shri D. R. Kohli, Collector of Central Excise, West Bengal, pointed out that the Customs Officer should be assumed to be reasonable, and so he would not ignore the recommendation of the I. T. C. authorities. Shri Abrol, Collector of Customs, Calcutta, also felt that a recommendation from the Chief Controller of Imports and Exports or the Joint Chief Controller of Imports and Exports should ordinarily be acceptable. He had no doubt that the Customs Department would respect such recommendations, if they came from the proper level of officers. It was not difficult for a party to approach a junior officer in either department and get a view which might be favourable to him, but might not be correct.

With reference to the suggestion that individual importers should be allowed to attend the inter-departmental meetings, Shri Abrol suggested that it might be preferable for an officer from the Import Trade Control Department to be present at the hearing before the adjudicating Customs Officer. This would enable the Import Trade Control authorities to present their point of view, and the importer would also be able to comment on any points which might rise in this manner. Shri Krishnamoorthy felt that this was a useful suggestion.

Another point raised was regarding the procedure for giving classification rulings on the I. T. C. Schedule. This related to rulings in general and not decisions on particular cases of dispute. In this connection Shri Abrol mentioned that about a year earlier the Central Board of Exise and Customs had been considering the possibility of setting up a Committee within the Board which would include representatives of the Customs, the C. C. I. & E., etc. Such a Committee could decide all classification cases.

A slightly different suggestion was that there should be a Classification Council at the centre, which could give the necessary rulings. Shri Abrol felt that copies of adjudication orders passed by the various Collectors should go to this Council so that it could issue rulings called for. He pointed out, however, that considering the level of seniority of the officers who were likely to constitute this Council it could not issue any ruling which would have the effect of overriding a specific decision of a Collector.

Shri Raghavan explained that action had already been taken to implement some of the suggestions made at the previous meetings of the Committee. For example, as desired by the Convener of the Machinery Sub-Committee, separate sub-headings had been provided for "Spare Parts and Components" under each Machinery heading in revising Chapter No. 84 (Machinery) of the I. T. C. Schedule. This was found necessary because of the mounting importance of statistics of such parts and components, especially in import substitution programme and because there was a distinctive policy for their import. The question of defining shoddy wool precisely in the Red Book as suggested in the Bombay Meeting was also under consideration. As suggested by some of the Associations in their evidence, the Committee might also consider whether it should take up in addition the work of re-writing the Red Book in terms of the Revised I. T. C. Schedule, after which the work of writing the Red Book could be done by the C. C. I. & E.'s Organisation at the time of announcement of the policy.

Metal Distributors Limited, Calcutta.

Shri R. Balachandran represented the Metal Distributors Limited.

The witness stated that there should be similarity in the descriptions contained in the I. C. T. and I. T. C. Schedules. He also mentioned that no duty or I. C. T. concession was being allowed in respect of goods imported on hire. The Chairman pointed out that this was not a classification problem.

Bharat Chamber of Commerce, Calcutta.

The following witnesses representing the Chamber were examined :

1. Shri R. L. Maheshwari
2. Shri M. L. Gupta
3. Shri L. N. Das Gupta
4. Shri S. N. Chatterjee

As regards the settlement of I. T. C. disputes, the witnesses favoured the continuance of the system of recommendatory letters being sent by the I.T.C. authorities to the Customs. The witnesses were inclined to think that settlement of disputes between the trade and the I.T.C. authorities was not different in nature from that of disputes between the trade and the Customs or the Excise authorities.

The witnesses agreed with Shri Balasubramaniam that I.S.I. specifications should be enforced on small scale industries also.

As regards the Red Book, they suggested that the I.T.C. Hand Book, now being published separately, should be merged with the Red Book. The witnesses agreed in principle that there should be alignment between the I.C.T. and I.T.C. Schedules. However, they emphasised that certain of the definitions in the draft Chapters, for example that of copper, should be improved.

Arising out of the discussion, Shri Raghavan suggested that the drafting of the headings in the Red Book should also be done by the Committee. Shri Sen thought that it would be helpful if the Committee recommended that the I.T.C. Order should define clearly what was meant by the C. I. F. value for purposes of Import Trade Control.

Engineering Association of India, Calcutta.

The following witnesses representing the Association were examined :

1. Shri S. C. Mukherjee
2. Shri A. S. Purohit
3. Dr. R. D. Vidyarthi
4. Shri S. N. Lal

As regards the periodical meetings between the Customs and I. T. C. authorities, the witnesses replied that whether or not the importer was allowed to attend they should be attended by Customs and I. T. C. officials of sufficiently high status.

Associated Chambers of Commerce & Industry of India, Calcutta.

The following witnesses representing the Chamber were examined :

1. Shri T. K. Mukherjee
2. Shri C. V. Schunker
3. Shri Amit Sen

(The witnesses also represented the Bengal Chamber of Commerce).

The Chairman explained briefly the lines on which the Committee had been working.

The witnesses were in general agreement with the Committee's approach as seen from the draft chapters circulated to them. They particularly liked the section relating to electrical equipment. Asked whether disputes would be minimized in case the main headings in the I.T.C. and Customs Schedules were the same, the witnesses stated that this would definitely be the case.

As regards their views on the machinery for resolving I.T.C. classification disputes, in reply to Shri Shah's question on a Central Classification Council, the witnesses welcomed the idea but added that importers' representatives should also be associated with, or should at least be permitted to attend, the meetings between the I.T.C. and Customs authorities.

In a note submitted to the Committee, the Associated Chambers had put forward the idea of a "component-oriented" classification. On a point raised by Shri Sahgal regarding the danger of deliberate misclassification, the witnesses offered to send a supplementary note on the subject.

The witnesses expressed the view that the revised Customs Tariff and the revised I.T.C. Schedule should be introduced simultaneously to avoid difficulties. They were further of the opinion that the Red Book should be comprehensive and should include all goods including those which were banned.

Steel Re-rolling Mills Association, Calcutta.

The following witnesses representing the Association were examined :

1. Shri S. Banerjee
2. Shri A. K. Sen.

They had no views to express regarding the revision of the I.T.C. Schedule.

Indian Chemicals Manufacturers' Association, Calcutta.

The following witnesses representing the Association were examined :

1. Shri C. D. Thacker
2. Shri A. N. Ray
3. Shri K. Subramanyam

The Chairman explained the background to the Committee's work. In particular, he mentioned the questions regarding settlement of disputes, the shape of the Red Book, and the type of personnel required for implementing the revised I.T.C. classification.

The witnesses stated that the revised I.T.C. Schedule should follow the Revised Customs Tariff (R.C.T.). They did not find the Red Book quite easy to follow, and suggested that it should be brief and without much repetition. Regarding classification disputes, the witnesses suggested that the interpretation of headings in the Tariff Schedule and the I.T.C. schedule should be done by a common authority like a Committee consisting of officials of the Customs and Import Trade Control, which could meet periodically for the purpose. Its decisions should be compiled item-wise. They were of the view that representatives of the trade and industry should be on the Committee. They were also in favour of a tribunal.

The witnesses suggested that a representative of the trade should be allowed to be present at the weekly meetings between the I.T.C. and the Customs authorities. He would represent the trade in general and not any particular importer. The witnesses were also of the view that the Customs authorities should always

follow the recommendation of the Import Control authorities as regards any particular case. As regards imports of chemicals, machinery, etc. the witnesses suggested that classification disputes could be resolved on the basis of advice from technical experts like chemists or engineers.

Bengal National Chamber of Commerce and Industry, Calcutta.

The following witnesses representing the Chamber were examined :

1. Rai Bahadur D. N. Mookerjee
2. Shri Netai Lal Dutta
3. Shri B. C. Sen
4. Shri A. R. Dutta Gupta

The witnesses agreed that the revised I.T.C. Schedule should be aligned with the Revised Customs Tariff (R.C.T.) at the level of main headings.

They were in favour of the idea of a tribunal, and stated that an independent tribunal should be the final authority for deciding disputed points. As regards the weekly meetings between the Customs and the Import Trade Control authorities, the witnesses urged that the importers concerned should be present at the meetings so that they might be in a position to appreciate the decisions taken at these meetings.

Patna (8th April, 1967)

Bihar Chamber of Commerce, Patna.

Shri D. P. Sharma represented the Chamber. Asked whether the Chamber had at any time faced difficulties in the matter of classification of articles, Shri Sharma stated that his own concern was mainly manufacturing Ayurvedic medicines for which raw materials like mercury had to be imported. For this purpose, the individual manufacturer had to register his name with the D.G.T.D. In case the manufacturer was not borne on the records of D.G.T.D., he had to obtain the necessary permission from the Director of Industries of the State and forward his application to the Joint Chief Controller of Imports and Exports, Calcutta, for obtaining import licence against the essentiality certificate issued by the Director of Industries. He mentioned that there was delay in the issue of import licence in the latter case. Asked whether he had faced any difficulty in getting the requisite quantity of raw materials, Shri Sharma stated that in respect of a large number of items, actual users not on D.G.T.D's list were not getting import licences while those borne on the list of D.G.T.D. got their full quota. This resulted in an increase in the manufacturing charges of individual items. He further stated that manufacturers in highly industrialised States like West Bengal, got a greater quantity of raw materials, while manufacturers in Bihar and U. P. got a quantity according to the ceiling of imports from particular countries. He pleaded that this discrimination should be removed.

Regarding the question of formation of a tribunal, Shri Sharma stated that his Chamber was not in favour of it. He considered the present procedure of filing appeals to be quite adequate.

Asked about difficulties in the clearance of goods from the Customs, Shri Sharma stated that no difficulties had been experienced by the Chamber in this regard.

New Delhi (12th April 1967)

Shri R. Prasad, Collector of Central Excise & Land Customs, New Delhi.

Shri K. Rajaraman, Joint Chief Controller of Imports & Exports, (CLA), New Delhi.

Shri Prasad stressed that the decisions arrived at during the weekly meetings between the Customs and I.T.C. authorities should be compiled and circulated to all the Customs Houses, in order to ensure uniformity in taking decisions.

Referring to the I.T.C. Schedule, particularly on the question of interchange of staff between the Customs and I.T.C. Departments with a view to promoting greater understanding and efficiency, Shri Rajaraman stated that such a proposal had already been made and was under consideration. Shri R. Prasad, Collector of Central Excise, Delhi, felt that though this was desirable in principle, it should not lead to difficulties on the question of seniority etc. It was explained that the intention was to treat such interchanges as merely training arrangements and not as durable postings.

The Chairman mentioned the suggestion that it might be advantageous to base the I.T.C. classification on the statistical classification. The Collectors of Customs had, however, been in favour of alignment with the R.C.T. as this would facilitate clearance. Shri Prasad agreed with this view but said that he would prefer to stop at the main heading level. Shri Mulla mentioned that views favouring correlation with the statistical classification had been expressed by the Deputy Collector of Central Excise, Amritsar, and the Principal Postal Appraiser, Delhi. The Chairman pointed out that the views of the Collector of Central Excise, Delhi, who was in overall charge, would naturally be taken as more conclusive in the matter.

Finally the Chairman enquired what period would be necessary for familiarizing the trade with the revised schedule. Dr. Rao felt that the period required would be about six months.

Punjab and Delhi Chamber of Commerce and Industry, New Delhi.

The following witnesses representing the Chamber were examined :

1. Shri Santosh Nath
2. Shri H. J. Mirchandani

As regards the I.T.C. Schedule, the witnesses stated that it should be aligned with the R.C.T. and the nomenclatures should conform to the uniform standards applicable all over the world. A difference in nomenclature could lead to a misunderstanding between Indian and foreign traders, and might lead to a costly mistake on the part of the Indian trader, who might for instance have wanted a particular variety of wires and cables but might have received an entirely different one. They stressed that the I.T.C. and Central Excise Schedules should be made simpler and uniformity ensured to the utmost extent possible. The Chairman invited the witnesses to send in writing the particulars of headings which had led to difficulties.

Asked for their views regarding the machinery for the quick settlement of disputes in I.T.C. and Central Excise matters, the witnesses felt that disputes should be resolved by a panel or tribunal composed of Judges of the High Court or the Supreme Court so that the trade could be assured of an independent and impartial judgment. The tribunal could however be assisted by experts, including persons from the trade.

Asked about the functional composition of their Chamber, the witnesses stated that roughly 60% of their members were importers and the rest manufacturers. They agreed that as between manufacturers and importers there might be different ways of looking at the same problem even in respect of classification and the like.

Merchants' Chamber of Uttar Pradesh, Kanpur,

The following witnesses representing the Chamber were examined :

1. Shri J. V. Krishnan
2. Shri Naval Kishore

The Chairman explained briefly the lines on which the Committee had been thinking of revising the I.T.C. and Central Excise Schedules. The witnesses were mainly interested in I.T.C. They stated that there was a great demand on the part of their members for information on Government rules and regulations, and any compilation of decisions on I.T.C. would be assured of a good sale. They agreed generally with the Committee's approach, that the revised I.T.C. Schedule should be aligned with the Revised Customs Tariff (R.C.T.) at the level of the main headings. They however stressed that sufficient time should be given to the public to get adjusted to the new Schedules. The Chairman informed the witnesses that the draft I.T.C. Schedule was likely to be ready by the end of the year, and that the Chamber would be given a further opportunity to comment on the revised Schedule in so far as it related to items of interest to them.

Asked for their views on the machinery for resolving I.T.C. disputes, the witnesses were in favour of setting up a one-man tribunal. It was suggested that there should be at least two tribunals, in Bombay and Calcutta.

APPENDIX 8

(*vide* paragraph 1.7)

Resolution on the Report on the Customs Tariff

MINISTRY OF COMMERCE

RESOLUTION

New Delhi, the 6th October, 1966

No. 3(15)-TRC/66.—The Government of India in the Ministry of International Trade appointed, on March 17, 1964, a Tariff Revision Committee under the chairmanship of Shri S. Subramanian to conduct a comprehensive enquiry into the structure of the Indian Customs Tariff, to recommend the lines on which it might be revised and improved, to examine the related enactments and to suggest the necessary amendments thereto. The Committee, which included representatives of trade interests and the concerned Government Departments, was primarily concerned with the question of tariff nomenclature and description (as apart from the rate structure of the tariff).

2. The Committee has since submitted its final Report on the Customs Tariff. After examining the possible alternative classifications the Committee has recommended that the Revised Import Tariff should adopt the broad structure of the Brussels Tariff Nomenclature (BTN) with such contractions and expansions as might be necessary in the light of India's trade pattern development needs and other factors, and that in the matter of expansion, *i.e.*, opening of sub-headings, reference should be freely made to the Revised Indian Trade Classification (R.I.T.C.).

3. The revised Import and Export Tariff Schedules drafted by the Committee are contained in Part II of its Report. In presenting the draft Import Schedule, the Committee has indicated how it could be further simplified if certain minor adjustments in import duty can be made. It has also observed that some of the changes which it has recommended for the purpose of rationalization would require the concurrence of countries with which India has trade or tariff agreements. In addition, the Committee has made a number of other recommendations on connected matters falling within its terms of reference.

4. Government generally agree with the Committee's main conclusions indicated above. A very careful and detailed study of the draft Schedule would, however, be necessary before these recommendations can be implemented through

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appropriate legislation. Administrative steps would also have to be taken to prepare the trade as well as the Customs Administration for a smooth transition to the new Schedule. This process, which is bound to take some time, has already been initiated.

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned.

ORDERED also that the Resolution be published in the Gazette of India, for general information.

Sd/- B. N. BANERJI,
Special Secretary.

APPENDIX 9

(*vide* paragraph 2.5)

History of the Import Trade Control Schedule

In this note an attempt has been made to trace the history and evolution of the Import Trade Control Schedule. The note is not concerned with the policy or administrative aspects of import trade control, but these will be referred to briefly so far as is necessary to fill in the picture of the Schedule.

2. Import trade control started with a notification, dated 20th May 1940, issued under Rule 84 of the Defence of India Rules. The scope of the control was extended by stages. After the lapse of the Defence of India Rules in September 1945, the control was continued by the Emergency Provisions (Continuance) Ordinance, 1946, and ultimately by the Imports and Exports (Control) Act, 1947. The Act was initially valid for a period of 3 years, but it has been extended from time to time, and under the latest extension it is to be in force upto the 31st March, 1971. A number of amendments to the Act have also been made, although none of these has been substantial.

3. The administrative procedures have also undergone changes from time to time in the light of experience. To begin with, licensing was done by Import Trade Controllers appointed at the main ports. In August 1941 Chief Controller of Imports was appointed, but there were also other licensing authorities concerned with specific commodities (*vide* paragraph 8). From the 1st July 1943, import licensing was concentrated with the Chief Controller of Imports at New Delhi and a limited number of other authorities. In March 1952, the organizations of the Chief Controller of Imports and the Chief Controller of Exports were amalgamated, under a single Chief Controller of Imports and Exports. In 1966, the licensing of machine tools was transferred from the Directorate-General of Technical Development to the office of the Chief Controller of Imports and Exports.

4. Section 3(1) of the Imports and Exports (Control) Act empowers the Central Government to prohibit, restrict or otherwise control the import of goods of any specified description. The authority for import licensing rests in an order, namely the Imports (Control) Order, 1955, made by Government under this Section (read with Section 4A, which authorises the levy of fees). This Order covers all goods, subject to the exceptions mentioned therein. Although it is now fully comprehensive (except for a few articles like currency and bullion) this was not the position to begin with. The practice initially was to specify some selected commodities and make them subject to import control. The present Schedule is a consolidated and amplified version of the various lists compiled in this manner from time to time.

5. The statement below shows briefly the contents and nature of the different parts of the Schedule :—

Part No.	Number of items and sub-items	Licensing authority initially	Licensing authority at present	Nature of articles covered
I	99	Steel Import Controller, Calcutta.	For (i) Steel Import Controller, Calcutta.	(i) Iron and Steel and manufactures thereof.
			For (ii) C.C.I. & E., New Delhi, and Regional I.T.C. authorities.	(ii) Non-ferrous metals and manufactures thereof.
II	219	Deputy Chief Controller of Imports, Calcutta.	For (i) to (iv) Regional I.T.C. authorities. For (v) Joint Chief Controller of Imports and Exports, Calcutta.	(i) Metals and manufactures thereof, other than those covered by parts I, IV, V and VI of the I.T.C. Schedule. (ii) Engineering stores, such as ball bearings, small hand tools, precision and measuring tools, abrasives and belting. (iii) Certain types of electrical instruments, apparatus and appliances, electric control and transmission gear, electric fans and earthenware/porcelain used in electrical articles and installations. (iv) Transport materials. (v) Machinery, spares, and mill stores required for certain industries like jute, tea, iron and steel, electric supply undertakings, mines and quarries.

III	55	Deputy Chief Controller of Imports, Bombay.	For (i) Regional I. T. C. authorities. For (ii) to (iv) Joint Chief Controller of Imports and Exports, Bombay.	(i) Coal-tar dyes and derivatives. (ii) Certain chemicals and auxiliaries used in the textile industry other than jute and hemp. (iii) Raw cotton. (iv) Textile machinery and parts and millstores for the textile industries other than jute and hemp.
IV	449	Regional Import Trade Controllers	Regional I.T.C. authorities	Consumer goods
V	333	Chief Controller of Imports, New Delhi.	Regional I.T.C. authorities.	Industrial requirements such as certain classes of machinery, chemicals, manures, paints and colours and printers materials, printing and lithographic materials, agricultural implements, instruments and apparatus and appliances, plastic materials and manufactures.
VI	1	Machine Tool Controller, Deptt. of Technical Development.	C.C.I. & E., New Delhi and Regional I. T. C. authorities.	Machine tools

NOTE.—The licensing of certain specific articles falling within the different Parts is concentrated with the office of the C.C.I. & E., New Delhi.

6. The first notification on Import Trade Control was the Notification No. 1-ITC/40, dated the 20th May, 1940 of the Government of India in the late Department of Commerce. This notification covered 68 items, mainly consumer goods. It included a Schedule in which the corresponding import customs tariff item number was given against each entry. In most cases the wording of the entry was identical with that of the corresponding item in the I.C.T. as in force in 1940.

7. The scope of import trade control was extended by stages as shown below:—

- (a) **Steel.**—Imports of unmanufactured and semimanufactured steel were brought under control through Notification No. 25-ITC/40, dated the 31st December, 1940. The Schedule to this Notification contained 13

entries. While some of the terms used were those appearing in the I.C.T. as then in force, there was no attempt to correlate the entries with the I.C.T. items. A steel Controller was appointed in Calcutta for issuing licences for these articles.

- (b) **Machine Tools.**—Imports of machine tools were brought under control by the Machine Tool Control Order issued by the late Department of Supply under Notification No. 38, dated the 15th February, 1941. The Schedule to the notification contained 21 Sections specifying different types of machine tools; these were not correlated to items in the Customs Tariff. The licensing authority for the articles specified in the order was the Machine Tool Controller.
- (c) **Other articles.**—Practically all descriptions of imported articles were brought under control through Notification No. 56-ITC/41, (which superseded the notification dated the 20th May, 1940). The Schedule to the new notification was in two parts. The articles in Part 'A' were to be licensed by regional Import Trade Controllers, while the articles in Part 'B' were to be licensed by the Chief Controller of Imports or any other authorised officer. Part 'A' was substantially an expansion of the schedule to the notification dated the 20th May, 1940, and covered mainly consumer goods. Part 'B' covered articles such as chemicals and other raw materials; paints etc. in bulk; iron and steel, excluding the articles covered by the notification of 31st December, 1940; non-ferrous metals; hardware and machinery (excluding machine tools covered by the Machine Tool Control Order); instruments and apparatus; railway materials; aeroplanes and their parts. In each of the two parts, the entries were arranged in the order of the corresponding Import Customs Tariff item numbers, and the Schedule was preceded by a note assigning the same meanings to the entries as in the I.C.T., and the wording followed that in the I.C.T. Taken with the notification dated the 31st December, 1940 and the Machine Tool Control Order, the notification dated the 23rd August, 1941 covered practically the entire range of articles in the I.C.T. Changes in individual entries were, however, made from time to time in the year 1942, and the few articles that had so far been left out were brought within the scope of import trade control; for instance, the late Department of Commerce Notification No. 22-ITC/42, dated the 28th March, 1942, also covered aircraft and aircraft parts but provided for their being licensed by the Director of Civil Aviation.

8. As mentioned in paragraph 3, a number of other licensing authorities had been appointed to license particular articles of which they had expert knowledge, e.g. the Cotton Textiles Directorate for cotton textile machinery, the Director-General of Supply, New Delhi for mineral oils, rubber goods, etc. and the Director of Civil Aviation for aircraft parts. This wide dispersal of licensing powers led to confusion and administrative complexities. Accordingly, a consolidated notification No. 23-ITC/43, dated the 1st July, 1943 was issued, restricting the licensing function to a few authorities. Though this notification superseded the notifications dated the 31st December, 1940, 23rd August, 1941 and 28th March, 1942, the Machine Tool Control Order of the 15th February, 1941, was not superseded at that time and continued in force. The Schedule to the notification dated the 1st July, 1943 was divided into five parts (machine tools, falling under Part VI of the present Schedule, being added later on); these parts covered articles licensable respectively by the authorities mentioned in paragraph 5. In each part, the sequence of the I.C.T. was followed. Cross-references were given to the corresponding I.C.T. items and the wording was substantially the same as in those items. A note at the beginning of the Schedule assigned to the respective entries the same significance as in the I.C.T. Subsequently, machine tools were added as Part VI of the Schedule and the Machine Tool Control Order was cancelled.

9. The consolidated order called the Imports (Control) Order No. 17/55 was issued on the 7th December, 1955 in supersession of the notification No. 23-ITC/43, dated the 1st July, 1943 and other notifications. The Schedule to this Order (which is still in force) is basically the same as that to the notification dated the 1st July, 1943; however, the preamble to each Part in the 1943, notification, specifying the licensing authority concerned with that Part, has been omitted. Further, the procedural portion of the notification has been considerably amplified and the contents of separate notifications regarding the conditions to be imposed in licences, prohibition on the transfer of licences, and payment of fees, have been incorporated in the Order.

APPENDIX 10

(*vide* paragraph 3.23)

Specimen Draft of Section III, Part 'C' of the Red Book.

In the annexed statement, an attempt has been made to rewrite the entries contained in Section III, Part C of the Red Book for April, 1967—March, 1968, following the principles set out in the Section on "Quotas and quota certificates" in Chapter 3 of the Report. The notes which follow explain the entries in the different columns.

- Column No. 1 . gives the main or the only R.C.T. heading applicable.
- Column No. 2 . contains the revised description. As far as possible this specifies the goods which are actually allowed to be imported under the policy for the period April, 1967—March, 1968. Where the R.C.T. terminology differs from that in the I.T.C. Schedule, the former has been preferred.
- Column No. 3 . shows, for comparison, the existing description in the corresponding entries in the Red Book. In the new version this would show the actual policy as in Column No. 3 in the existing Red Book.
- Column No. 4 . bears the title "Explanation" in order to distinguish it from the present "Remarks" column in the Red Book. (These remarks, with amendments where necessary, will remain.) The "Explanation" column contains relevant information regarding the scope of the entry, the way in which the existing Red Book entry has been rewritten, etc. The Appendices referred to in this column on the various Appendices to the Red Book.

Heading No.	Revised Description	Present description and S. No. in the Red Book	Explanation
1	2	3	4
08.01	Dates	Dates [21(b)/IV]	These goods are at present being imported under special agreements with Iran and Afghanistan. The import of other fruits is not allowed and these have therefore been excluded from the revised descriptions.
08.03	Figs, fresh or dried .	Fruits, all sorts, excluding coco-nuts and cashewnuts, fresh,	
08.04	Fresh or dried fruits, the following :— Grapes, Abjosh, Raisins.	dried salted or preserved not otherwise specified and excluding dates :-	
08.05	Dry fruits, the following :— Almonds, Almonds kernels, Pista maghaz, Apricots, Apricot kernels, Chilgoza.	(i) Fruits, fresh, all sorts, n.o.s. excluding coco-nuts.	
08.05/09	Pomegranates and Alubokhara, fresh.	(ii) Fruits dried, salted or preserved all sorts, n.o.s. excluding dates, [21(a)/IV]	
12.07	Crude drugs for Ayurvedic and Unani medicines.	Drugs and Medicines. (87, 109/IV)	(1) This entry includes crude drugs for Ayurvedic and Unani medicines, falling within various headings, <i>vide</i> the lists annexed to Appendix 19. (2) Homoeopathic and other medicines, which are at present included in S. No. 87, 109/IV, but with separate quotas have been taken to heading Nos. 30.03 and 29.38/40 respectively.

1	2	3	4
22.04/06	Wine of fresh grapes, including vermouth and other wines flavoured with aromatic extracts; grape must, in fermentation or with fermentation arrested by the addition of alcohol or otherwise.	Wines (83/IV)	(1) Combined quota certificates will be issued to replace existing quota certificates under S. Nos. 82, 83, 84, 85 and 89/IV.
22.09	Brandy and whisky; liquors; bitters.	Brandy, Gin and Whisky. (84/IV) Spirits excluding essences containing spirit used for the manufacture of beverages, not otherwise specified in this Schedule. (85/IV) Bitters. [89(a)/IV]	
25.03	Non-processed elemental sulphur; non-refined recovered sulphur.	Non processed elemental/non refined recovered sulphur. [25(a)/VI]	Heading No. 25.03 (<i>viz.</i> Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur, and colloidal sulphur, covers sulphur of all kinds. Since only two specific types of sulphur are allowed to be imported the description has been restricted to cover only these permissible types.
28.42	Potassium carbonate .	Potassium carbonate.	(1) The scope of the entry is given in detail in Appendix 28.
28.43/45	Potassium Cyanide, Sodium Cyanide, and double Cyanide of Potassium and Sodium, other than free mixture of Potassium, Potassium Chloride, Potassium Carbonate etc.	Potassium Cyanide, Sodium Cyanide and double Cyanide of Potassium and Sodium other than free mixture of Potassium/Sodium Cyanide, Potassium Chloride, Potassium Carbonate. etc.	

1	2	3	4
28.59	Laboratory chemicals and reagents, namely all chemicals organic or inorganic, imported in packings not exceeding $\frac{1}{4}$ Kg. or $\frac{1}{4}$ litre and which can be identified with reference to their purity, marking or features, as meant for use solely as laboratory chemicals or reagents.	Laboratory and reagent chemicals except those specified in List III.	<p>(1) The scope of the entry is given in detail in Appendix 28.</p> <p>(2) There will be a joint quota and joint policy for these articles. Charges for fire extinguishers (heading No. 38.17) will also be included in the joint quota and policy.</p>
29.01/03	Trichloroethylene Dichlorodifluoromethane gas and its modified products used for refrigeration and air-conditioning purposes.	Trichloroethylene. Dichlorodifluoromethane gas and its modified products used for refrigeration and air-conditioning purposes.	The scope of the entry is given in detail in Appendix 28.
29.14/16	Nickel formate . . .	Nickel formate (All the above are shown against S. No. 22.31/V).	
29.38/40	Drugs and medicines, excluding homoeopathic medicines and crude drugs for Ayurvedic and Unani medicines.	Drugs and medicines. (87, 109/IV)	<p>(1) This entry includes drugs and medicines falling within different headings in Chapters 28, 29 and 30 and also within heading Nos. 33.05 and 35.01/06, <i>vide</i> the list in Appendix 19.</p> <p>(2) Crude drugs for Ayurvedic and Unani medicines, and homoeopathic medicines, which are at present included in S. No. 87, 109/IV, but with separate quotas, have been taken to heading Nos. 12.07 and 30.03 respectively.</p>

1	2	3	4
30.03	Homoeopathic medicines.	me-Drugs and medicines. (87, 109/IV)	Medicines other than homoeopathic, and crude drugs for Ayurvedic and Unani medicines, which are at present included in S. No. 87, 109/IV, but with separate quotas, have been taken to heading Nos. 29, 38/40 and 12.07 respectively.
31.02/05	Potassium Sulphate	Sulphate of Potash. [40(c)(ii)/V]	R. C. T. terminology has been adopted.
32.10/11	Artists's materials	Artists's Brushes including Hogs Hair brushes. [324(a)/IV] Water and oil colours. [34-37(b)/V]	This entry includes artists's materials falling within several headings, <i>vide</i> the list in Appendix 20.
37.01/02	(i) Cinematograph films, sensitised, unexposed.	Cinematograph films not exposed. [116/IV]	R. C. T. terminology has been adopted.
	(ii) X-ray films, unexposed.	X-ray films [302/IV]	Exposed X-rays films are not being imported and hence the heading provides for unexposed X-ray films only.
37.03/05	Photographic negatives and printing paper, unexposed, excluding X-ray films.	Photographic negatives and printing paper, excluding X-ray films. [303/IV]	This entry is not intended to cover exposed negatives or exposed printing paper, and hence the revised heading contains the word "unexposed".
37.06/07	Cinematograph films, exposed and developed.	Cinematograph films, exposed. [117/IV]	This entry is not intended to cover exposed but undeveloped cinematographic films and hence the revised heading provides for exposed and developed cinematographic films.
38.11	Charges for fire extinguishers.	Refills for fire extinguishers.	Please see remarks against heading 28.42.

1	2	3	4
40.12	Rubber contraceptives	Rubber contraceptives. [41(i)(4)/V]	
40.14	Rubber blankets (including mackintosh) for printing presses, including requirements of cloth processing machines viz. printing, sanforizing etc.	Rubber blankets (including mackintosh) for printing presses including requirements of cloth processing machines viz. printing, sanforizing etc. [68(a)/V]	
48.04/07	Stereo flongs . . .	Stereo flongs . . . [115/V]	This heading also covers stereo flongs falling within heading No. 48.01, namely, those which have been sized but not impregnated.
49.01/04	Printed books, booklets, brochures, pamphlets and leaflets, news papers, journals and periodicals, whether or not illustrated, children's pictures books and painting books, music, printed or in manuscript, whether or not bound or illustrated; maps and hydrographic and similar charts of all kinds, including atlases, wall maps and topographical plans, printed plans and drawings, for industrial, architectural, engineering, commercial, or similar purposes, whether original or reproductions on sensitised paper; manuscripts and typescripts covers for printed books.	Standard technical books or books of reference concerning law and legal practice, or for use in connection with medical practice, scientific research or industrial processes. [169/IV] Books printed including covers for printed books, maps, charts, and plans, proofs, music manuscripts and illustrations specially made for binding in books but excluding books falling under Serial No. 169 of this Schedule. [170/IV]	(1) This heading includes articles falling within R.C.T. heading Nos. 49.05 and 49.06 and also covers for printed books, falling within heading Nos. 42.02 and 48.10/21. (2) R. C. T. terminology has been adopted.

1	2	3	4
82·03	Garage tools . . .	Garage tools [275(b)/IV]	This entry includes garage tools falling within several headings, <i>vide</i> the list in Appendix 25.
84·01/02	<p>Spare parts of boilers and other machinery excluding parts of the following :—</p> <p>Machines for cutting, forming, abrading and polishing metals, wood, glass and plastics; refrigeration and air-conditioning machinery; lifting, handling, excavating and levelling machinery; printing machinery; textile machinery; and cinematographic machinery.</p>	<p>(i) Component parts as defined in import Tariff Item No. 72(3) of machinery specified in clauses (1), (2), (3) and (4) of S. No. 36/II and excluding those covered by S. No. 68/V of this Schedule. [36(5)/II]</p> <p>(ii) Component parts excluding hosiery needles as defined in Import Tariff item No. 72(3) specified in clauses (1), (2), (3) and (4) of S. No. 4 of Part III but excluding those covered by S. No. 68/V of this Schedule. [4(5)/III]</p> <p>(iii) Parts of machinery when required for industries and undertakings other than cinema and refrigeration and also other than spare parts of machinery falling under S. Nos. 65(1-4) (vii) (a) and (b)/V. [65(5)(iii)/V]</p>	<p>(1) This entry includes spare parts falling within different headings in Chapters 84, 85, 90 and also other headings including heading Nos. 59·17, 82·06 and 86·09. As a result of amendment but to the R.C.T. the entry will be covered by chapter 84 and the three other headings specified above.</p> <p>(2) For the scope of this entry please refer to Appendices 26, 35 and 79.</p> <p>(3) Quotas under S. Nos. 36(5)/II, 4(5)/III and 65(5)(iii)/V will be combined.</p>

1	2	3	4
84-06	(i) Spare parts of internal combustion diesel engines other than road vehicular type.	Spare parts of diesel engines other than for road vehicular type diesel engines. [30(f)/II]	(1) This heading also covers parts falling within head 84-10, 84-18, 84-63 and 85-08. (2) Description has been modified in accordance with the R.C. T. (3) Please refer to Appendix 26.
	(ii) Spare parts of internal combustion petrol and kerosene engines.	Parts of Petrol, Gas and Kerosene Engines. [31(b)/II]	(1) This heading also covers parts falling within heading Nos. 84-10, 84-18, 84-63 and 85-08. (2) The description has been slightly modified to indicate that it covers only spare parts. (3) The existing item has been split up into two parts, of which one part (spare parts of gas engines), has been taken over to heading No. 84-08. The existing quotas under S. No. 31(b)/II may be split up between heading No. 84-08 and the present heading as provided in paragraph 3-22(c)(ii) of the Report. (4) Please refer to Appendix 26.
84-08	Spare parts of gas engines.	Parts of Petrol, Gas and Kerosene Engines. [31(b)/II]	(1) The description has been slightly modified to indicate that the heading covers only spare parts.

1	2	3	4
			(2) The existing item has been split up in two parts, of which one part (spare parts of petrol and kerosene engines) has been taken over to heading No. 84·06. The existing quotas under S. No. 31(b)/II may be split up between heading No. 84·06 and the present heading as provided in paragraph 3·22 (c) (ii) of the Report.
84·09	Spare parts of mechanically propelled road rollers.	Power driven road rollers and component parts thereof. (29/II)	Only spare parts are allowed import. Description has been revised accordingly.
84·15	Spare parts of refrigerating and air-conditioning machinery other than domestic refrigerators.	Parts of Refrigeration and Air-conditioning machinery other than domestic refrigerators. [65(5)(ii)/V]	(1) This entry includes spare parts falling within different heading in Chapters 84, 85 and 90. As a result of amendment proposed to be made to the R.C.T. some of the parts will be shifted to this heading. (2) Please refer to Appendix 35 for non-permissible articles.
84·20	Spare parts of weighing machines.	Weighing machines and parts thereof. [92(c)/V]	(1) Only spare parts are allowed imports. The description has been revised accordingly. (2) The existing remarks in the Red Book will be amplified to indicate that the entry does not cover spare parts of ordinary letter balances, torsion balances etc. which do not fall within the existing S. No. 92(c)/V but which fall within this R.C.T. heading.

1	2	3	4
84-22	Spare parts of lifts	Parts of lifts. [70(ii)/V]	This heading also covers parts of lifts falling within heading Nos.84-63 and 85-02.
84-23	<p>Spare parts of the following :—</p> <p>Excavating, digging, scraping and leveling machinery (including shovels, excavators, graders, scrapers, all types of dozers, and drag-lines), vibrating soil compactors, vibrators, stone crushers, stone granulators, tar and bitumen boilers/sprayers, core drilling machines, concrete mixers, asphalt mixers, mortar mills, concrete screens, road forms, loaders, road tampers, spreaders and finishers, dumpers and dumper wagons not built on conventional chassis.</p>	<p>Spare parts of machinery falling under S. No. 65(1-4)(vii)(b)/V. [65(5)(ii)(a)/V]</p>	<p>(1) This heading includes spare parts falling within various headings in chapters 73, 84, 85, 87 and 90. As a result of amendments which are proposed to be made to the R.C.T. most of the headings in chapters other than Chapter 84 will be shifted to chapter 84.</p> <p>(2) Please refer to Appendices 26 and 35.</p>
84-24	<p>Spare parts of agricultural and horticultural machinery or tractor-drawn agricultural implements, for soil preparation or cultivation (for example, ploughs, harrows, cultivators, seed and fertiliser distributors).</p>	<p>Spare parts of agricultural tractors and for tractor drawn agricultural implements. [74(iii)/V]</p> <p>Parts of power driven agricultural machinery. [74(vi)/V]</p>	<p>(1) This entry includes articles falling within heading Nos. 82-06, 84-21, 84-23, 84-25 and 84-28.</p> <p>(2) R. C. T., terminology has been adopted.</p> <p>(3) Therevised description consists of (a) a part of existing I.T.C. S. No. 74(iii)/V, which includes parts of both agricultural tractors (now shown under heading No. 87-06) and tractor-drawn agricultural implements (retained here); and (b) the whole of existing I. T.C. S. No. 74(v)/V.</p>

1	2	3	4
84.24 (Contd.)			(4) The existing quotas under S. No. 74(iii)/V, will have to be split up between this heading and heading No. 87.06(i) as provided in paragraph 3.22(c)(ii) of the Report.
84.35 Spare parts of printing machinery and materials (but excluding rubber blankets, rubber hoses and rubber washers).	Component parts as defined in Import Tariff Item No. 72(3) of Machinery specified in clause (1) above (i.e. of S. No. 67(i)/V), excluding those covered by serial No. 68 of Part V of this Schedule. [67(2)/V]		(1) This heading includes parts falling within heading Nos. 84.32, 84.33 and 84.34 and also 42.04 and 72.32. As a result of amendments proposed to be made to the R. C. T., the parts now falling within heading No. 73.32 will be shifted to the other headings of Chapter 84 mentioned above. (2) Description has been modified to make the entry self-contained.
84.38 Spare parts of textile machinery other than those of jute and hemp textile machinery.	Component parts as defined in Import Tariff Item No. 72(3) of Machinery specified under S. No. 5(1)/III above, excluding those covered by Serial No. 68 of Part V of this Schedule. [5(2)/III]		(1) The entry includes spare parts of textile machinery falling under chapters 39, 42, 44, 48, 59, 69, 70, 71, 96 and other headings in Chapter 84. As a result of amendments proposed to be made to the R. C. T., the parts in chapters 39, 42, 44, 48, 69, 70, 71 and 96 will be shifted to this heading. (2) The scope of the entry given in detail in Appendix 69.

1	2	3	4
84-48	Spare parts of machines for cutting, forming, abrading or polishing metals, wood, glass and plastics, including standard or ancillary equipment.	Spare parts of permissible machine tools (Part VI).	(1) This heading includes parts of machines falling within chapters 84 and 85 and also within heading No. 90-22. (2) R. C. T. terminology has been adopted.
84-55	Spare parts of typewriters, excluding typewriter ribbons.	Parts of typewriters excluding typewriter ribbons. [286(b)/IV]	Minor change in the wording, to indicate that only spare parts are permitted.
85-01	Spare parts of motors and generators.	(i) Spare parts of motors. [32(e)/II] (ii) Spare parts of generators. [32(h)/II]	The quotas for spare parts of motors and spare parts of generators may be combined.
85-03	Hearing aid batteries.	Hearing aid batteries. [46-A(e)/II]	
85-20	Studio electric and projector bulbs.	Studio electric and projector bulbs. [38A(e)/II]	
85-24	Electric carbons	Carbons. [46(b)/II]	Minor change has been made in the description.
87-06	(i) Spare parts of agricultural tractors.	Spare parts of agricultural tractors and for tractor-drawn agricultural implements. [74(iii)/V]	(1) This heading includes specified parts at present falling within Chapters 84, 85 and 90. However, as a result of amendments proposed to be made to the R. C. T. all the parts would fall within heading No. 87-06. (2) The present I. T. C. S. No. 74(iii)/V has been split up into two. Spare parts of tractor-drawn agricultural implements will fall

1	2	3	4
87.06 (Contd.)			within heading Nos. 34, 24, where- as spare parts of agricultural trac- tors have been taken to the heading No. 87.06. Existing quotas under S. No. 74(iii)/V will have to be split up between the two headings as provided in para- graph 3.22(c)(ii) of the Report.
(ii) Spare parts of mo- tor vehicles.	Motor vehicle parts. [293, 295, 297/ IV].	(1) This heading in- cludes specified parts falling within chap- ters 73, 84, 85 and 90, and within head- ing Nos. 40.09, 70.01/08 and 83.01. As a result of amendments proposed to be made to the R.C.T. the parts will all fall within heading Nos. 87.06 and 87.12.	(2) Policy is given in detail in Appendix 26.
90.07 Photographic instru- ments, apparatus and appliances (other than cinema), all sorts, not elsewhere specified and spare parts thereof.	Photographic in- struments, ap- paratus and appliances other than cinema, all sorts, not otherwise specified and parts thereof. [305/IV]	This heading also co- vers articles falling within heading Nos. 90.01/02, 90.08, 90.09 and 90.10; films and plates, unexposed, falling within heading No. 37.01/02 but excluding X-ray films and other photogra- phic articles falling within heading No. 37.03/05 (but ex- cluding negatives, printing paper, and cinematograph films, exposed).	

1	2	3	4
90·08	Cinematographic machinery and equipment (including studio equipment, projectors and sound recorders for the production of cinema films) and parts thereof.	<p>(i) Sound and Projection Reproduction Equipment $\frac{1}{2}$ H.P. and above. [65(1-4) (ii) (i)/V]</p> <p>(ii) Sound and Projection Reproduction Equipment under $\frac{1}{2}$ H. P. [65 (1-4) (ii) (ii)/V]</p> <p>(iii) Film Studio Equipment. [65(1-4) (ii) (iii)/V]</p> <p>(iv) Spare parts of Sound and Projection Reproduction Equipment $\frac{1}{2}$ H.P. and above. [65(5)(i)(i)/V]</p> <p>(v) Spare parts of Sound and Projection Reproduction Equipment under $\frac{1}{2}$ H. P. [65 (5) (i) (iii)/V]</p> <p>(vi) Spares of Film Studio Equipment [65 (5)(i)(iii)/V]</p>	<p>(1) The heading also covers goods falling within heading Nos. 73·29, 85·14, 84·19, 85·20, 85·21, 90·10 and 92·11/13, <i>vide</i> the lists in Appendix 31.</p> <p>(2) The quota certificates under the various existing sub-items may be combined in due course.</p>
90·16	Slide rules	<p>(a) Slide rules.</p> <p>(b) Prismatic Compass.</p> <p>(c) Clinometer and other magnetic compasses.</p> <p>(d) Drafting machines.</p> <p>(e) Plane Table equipment Ordinary and Techometric.</p> <p>(f) Theodolites. [92(g)(2)/V]</p>	<p>The wording of the heading has been revised in view of the fact that licences are valid only for the import of slide rules.</p>

1	2	3	4
90·17/18	(i) Electro-medical apparatus and parts thereof including ultra-violet and infra-red lamps for medical treatment.	Electro-medical apparatus and parts thereof, not otherwise specified, including ultra-violet lamps and infra-red lamps for medical treatment. (79/V)	(1) This heading also includes goods falling within heading 85·20 and 90·20. (2) Please refer to Appendix 36.
	(ii) Medical, dental, surgical and veterinary instruments and apparatus (including ophthalmic instruments but excluding electro-medical apparatus); measuring, checking and precision instruments and apparatus (including scientific instruments) and other instruments and apparatus; parts of the above-mentioned instruments and apparatus.	(i) Instruments, apparatus and appliances and parts thereof, including cinematographic and parts thereof, other than electrical but excluding articles otherwise specified in schedule-others. [92(n)/V] (ii) Scientific and medical including surgical instruments, equipment and appliances and parts thereof made wholly / mainly of rubber and/or made wholly/ mainly of glass including laboratory glass-ware. [93-94(d)/V]	(1) The heading also covers goods falling within various headings in chapters 30, 34 40, 69, 70, 84, 85, 86, 90, 91, 92, and 94. Details of goods covered by this entry and allowed to be imported may be given in a new Appendix. (2) At present licences for instruments and apparatus under S. Nos. 92(n)/V, 93-94(d)/V, 93-94(c)/V, 93-94(f)/V, 93-94(j)/V are interchangeable. The quotas under these S. Nos. may be combined. The description of the sub-heading has been worded accordingly.
		(iii) Medical-including surgical instruments, equipment and appliances and parts thereof not made mainly of rubber and not made mainly of glass. [93-94(e)/V]	(3) Please refer to Appendix 54 for dental instruments, apparatus and appliances.

1	2	3	4
90-17/18 (Contd.)		(iv) Scientific instruments, equipment and appliances and parts thereof not made mainly of rubber and also not made mainly of glass. [93-94(f)/V]	(4) The desirability of having a separate entry for goods falling under S. No. 92(n)/V may be considered. The B. T. N. does not distinguish scientific instruments from others).
		(v) Dental instruments, equipment and appliances and parts thereof not otherwise specified. [93-94(j)/V].	
90-19 Hearing aids (including micro cardrum hearing aids) and spare parts thereof.		(i) Hearing aids and parts thereof. [78(i)/V] (ii) Micro Ear-drum hearing aids. [92(m)/V]	The quotas for the existing two types of hearing aids and parts may be combined.
91-01/11 Watches and spare parts thereof.		Watches and parts thereof. [308(d)/IV]	Description has been slightly modified to specify spare parts.

APPENDIX II
(*vide* Paragraph 4·2)

Selected Recommendations of the Study Team on the Customs Department

S, No,	Paragraph No. of Report	Purport of the Recommendations
1	3·9	Import licences may be released by Custom Houses promptly after registering debits even in cases of dispute.
2	3·36(e) (Part)	The description of goods on the licence should be specific, unambiguous and as wide as possible.
3	3(36)(f)	Licences should not be issued with conditions endorsed on them, the verification of which by customs after import is either difficult or time-consuming.
4	3(36)(g)	Once the Import Trade Control policy is announced mid-term changes should be avoided as far as possible.
5	3·38	At the pre-clearance stage the customs check may merely be to ensure that the goods are not prohibited and that their value is within the value limit of the licence, detailed scrutiny for licence validity being done after clearance.
6	4·3(i)	Expert panels of advisers from the trade should be set up.
7	4·12(b)	Compact units comprising both ITC and Customs officers should be set up for dealing with enquiries and completing licence check of bills of entry in advance of the landing of goods.
	4·12(d),(e)	A Joint Chief Controller in the C.C.I. & E.'s Office and a Dy. C.C.I. & E., in each of the Offices of the Jt. Chief Controllers of Imports and Exports should be designated for the specific purpose of attending personally to references from customs authorities pertaining to consignments under clearance.

1	2	3
9	4·12(f)	Condoning of infringements through issue of recommendatory letters to the customs authorities should be minimized by vesting maximum discretion with customs authorities.
10	4·12(1)	General licensing instructions and instructions for exercise of discretion and relaxation in announced policies should be compiled and distributed to all appraisers and above.
11	4·12(2)	Appraisers should take the initiative in applying the G.I.L.S. and relaxations wherever appropriate.
12	4·16	Separate adjudication cells with adequate complement of appraising and clerical staff should be set up in each Custom House.
13	5·11(c)	Subsidiary licences or release advices may be issued for clearance of goods at the airport.
14	6·10(ii)	Senior appraisers should be authorized to condone small excesses over prescribed I.T.C. limits with suitable safeguards against repeated infringements.
15	6·17(ii)	The clerical processes connected with adjudication should be simplified requiring only a single registration at the time of issue of show cause memo.
16	9·18(v)	On partial fulfilment of the terms of the bond, renewal of the bond for the reduced sum should be allowed.
17	9·18(vi)	The form of bond to be filed for different purposes should be standardized and printed.

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