

Question 1

Briefly discuss the provisions in respect of bonds for provisional assessment.

Answer

For the purpose of provisional assessment, B-2 Bond Surety/Security(General Bond) has been prescribed. The amount of the bond in Form B-2 should be fixed on the following basis:-

- (i) **If provisional assessment is likely to be completed within 3 months:** The amount of the specific bond in Form B-2 should be sufficient to cover the difference between the duty payable on provisional assessment and the probable duty payable if the highest rate/value applicable on such goods is applied for a period of 3 months.
- (ii) **If provisional assessment is not likely to be completed within 3 months:** However, if the provisional assessment is not likely to be completed within 3 months and longer time is required [for instance one year] the differential duty likely to arise during such period should be basis for determination of bond amount.
- (iii) **Determination of amount of security:** When the security bond is executed, the amount of security is generally fixed at 25% of the bond amount. However, in appropriate cases, for special reasons to be recorded, the proper officer may order for a higher security amount.
- (iv) **Consequences of death/insolvency or insufficiency of the surety/security:** The proper officer may demand fresh bond. In case of inadequacy of surety, additional security may be demanded by the proper officer.

Enforcement of the bond: If the assessee fails to make due adjustment within the period of 15 days of the final assessment, the proper officer may proceed to enforce the bond or encash the bank guarantee after due notice to the assessee.

Question 2

What are the various methods of making verification of sureties?

Answer

In respect of surety bonds, periodical verification [preferably on annual basis] is required to be made by the jurisdictional Central Excise Officer with a view to ensure that the relevant sureties are financially sound, solvent and alive. The enquiry to verify the financial stability of the sureties will be made by any of the **following methods:**

- (i) By reference to the surety's bankers.

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- (ii) By making personal enquiries and ascertaining whether the surety possesses a house or other immovable property, industrial equipment, shop etc. which would cover the bond amount. Alternatively, the sureties may themselves be asked to furnish a list of their property, which may be objectively verified.
- (iii) By reference to Revenue Officer not below the rank of Tahsildar or a Mamalakdar.

Question 3

Indicate the central excise authorities who can accept bonds executed for various purposes and obligations of exporter in respect of bond acceptance while filling in ARE-1 form.

Answer

Bonds may be accepted by any of the following officers:

- (i) Deputy/Assistant Commissioner of Central Excise having jurisdiction over the factory or warehouse or any other premises approved by the Commissioner for storing non-duty paid goods
- (ii) Jurisdictional Maritime Commissioner in case of exports or
- (iii) Deputy/Assistant Commissioner of Central Excise (Export) as officers authorized by the Board for this purpose.

Exporters are required to indicate on the ARE-1 the complete postal address of the authority before whom the bond is executed and to whom the documents are to be submitted for admission of proof of export.

Exercise

1. *What is a bond?*
2. *What are the various types of bonds?*
3. *Who can accept a bond?*
4. *What are the provisions of preservation of bond and retention of securities?*
5. *Briefly describe the provisions governing the execution of bonds by banks?*