



PMC Cell – MM

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Sub: Evasion of Custom Duty by companies through intended misuse of Essentiality Certificate (EC) issued by DGH against recommendatory letters (RL) issued by ONGC to companies.


Reference is invited to provisions under para 16.13.4 of Integrated MM Manual and also clause No. 8.3 & 15.6 at Annexure-II of standard contract conditions for Service Contracts & charter hire of rigs, wherein detailed provisions for import of material against zero Customs duty and utilization thereof has been stipulated.

A complaint has been received in DGH that in one of the cases of ONGC, the Customs Duty has been evaded by a contractor through intended misuse of EC issued against recommendatory letters of ONGC.

In this context, it is pertinent that DGH issues ECs on recommendation and undertaking of operators for import of goods, items or equipment by their subcontractors for use in petroleum operation and, therefore, it is operators' duty to monitor the intended use and movement of material. Furthermore, it is the operator who must intimate the concerned Customs authority regarding re-exportation upon completion/termination of the contract, failing which, as per undertaking given to custom authority by the operator at the time of importation, the operator is bound to pay any duty, fine, or penalty that may become payable, if any of the conditions of customs notification are not complied with by such subcontractor or contractors as the case may be.

In view of the above, all concerned are advised to comply with the rules pertaining to utilization of material imported against zero customs duty and also ensure that relevant contract conditions in this regard are strictly complied with by Contractors.

Above guidelines should be meticulously followed by all concerned.


(Anil Kumar Sachan)
ED-Chief MM Services

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3. CVO, ONGC, Jeevan Bharti Building, New Delhi.