

ISSUE III: BANK REALIZATION CERTIFICATE

Many exporters, of late, have received communication from the drawback department of the Chennai customers asking them to produce Bank's realization certificates certifying that they have realized payment from their customers abroad.

In the event of the exporter, either not realizing the payment from the customers or failure to obtain the said certificates from the bankers, the exporters are under obligation to repay the drawback obtained with interest calculated from the date of receipt of drawback from the department.

Drawback is duty remission scheme which rests on two fundamentals:

- a) The goods should leave the country on exports.
- b) Payment towards the same to be realized within the stipulated period by the Reserve Bank or as per terms of contract between the exporter and his customer.

The amount of drawback is credited to the accounts of exporters without waiting for the export proceeds to be realized; nevertheless the department routinely checks and asks for evidence to the effect that the payment has been realized. The evidence is nothing but Bank Realization Certificate (BRC).

As per appendix 22 A, there are many instances where exporters have indeed realized the payment, but do not process evident certifying that the payment has been received through normal banking channels. This amounts to no evidence although; they have indeed realized the payments. There will be no other alternative, but to pay the drawback obtained with interest back to the department.

There are many reasons for lack of evidence on the part of exporters: they would have switched banks, executives handling the issues would have left and what not.

So the lesson to be learned from the above is "BE PROACTIVE!" As soon as the payment is realized obtain certificate from the bank and keep it in file sufficient copies.