



DRI uncovers large-scale illegal use of SAFTA agreement in areca imports

Months long investigation reveals defrauding exchequer of over Rs. 2,500 crore (approx.); Rs. 75 lakh cash, 160 MT areca nuts seized (approx.); Nine arrested

Syndicates imported areca nuts into India from Indonesia, Thailand, Malaysia and other South-East Asian countries by mis-declaring country of origin as Bangladesh

Licence of Customs Broker firm responsible for clearance of most of the fraudulent imports of areca nuts suspended

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The Directorate of Revenue Intelligence (DRI), in a month-long intelligence-led operation, has dismantled a major network involved in importing South-East Asian areca nuts into India by falsely declaring them as Bangladeshi origin and fraudulently availing concessional duty benefits under the South Asian Free Trade Area (SAFTA). The investigation has so far revealed a potential revenue loss of more than Rs. 2,500 crore. Nine persons have been arrested in connection with the case.

The import of areca nuts into India attracts a Basic Customs Duty (BCD) of 100%. However, eligible imports of areca nuts made under SAFTA agreement are fully exempt from customs duty. The areca nuts originating from Bangladesh are entitled to exemption under SAFTA if imports meet the prescribed Rules of Origin criterion.



Intelligence gathered and developed by DRI indicated that certain syndicates were fraudulently claiming the SAFTA benefits on a very large scale on imports of areca nuts. While they were importing areca nuts originating and sourced from Indonesia, Thailand, Malaysia and other South-East Asian countries, they were mis-declaring the country of origin of areca nuts imported into India as Bangladesh.



Thereafter, simultaneous searches were conducted at multiple premises linked to importers, Customs Brokers and IEC holders in Kolkata and Visakhapatnam. Several incriminating documents and substantial evidences establishing the South-East Asian origin of Areca nuts were recovered. **DRI officers also recovered and seized around Rs. 75 lakh in cash, believed to be sale proceeds of the illegally imported goods. A live consignment of around 160 MT of areca nuts.**

The investigations so far have revealed huge scale of fraudulent imports of areca nuts in which exchequer has been duped of customs duty in excess of Rs 2,500 crore in recent years. The masterminds were facilitating the import of areca nuts from South-East Asian countries into one of the EPZ in Bangladesh and thereafter routing the goods to India merely changing containers and bags and passing them off as Bangladeshi-origin areca nuts. They had fraudulently obtained SAFTA Certificates of Origin from Bangladeshi authorities. The masterminds were charging substantial commissions from Indian importers for arranging the routing, documentation, clearance and transportation of the consignments and massive collection of payments in cash... The investigation has also brought to light the use of hawala channels and dummy entities for movement and layering of the financial proceeds.

Investigation has further revealed that one Customs Broker firm was particularly responsible for clearance of most of the fraudulent imports of areca nuts identified in the case. Consequent to the ongoing investigation by DRI, the **Customs Broker's licence has been suspended by the competent authority. Nine persons have been arrested so far in connection with the case.**

Such illegal imports adversely impact domestic areca nut growers and legitimate trade by creating unfair price distortion, and disrupting the level playing field for legitimate businesses. Besides causing huge loss to the Government revenue, these illegal activities also undermine regulated trade practices and economic security in the border regions.

With this operation, DRI has effectively disrupted a well-organised network involved in systematic mis-declaration of country of origin, fraudulent availment of SAFTA benefits and large-scale evasion of customs revenue.

SR/KMN

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