

EXECUTIVE SUMMARY

The Customs Compliance Report has seven chapters comprising 139 paragraphs with revenue implication of ₹ 1832.41 crore. Of these, in respect of 84 paragraphs, involving money value of ₹ 39.67 crore, the department/Ministry had taken rectificatory action in the form of issuing show cause notices, adjudicating show cause notices and effecting recovery of ₹ 10.88 crore.

Chapter I: Customs revenue

- Customs revenue as a ratio of GDP has been stagnant at around 1.7 percent.

{Paragraph 1.5}

- Exports have recorded a growth of 11.48 per cent while imports registered growth of 13.80 per cent during FY 13.

{Paragraph 1.6}

- Customs revenue of ₹ 11,835.91 crore demanded up to March 2013, was not realised by the department at the end of the FY 13. Of this, ₹ 2,468 crore was undisputed.

{Paragraph 1.19}

Chapter II: Duty exemption/Remission schemes

Revenue of ₹ 139.06 crore was due from exporters/importers who had availed of the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations/conditions. This chapter also includes one long paragraph on 'Promotional measures (Focus Product Scheme including Market Linked Focus Product Scheme)'.

{Paragraphs 2.1 to 2.5.2}

Chapter III Incorrect application of General exemption notifications

Duty of ₹ 89.31 crore was short levied due to incorrect application of exemption notifications.

{Paragraphs 3.1 to 3.7}

Chapter IV: Assessment of customs revenue

Audit detected incorrect assessment of customs Revenue totalling ₹ 86.53 crore. This chapter also includes one long paragraph on 'Refund of Customs Duty'.

{Paragraphs 4.1 to 4.10.2}

Chapter V: Mis-classification of goods

Duty of ₹ 20.70 crore was short levied due to misclassification of goods.

{Paragraphs 5.1 to 5.16}

Chapter VI: Management of Narcotic substances (DoR)

- **Manufacture, sale and export of the narcotic alkaloid extracts higher up in the value chain had the potential to provide exponentially higher economic returns to the poppy plantation, save foreign exchange in procuring poppy seeds in the traditional hinterlands, using modern technology, scientific research, efficient management structures, commercial models and international trade negotiations.**
- **There seemed no clear policy framework aiming at the twin objectives of revenue generation through sale of finished opium based pain relief chemicals and foreign exchange savings by indigenous production of opium seeds along with a commensurate incentive structure for the cultivators and drug producers.**

{Paragraphs 6.1 to 6.15}

Chapter VII: Thematic audit:

A. Disposal of seized and confiscated goods

The system of disposal of seized and confiscated goods by the department was characterized by lack of proper maintenance of records, inadequate quality of documentation, non-projection of targets, delays in adjudication as well as non-compliance with the prescribed guidelines resulting in delays in disposal of the goods, blockage of storage space and loss to the public exchequer.

{Paragraphs 7.1 to 7.18}

B. Import General manifest and Export General manifest

- **Audit noticed departure from the provisions of MCD manual in receipt of IGMs, in opening of Ship files, issue of LOC, timely receipt of OTR, non levy of penalty for short landed goods or clearance of un-manifested goods.**
- **The procedure for filing and closure of IGMs was not being scrupulously followed as per the codal provisions which may weaken the control over landing/movement of goods and collection of assessed duty/penalty.**

{Paragraphs 7.19 to 7.23}

C. Public and private bonded warehouses

- **Monitoring of the warehouses was weak and maintenance of records was improper. There was insufficient coverage of inspection/audit by Departmental officers and customs audit parties. Non-initiation of action under section 72 of the Customs Act, 1962 also resulted in blockage of large amount of Government revenue, which would inevitably turn into loss with the passage of time due to deterioration and loss of commercial value of goods.**
- **Unjustified extensions and lack of timely and effective action for preventing misuse of the facilities led to blockage of substantial revenue.**

{Paragraphs 7.24 to 7.30}