

## **CHAPTER III**

### **RE-EXPORT OF IMPORTED/RE-IMPORTED GOODS**

#### **3.1 Introduction**

Re-export is sending back goods imported for specific purposes like jobbing, execution of a contract, servicing/repairing of machineries, display in fair/exhibition etc. It also happens when indigenously manufactured goods were returned back after export and re-imported for repairing/reprocessing etc. due to reasons such as defective, not meeting buyer's requirement etc.

Various customs notifications were issued allowing duty exemption or duty concession on import of goods under different circumstances, provided such goods are re-exported within specified period. In order to ensure that the goods are re-exported, the importers are required to furnish bonds undertaking to pay duty exempted at the time of importation in the event of failure to comply with the condition to re-export goods within specified time. The bonds are cancelled when the importer had re-exported the goods and complied with the conditions of the notification. Follow-up action by Customs after such import is important till the cancellation of Bond. Failure to fulfill any of the conditions of the notifications entails payment of duty that was exempted or remitted at the time of import/re-import.

#### **3.2 Relevant Notifications/Provisions/Rules**

Section 69 of Custom Act read with Notification No. 46-Cus dated 01.02.1963 allows goods imported and warehoused but not cleared for home consumption to be re-exported without payment of duty.

According to section 74 of Customs Act 1962, when duty-paid imported goods are re-exported in used or unused condition within two years, the importer may claim refund of import duty up to maximum 98 % of the Customs duties paid at the time of importation as duty drawback. The rates of drawback for used goods and conditions thereof are prescribed in Notification No.19/65 dated 6-2-1965, as amended, and are governed by the Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995.

#### **3.3 Audit Objectives**

To ensure-

- (A) Compliance with the conditions of the notifications, relevant provisions under the Act, Rules and regulations
- (B) Re-Export Bonds are finalised without undue delay and without causing loss of revenue to the exchequer and

(C) Internal controls and monitoring mechanism are in place to guard against misuse of re-export notifications.

### **3.4 Scope and Coverage**

Out of the 94 Customs Commissionerates, Bills of Entry (BsE)/ Shipping Bills (SBs) and related records/documents pertaining to 36 Commissionerates (**Annexure 21**) covering the period from 2012-13 to 2014-15 (import upto June 2014) were selected for conducting audit on Re-export of Imported/re-imported goods.

Out of 36 Commissionerates selected, 34 Commissionerates provided the information sought by audit to varying extent and the remaining 2 Commissionerates<sup>31</sup> had not furnished any information.

Information on the aspects which were called for but was not furnished by the Commissionerates could not be incorporated in this report. Ministry may furnish the all India position from 2012-13 to 2014-15 to audit.

### **3.5 Sample Selection**

All Bills of Entry/Shipping Bills related to re-import/re-export cases with assessable value of above ₹ 15 lakh were selected; while 10 % of cases with assessable value less than ₹ 15 lakh were checked in audit.

### **3.6 Statistical information**

Out of the 60849 cases of imports/re-import made during the period from 2012-13 to 2014-15 through 34 Commissionerates under different notifications (referred in 1.1 above); Audit test checked 15950 cases (26.21%).

In the years 2012-13 the volume of Re-export cases in the 34 commissionerates was 4536 cases with money value of ₹ 2043 crore involving duty element of ₹ 336 crore while for the year 2013-14 it was 4751 cases with money value ₹ 3094 crore and duty element of ₹ 739 crore.

Audit pointed irregularities involving duty impact of ₹ 308.26 crore (including duty drawback) with assessable value of ₹ 1144.51 crore in only 700 cases where as several cases based on systemic lacuna, failure of internal controls, operational malfunctioning, deficiencies in ICES 1.5 & monitoring failures could not be not quantified because of incomplete information.

The table given overleaf furnishes details of number of cases test checked notification wise vis-a vis assessable value and duty involved in these cases.

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<sup>31</sup> NCH, Mangalore & ICD Patparganj.

**Table: Number of cases test checked and assessable value**

Notfn.	Total No. of cases	No. of cases where irregularities found	% of total	Total Ass. Value (₹ in lakh)	Ass value of cases with irregularities (₹ in lakh)	% of total	Total Duty involved (₹ in lakh)	Duty element of cases with irregularities. (₹ in lakh)	% of total
03/89	1599	102	6.38	37313.09	6074.8	16.28	3277.16	1492.05	45.53
157/90	1719	15	0.87	103097.35	896.66	0.87	47207.92	189.10	0.40
104/94	812	52	6.40	32942.73	1215.06	3.69	2201.49	304.71	13.84
134/94	119	2	1.68	1971.74	27.07	1.37	423.36	7.00	1.65
153/94	1253	34	2.71	20374.22	1536.94	7.54	2461.44	374.08	15.20
158/95	1571	132	8.40	67814.91	9067.25	13.37	8652.35	2332.83	26.96
32/97	1523	71	4.66	92801.87	1099.00	1.18	27347.69	256.17	0.94
27/08	396	165	41.67	17356.09	12073.39	69.56	4077.10	211.56	5.19
12/12	295	-	-	140038.80	-	-	11845.50	-	-
<b>Total</b>	<b>9287</b>	<b>573</b>	<b>6.16</b>	<b>513710.80</b>	<b>31990.17</b>	<b>6.23</b>	<b>107494.01</b>	<b>5167.50</b>	<b>4.81</b>

In the above table it was observed that maximum irregularities were found (41.7%) in case of Notification no. 27/08-cus with the condition that re export has to take place within three to eighteen months from the date of import subject to payment of corresponding prescribed percentage of duties (5 % to 40 %).

In three notification viz. 03/89 -cus, 104/94-cus and 32/97-cus, where unlimited extension power has been granted to AC/DC, out of 3954 cases test checked (assessable value of ₹ 1631 crore) with duty impact of ₹ 328 crore, irregularities were noticed in 225 cases (5.69%), involving assessable value of ₹ 84 crore (5.14%) with duty impact of ₹ 21 crore (6.25%).

In notification 32/97-cus, out of 1523 cases test checked involving assessable value of ₹ 928 crore with duty impact of ₹ 273 crore, irregularities were found in 71 cases (4.66%) involving assessable value of ₹ 11 crore (1.18%) with duty impact of ₹ 2.56 crore (0.94%).

In case of the notification 158/95-cus where re-export has to take place within a period of six months to three years from the date of import under specified condition, there was the highest value of duty impact (₹ 23 crore) in 132 cases with irregularities.

Further, 1035 cases where goods worth ₹ 379.18 crore with duty foregone amount of ₹ 98.35 crore under four Commissionerates (Mumbai zone I, II & III; Bengaluru) could not be examined due to non-production of records.

In case of Notification no. 12/12-cus details of imports made have not been provided to audit by the Commissionerates except ICD- Khodiyar, ACC-Bangaluru, Chennai(Sea), Cochin (Sea) and Mumbai-Import(I). While, NCH,Delhi and ICD,Tughlakabad commissionerates have not provided the records.

Ministry may like to review all the cases including the cases of non production of records.

### **3.7 Pendency of Bond finalization**

Bond management is obtained to adequately safeguard the customs duties, in the event of failure of the importer/exporter to meet the condition of the re-export/import of the goods. Audit noticed that Statistical reports/returns (monthly/quarterly/ annual) showing number of pendency of un-cancelled bonds, with value and duty forgone were not generated thereby impacting their monitoring by higher management in the field formation and the CBEC. Out of total 60849 cases (34 Commissionerates), total number of 22807 bonds (37.48%) remained un-cancelled in 29 Commissionerates; of which 3626 number pertains to the year 2012-13, 3342 in 2013-14 and 15839 in 2014-15. While, 1388 bonds prior to the period 2012-13 were also pending cancellation as on 31.03.2015. Thereby indicating that re-exports had not been made entailing recovery of duty benefits availed.

Notification- wise pendency of Bond finalisation and reasons for pendency in finalization could not be commented upon in view of improper/inadequate maintenance of records. In 19 Commissionerates where incomplete records exist, evidences of re-exports were not recorded in 433 cases involving duty of ₹ 52.20 crore.

A macro analysis of the bond management indicates inadequate internal control and laxity on part of the Commissionerates and its monitoring by the CBEC which may have imminent revenue implication.

Ministry may like to review all these cases and furnish the present status to audit.

### **3.8 Audit Findings:**

In all the 34 Commissionerates audited, monitoring mechanism and internal controls employed in managing re-export cases, bond cancellation etc. in compliance of re-import/re-export conditions involving exemptions and remissions are illustrated below notification wise.

### **3.9 Exemption to goods when re-imported into India for repairs or for reconditioning, re-processing, refining, remaking (Notification No. 158/95-Cus dated 14.11.1995)**

Notification no. 158/95-cus dated 14 November 1995, exempts goods which were manufactured in India, when re-imported within three years for repairs, reconditioning and within one year for reprocessing or refining or re-marking from whole of the basic customs duty and the additional duty of customs provided that the importer executes a bond and binds himself to re-export such goods within six months from the date of their import or permissible extended period and to pay the duty leviable thereon in the event of failure to do so.

The cases noticed are narrated in the following paragraphs and listed in **Annexure 22 to 32.**

#### **3.9.1 Failure to recover duty on non-submission of evidence of re-export**

In 19 commissionerates, in case of 151 consignments of various items valued at ₹ 84.96 crore and re-imported between February 2009 and June 2014 availing of the duty exemption benefit, the importers neither submitted any proof of re-export of the goods nor sought any extension of time. The department did not initiate action to recover duty exemption of ₹ 23.25 crore availed by the importers. The notification allowing duty free importation with re-export conditions has also not specified any period for submission of proof of re-export for discharge of the bond.

In response to audit observations-

- (i) Commissionerate of customs, Kolkata (Port) informed (24.08.2015) that the entire amount of ₹6.84 lakh was recovered (June 2015) from M/s Chaitanya Refactory Pvt Ltd, against imports made under two bills of entry of September 2013.
- (ii) Agra Commissionerate informed (June 2015) as against imports under one bills of entry that the goods were re-exported from other port and the party was asked to submit the shipping bill.

The Commissionerate of Central Excise, Agra informed (August 2015) that the importer had deposited proportionate drawback of ₹ 10.38 lakh (duty + Interest) on short re-exported 6152 pairs of shoes. The department further stated that being a registered Central Excise manufacturer there was no involvement of customs duty on goods exported under the claim of drawback and subsequently re-imported for repair/re-conditioning.

The reply is not acceptable because failure to re-export under Custom notification 158/95 attract payment of customs duty even in case of

indigenously manufactured goods which had been exported and subsequently re-imported in the event of failure to re-export.

Ministry may like to consider providing time limit for submission of proof of re-export in all the notifications with re-export conditions. In case the proof of re-export is not submitted within the specified time limit then a mechanism to deliver demand notice and recover customs duty leviable may be put into practice.

Reply from the department for the remaining cases is awaited (January 2016).

### **3.9.2 Duty free re-importation allowed after expiry of specified re-import period**

As per serial No. (2) of the notification re-import of goods for reprocessing or refining or similar such processes is allowed when imported within one year from the date of exportation provided the importer executes a bond that such processes shall be carried out in a factory under Central Excise control.

In two commissionerates {ICD Khodiyar under the Ahmedabad Commissionerate and Chennai (Sea)}, the department incorrectly assessed the goods under serial no 2 of notification 158/95-cus, although the goods were re-imported after a lapse of one year from initial exportation. The cases are listed in **Annexure 22 and 23**.

Reply from the department is awaited (January 2016).

### **Re-importation allowed under inappropriate serial number of the notification**

#### **3.10 Re-import of goods for reprocessing**

(a) M/s Graphite India Ltd. has re-imported (October 2013) "graphite electrodes with nipples, UHP grade," under notification no. 158/95, (Sl. no. 1) through ICD, Durgapur availing exemption of duty of ₹ 144.53 lakh. Audit scrutiny revealed that although the goods were actually re-imported for reprocessing as mentioned in import documents/correspondences and that there was a processing loss of material (1.442 MT) during processing, such goods was incorrectly allowed clearance under Sl. no.(1) instead of applicable Sl. no. (2). Moreover, as these goods were re-imported after a period of more than one year from initial exportation, thus, were ineligible under Sl. no. (2) of the notification. Accordingly, the duty exemption availed of ₹ 1.45 crore was incorrect and recoverable.

The department in their reply (August 2015), justified benefit allowed under Srl No. 1 of the notification without providing any documentary evidence.

The departments reply is not tenable because as per the documents made available to audit there was processing loss of 1.442 MT of material which

substantiates the audit contention that the goods were actually reprocessed hence ineligible for re-import after one year under Sl. No. 1. Few cases are listed in **Annexure 24 to 26**.

### **3.11 Incorrect grant of exemption – Re-export to another agency**

M/s Graphite India Ltd had re-imported electrodes of various grade valued at ₹ 9.82 crore under three bills of entry and was allowed clearance through ICD, Durgapur under Sl. no. 01 of notification no. 158/95, availing exemption of duty of ₹ 2.36 crore.

The importer availed drawback at the time of initial export in all cases but subsequently re-exported the goods under seven shipping bills to different buyers. Application of Notification no. 158/95 is irregular as such cases wherein drawback has been availed are regulated under notification no. 94/96-cus. dated 16.12.96 which allows exemption to re-imported goods exported under duty drawback.

Therefore, the duty exemption of ₹ 236.38 lakh allowed on re-import under notification No.158/95-cus was incorrect.

On this being pointed out the department justified (September 2015) benefit allowed as there is no condition regarding re-export to the same original overseas buyer and also stated that the case is revenue neutral as drawback on graphite electrode is paid on quantity basis.

The department reply is not acceptable because notification No. 158/95-cus does not regulate re-import of cases wherein drawback has been paid. Moreover the department's contention that the case is revenue neutral is erroneous; as drawback rate and the re-export value may not be same on the first export date and re-export date. The drawback rate was 4% and 5% advalorem (FY 11 - FY 13) while it was 2.4% or ₹ 8 /Kg (FY 14-15) indicating an excess grant of drawback at the time of first export which was not recovered.

Few other cases noticed are listed in **Annexure 27-28**.

Ministry response is awaited (January 2016).

### **3.12 Delayed re-export of goods**

In terms of notification No.158/95-cus dated 14 November 1995, goods which are manufactured in India and re-imported for reprocessing or refining or remarking etc. are exempt from payment of duty, subject to the condition that the goods are re-exported within six months from the date of re-importation or such extended period not exceeding a further period of six months. In the event of failure to comply with the aforesaid condition, the importer is liable to pay the duty exempted along with interest.

Test check of records revealed that in the cases illustrated below and listed in **Annexure 29**, goods were re-exported either after the maximum permissible period or after the stipulated period of six months without obtaining extension.

**3.12 (i) Re-export of goods after maximum permissible period**

M/s Rane (Madras) Ltd. and two others re-imported (December 2011 to November 2012) Assembly gear Box, steering valued at ₹1.25 crore through Chennai Sea Customs under Notification 158/95. The goods were re-exported between June 2014 and June 2015 i.e. after expiry of maximum permissible period of one year from the date of re-import. The department had neither enforced the bank guarantee nor initiated action to recover the duty foregone amount of ₹ 37.51 lakh.

This was pointed to the Ministry in October 2015, their response is awaited (January 2016).

**3.12 (ii) Re-export after stipulated period without obtaining extension**

In five Commissionerates (Mundra, ICD-Khodiar, Ahmedabad, Cochin, ICD-Bengaluru and ACC, Devanahalli), it was noticed that goods valued at ₹ 7.10 crore in 8 cases were re-exported after the stipulated period of six months involving exemption of duty of ₹ 1 crore. A case is illustrated below and two cases are listed in **Annexure 29**.

(i) M/s Steel Cast Ltd. and two others re-imported 'Alloy steel casting rough steel casting' and other articles valued at ₹ 6.68 crore between December 2012 and April 2014 under customs notification 158/95 through Mundra port and ICD- Khodiar under Mundra and Ahmedabad Commissionerate respectively. The goods were re-exported (September 2013 to February 2015) after expiry of six months without obtaining extension from the competent authority. Since the conditions of the notification were not fulfilled, the importer was ineligible for exemption of duty of ₹ 90.92 lakh.

Reply from the department is awaited (January 2016).

**3.13 Non levy of customs duty on goods short re-exported**

In two Commissionerates {Jodhpur and Chennai (Sea)}, it was noticed that goods valued at ₹ 4.72 crore in 4 cases were short re-exported. Exemption of duty on goods not re-exported worked out to ₹ 33.63 lakh. The cases are listed in **Annexure 30**. Other irregularities noticed are listed in **Annexure 31-32**.



### **3.14 Comments on application of notification No.158/95**

In view of foregoing observations in respect of notification No.158/95, it is felt that no explicit condition was provided in the notification –

- i) as to re-export of goods to the same agency from whom the goods was re-imported,
- ii) restricting drawback or benefit under any export promotion schemes formulated by the DGFT, while re-exporting the goods in fulfillment of condition of the notification and
- iii) the authority to decide whether the goods were re-imported were for repair, reconditioning (sl. No. 1) or reprocessing, refining or re-marking etc (sl. No.2) as the condition against such activity under sl. No.1 & 2 was different.

### **3.15 Exemption to goods imported for execution of an export order placed on the importer by the supplier of goods for jobbing (Notification No. 32/97-Cus dated 1 April 1997)**

The notification exempts duty on goods imported for execution of an export order provided the said goods after jobbing work are re-exported to the supplier or to any other person which the supplier may specify, within six months from the date of clearance or within such extended period. Moreover, the importer was required to fulfill prescribed conditions/procedures. In the event of failure to fulfill the conditions the importer has to pay the duty leviable on the goods so imported.

Further, as per clause (v) of the notification, the jobbing is to be undertaken in accordance with the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

Audit noticed-the irregularities illustrated below and listed in **Annexure 33-36**.

### **3.16 Failure to recover duty on non-submission of evidence of re-export**

In six Commissionerates (Kolkata (Port), ACC, Kolkata, Chennai (Air), Cochin (Air) and Mumbai zone-III), in case of 41 consignments of various items valued at ₹ 6.67 crore and imported between March 2009 and June 2014 for jobbing availing benefit of duty exemption under aforesaid notification, the importers neither submitted any proof of re-export of the goods nor sought any extension of time. The department did not initiate action to recover exemption of duty of ₹ 1.57 crore availed on these imports.

### **3.17 Delayed re-export of goods**

M/s Armor Plast imported 8 consignments of “Stainless steel tubes” and “stainless steel sty lets” valued ₹4.92 crore between August 2013 to May 2014

through Air Cargo Complex, Devanahalli, Bengaluru under notification no. 32/97-cus. Scrutiny revealed that goods valued ₹ 3.55 crore were re-exported after jobbing after the stipulated period of six months without obtaining extension. Since the importer has not fulfilled the condition of the notification, he is not eligible for exemption of duty of ₹ 102.31 lakh availed against delayed export of goods after jobbing.

### **3.18 Short re-export of goods after jobbing**

M/s Armor Plast and other two imported Stainless steel tubes, capacitor, integrated circuit, resistors and other articles under 43 bills of entry between October 2012 and May 2014 through Air Cargo Complex, Devanahalli, Bengaluru under customs Notification No. 32/97-Cus dated 1 April 1997. Scrutiny revealed that these imported goods valued at ₹ 2.79 crore were not fully consumed during jobbing. Duty implication on short re-export of goods worked out to ₹ 77.88 lakh in 43 cases.

### **3.19 Temporary import of machinery, equipment and tools on lease for re-export at concessional rate of duty (Notification No. 27/2008-Cus dated 1-3-2008)**

In terms of the aforesaid notification (as amended), leased machinery, equipment and tools temporarily imported for use are eligible for concessional rate of duties, if they are re-exported within six months or within such extended period not exceeding one year from the date of import. In the event of failure, the importer is liable to pay the differential duty, along with interest.

The importer is required to execute a bond with a Bank guarantee undertaking to re-export the said goods within above specified period but not exceeding 18 months from the date of import.

### **3.20 Non-fulfilment of the conditions of Notification No.-27/2008-Cus**

In four commissionerates (Kolkata (Port), Kolkata (Airport), Bengaluru and Mumbai zone III), scrutiny revealed that 8 consignments of Sand and Water Pump Machinery and accessories and other items valued at ₹ 6.97 crore imported (April 2009 to June 2014) availing benefit of duty exemption under aforesaid notification (as amended), the importers neither submitted any proof of re-export of the goods nor sought any extension of time except in one case. The department did not initiate action to recover exemption of duty of ₹ 1.81 crore availed on these imports.

### **3.21 Incorrect grant of exemption**

M/s Tupperware India (Pvt) Ltd. imported (2011 to 2014) used steel mould valued ₹ 192 crore through Chennai Sea Customs under 27/2008 for manufacture of Plastic Kitchenware and Tableware.

Scrutiny revealed that there was no contract or lease agreement between the importer and the supplier, as required for availing benefit under the notification. In absence of such documents, the importer was not eligible for benefit of exemption of duty under the notification amounting to ₹ 46.50 crore.

Reply of the department is awaited (January 2016).

### **3.22 Exemption to import of containers of durable nature (Notification No. 104/94-Cus. dated 16-3-1994)**

The notification exempts containers of durable nature from whole of the duty of customs and whole of the additional duty leviable, subject to the conditions that containers are re-exported within six months from the date of their importation or as extended by the Deputy/Assistant Commissioner for a further period. The importer is required to execute a bond binding him to pay the duty leviable in the event of failure to fulfill the condition of the notification.

Board issued Circular no. 83/98-Customs dated 5-11-1998 prescribing monitoring mechanism with guidelines for granting of extension. Another circular no. 31/2005 dated 25.07.2005 was issued by the Board for a uniform procedure to be followed for temporary importation of containers.

### **3.23 Failure to recover duty on non-submission of evidence of re-export of containers (shipping agents)**

Under three Commissionerates {Kolkata (Port), CCP, Vijaywada and Chennai (Sea)}, durable containers valued at ₹ 685.99 crore imported (January 2012 to June 2014) under notification 104/94 availing exemption of duty of ₹ 190 crore, the shipping agents failed to produce evidence of re-export within the stipulated period of six months including the cases where re-export period was extended.

No action was initiated by the Container Cell to recover duty (January 2016).

### **3.24 Failure to recover duty on non-submission of evidence of re-export of containers (importers)**

In five Commissionerates (Kolkata (Port), Ludhiana, Mumbai zone I, Mumbai zone II and Mumbai zone III), M/s Ceratizit India Pvt. Ltd. and 13 others imported (October 2010 to June 2014) durable containers valued ₹ 13.63 crore

under 56 bills of entry without payment of duty availing benefit of Notification no. 104/94-cus to the extent of ₹ 3.59 crore on these imports.

The importers failed to produce evidence of re-export within the stipulated period of six months including the cases where re-export period was extended. The department did not initiate action to enforce the Bonds to recover duty forgone.

### **3.25 Goods re-exported after expiry of stipulated period**

Board's Circular No. 83/98- Customs dated 05.11.1998 provided that Assistant/Deputy Commissioner may grant extension for further three months and Commissioner of Customs may grant further extension for another six months. A case noticed is illustrated below and few cases are listed in **Annexure 37 and 38.**

**3.25 (i)** M/s Lauren Engineers & Constructors (I) Pvt. Ltd. imported 'Transportation racks' valued at ₹ 1.46 crore during June-July 2012 under Mundra Commissionerate under customs notification no. 104/94.

Scrutiny revealed that the goods were re-exported in May 2013 i.e. after an expiry of more than six months without obtaining extension by the competent authority. Duty exemption availed by the importer worked out to ₹ 37.05 lakh.

### **3.26 Absence of monitoring mechanism for duty free import of containers**

Besides instructions for a uniform procedure to be followed for temporary importation of containers, Board's Circular no. 31/2005 dated 25.07.2005, stated that the Directorate of System and Data Management is in the process of developing a module for automatic matching of imported and export of containers within permissible time. According to the circular, till development of the module, process of monitoring should be done manually in respective Customs Houses. However, it was noticed that the module for matching imported and export containers is yet to be developed and implemented.

In absence of the module, examination of existing manual system of matching containers imported and re-exported in the three commissionerates revealed the deficiency in the system as under:

(i)The Container Cell under the Kolkata (Port) Commissionerate could not devise any system and lacked an effective monitoring of import of containers & their subsequent re-export. This is evident as the Container Cell is not in a position to ascertain at any point of time, the no. of containers which have not been re-exported within the stipulated period of six months. Consequently, no demand could be raised in compliance of the provision of the exemption notification and instructions issued by the Board.

This is also evident from the reply of the department (08.06.2015) that there is no mechanism to identify container-wise non-fulfillment of re-exports condition, as envisaged in the above referred notification.

(ii) Chennai Commissionerate could not devise any system to update the pendency position of the containers in the ICES immediately on re-export of the containers. This is done only on manual updating of details of re-export of containers in the system. This resulted in huge pendency in the system.

(iii) In Commissioner of Customs (Preventive) Vijayawada, under Hyderabad Commissionerate, no manual monitoring mechanism regarding re-export of imported containers has been developed by the department to comply with the condition of the notification as well as bond executed.

### **3.27 Exemption to goods imported for display or use at fair, exhibition, demonstration, seminar, congress and conferences or similar events (Notification No. 3/89-Cus dated 9-1-89)**

The notification exempts duties of customs on goods (Schedule I) imported for display or use at fair, exhibition etc. (Schedule II) provided the import is recommended by the concerned Ministry of Govt. of India. The importer is required to execute a bond undertaking to re-export the goods within six months from the date of official closure of the concerned event or within such extended period. In the event of failure to re-export, the importer is liable to pay the duty leviable but for exemption.

### **3.28 Failure to re-export goods after exhibition/festivals**

In six commissionerates {Kolkata (Port), Mumbai zone II, Mumbai zone III, Chennai (Sea), Cochin and Kolkata (Airport)}, 105 consignments of Testing Equipments and other items valued at ₹ 65.93 crore imported between August 2009 and January 2014 for display or use at fair, exhibition etc. availing benefit of duty exemption under notification No. No. 3/89-Cus dated 9-1-89. The importers neither submitted any proof of re-export of the goods nor sought any extension of time. The department did not initiate action to recover exemption of duty of ₹ 16.17 crore availed on these imports.

This was pointed to the department/Ministry in June/September 2015, their response has not been received (January 2016).

### **3.29 Exemption to goods imported for carrying out repairs, reconditioning, re-engineering, testing, calibration or maintenance**

According to notification No.134/94-Cus., dated 22-6-1994, goods imported for carrying out repairs, reconditioning or reengineering are exempted from custom duties subject to the conditions that the repair, reconditioning or reengineering is undertaken in accordance with the provisions of section 65 of the Customs Act, 1962 and the goods repaired, reconditioned or reengineered

are exported. A case regarding non fulfillment of prescribed conditions is listed in **Annexure 39**.

**3.30 Exemption to goods of foreign origin for repairs and returns, theatrical equipments, pontoons, photographic filming, sound recording etc. (Notification No. 153/94-Cus.dated 13.7.1994)**

Under the notification (serial No.1), goods of foreign origin imported for repairs and return are exempted from duty subject to fulfilment of conditions specified therein. The importer is required to execute a bond binding him to pay on demand the duty leviable at the time of importation but for exemption in case of failure to re-export the same within prescribed time.

**3.31 Non- recovery of duty from importers on failure to re-export**

In ten commissionerates (Kolkata (Port), CCP-Kolkata, Ahmedabad, ICD, Bengaluru, ACC, Bengaluru, Ludhiana, Cochin, ACC, Hyderabad, Mumbai zone II and Mumbai zone III), 56 consignments of Spherical Roller Bearings and various other items of foreign origin valued at ₹ 17.08 crore imported between December 2010 and June 2014 availing benefit of duty exemption under aforesaid notification, the importers neither submitted any proof of re-export of the goods nor sought any extension of time. The department did not initiate action to recover exemption of duty of ₹ 4.18 crore availed on these imports. One more case noticed is listed in **Annexure 40**.

**3.32 Exemption on import of various other goods with the condition to re-export (Notification No. 12/2012-Cus dated 1-3-2002 and other notifications)**

As per Notification, duty on goods falling under chapter 85, 88, 89 & 95 of the Customs Tariff and specified at Sl. No. 449 of the Notification when imported, are exempt from payment of custom duty subject to re-export of the goods within six months (condition no. 74). The importer is required to execute a bond undertaking to re-export the goods within the specified period. In the event of failure to re-export, the importer is liable to pay the duty leviable but for the exemption.

**3.33** Audit scrutiny revealed that M/s Space Application Center imported (March 2012) one set of 'CNC 3D Co-ordinating measuring machine' valued at ₹ 3.25 crore through Mumbai Custom Zone II Commissionerate availing duty exemption of ₹ 84.02 lakh under the aforesaid notification (Sl.no.449).

The importer neither submitted any proof of re-export of the goods nor sought any extension of time. The department did not initiate action to recover exemption of duty of ₹ 0.84 crore availed on this import.

## **Other issues of operational malfunction**

### **3.34 Non re-exportation of imported food items not permitted clearance for home consumption**

According to Section 25 of The Food Safety and Standards Act (FSSAI), 2006, no person shall import into India any unsafe or misbranded or sub-standard food or any article of food in contravention of provision of the Act and the rules and regulations made there under. To implement this provision, Board (CBEC) in Circular No. 58/2001-Cus dated 25 October, 2001 prescribed that where the food items fail to confirm tests done in the specified laboratories, the customs authority shall ensure that the goods are re-exported out of the country by following the usual adjudication procedure or destroyed.

Audit scrutiny revealed that in 11 cases food items like basmati rice, yellow peas, cashew nuts etc. imported between November 2011 and January 2015 through Commissioner of Customs (Port), Kolkata the items failed to conform to the prescribed standards of FSSAI. On adjudication by the Commissioner/Jt. Commissioner of customs, the food items were permitted to re-export on payment of penalty within the period specified therein and the proof of re-export is to be submitted to the department. However, in no case evidence of re-export of the imported goods was submitted to the department.

Therefore, the directives of the Board in the aforesaid Circular have not been adhered to in spirit by ensuring that the imported goods valued at ₹ 2.69 crore were either re-exported or destroyed by the customs authority.

Reply of the department is awaited (January 2016).

### **3.35 Clearance of imported warehoused goods for re-exports**

According to section 69 of Customs Act, 1962, any warehoused goods may be exported to a place outside India without payment of import duty if a shipping bill or a bill of export has been presented, the export duty, penalties, rent, interest and other charges payable in respect of such goods have been paid and an order for clearance of such goods for exportation has been made by the proper officer.

Section 2(44) of Chapter 1 of the Customs Act, 1962, defined "Warehoused goods" as goods deposited in a warehouse and "warehouse" means a public warehouse appointed under section 57 or a private warehouse licensed under section 58 {definition section 2(43) *ibid*}. The cases of non compliance and systemic deficiencies are highlighted below.

### **3.36 Waiver of physical warehousing for re-exports**

In three commissionerates (Kolkata (Port), Kolkata (Airport) and ICD, Durgapur), scrutiny of records revealed that exports of 10 consignments

valued at ₹ 4.53 crore imported for warehousing between December 2013 and February 2015 were allowed clearance for exports under section 69 of Customs Act, 1962 without warehousing. In all cases, physical warehousing of goods was waived by the Assistant. /Dy. Commissioner of Customs.

As the subject goods were not warehoused the provisions of Section 69 of the Customs Act, 1962 would not be applicable. Therefore, clearance of imported non-warehoused goods under Section 69 without payment of duty was in contravention of the provision of the Customs Act involving customs duty at the time of warehousing ₹ 1.56 crore.

(i) The Jt. Commissioner of Customs, ICD, Durgapur stated (August 2015) that since the goods were ready for export, shifting/carrying the goods to warehouse prior to export would have incurred unnecessary cost, the proper officer waived the formalities of physical warehousing prior to export to facilitate trade. Further, chargeability of duty in such case was discussed.

(ii) The Assistant Commissioner, Import Bond, Commissionerate of Customs, Kolkata (port) stated that the goods under warehousing bill of entry is considered as deemed warehouse goods, even without physical storage in a warehouse.

The contention of the department (ICD Durgapur & Import Bond as mentioned in (i) & (ii) above) is not acceptable as the provision of Customs Act in this regard is very clear that the goods were leviable to duty on importation. However, when goods were exported from warehouse, duty was not to be paid. Thus, if the goods were not warehoused (physically), it was irregular to allow goods to clear without payment of duty. In other words, benefit of section 69 is not available if the goods were not warehoused (physically). Further, there is no concept of deemed warehoused goods under Customs Act 1962.

### **3.37 Declaration for claiming Chapter-3 benefit on re-exports of warehoused goods**

As per paragraph 3.17.2 (ii) of Foreign Trade Policy 2009-14, exports of imported goods covered under Para 2.35 of FTP are ineligible for Duty Credit Scrip entitlement for VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip.

M/s Sunrise Stainless Pvt. Ltd and M/s Apex Plasticon under Ahmedabad Commissionerate were allowed to re-export imported (December 2014 to February 2015) warehoused goods without payment of duty. Both the exporters were allowed to declare that they shall claim benefit under Chapter-3 in 17 Shipping Bills (December 2014 to March 2015) for FOB value of ₹ 6.51 crore. Further, M/s Sunrise Stainless Pvt. Ltd. mentioned in its export



invoices/packing list that the goods are of Indian origin despite the fact that the goods were imported. Since the goods were of foreign origin, the claim/grant of Chapter-3 benefits of FTP on imported goods and claiming such goods as Indian goods were irregular.

Reply from the department is awaited (January 2016).

### **3.38 Re-export under section 69 not identifiable in Shipping Bills**

Exports of imported goods under Section 69 are governed by conditions under two Notifications, viz. No.45-Cus. dated 01.02.1963 & No. 46-Cus. dated 1.2.1963. In Chennai Commissionerate, it was noticed that the Shipping bills filed under Section 69 for re-export of warehoused goods is a free shipping bill and hence was not marked for assessment. Presently, there is no provision in ICES 1.5 to identify a shipping bill as exports made under Section 69. In the absence of identification, it was not possible for the assessing officer (except by checking the item description) to identify the shipping bill as exports made under Section 69 and ensure fulfillment of the conditions of the notification.

Accordingly, it was suggested that a separate field be provided in the Export Module to enable the assessing officer to identify it as exports made under Section 69. The department has accepted this recommendation and informed that the same is being taken up with DG (System) for implementation.

### **3.39 Re-export of warehoused goods not ensured**

Test check of warehouse bond register of Mumbai Customs Zone-I (NCH) & Zone-II (JNCH) revealed that the imported warehoused goods were granted permission for re-export and provisional entries were made in the Bond Register. However, details of actual re-exports particulars were neither entered into the register nor proof of re-export was placed on record. The bonds were also shown lying un-cancelled. Thus, it was not ensured that the imported goods involving duty of ₹ 4.41 crore and ₹ 5.95 crore respectively, warehoused under these two commissionerates were actually re-exported.

Reply from the department is awaited (January 2016).

### **3.40 Drawback on re-export of duty paid imported goods**

Section 74 of the Customs Act, 1962 provides for grant of duty drawback if the goods are re-exported as such or after use within 18 to 24 months of date of clearance. In case of Section 74 (1) and 74(2), identification of goods on which duty was paid and determination of use is of utmost importance. Further, payment of drawback in both the cases is governed by the Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. The instances of non compliance and systemic deficiencies are highlighted below and seven cases (Money value ₹ 37.78 lakh) are listed in **Annexure 41-45**.

### **3.41 Authorization of drawback without a speaking order**

As per Para 3.1 of Board's Circular No. 46/2011– Customs dated 20 October, 2011 and para 2 of Circular No. 35/2013-Customs dated 5<sup>th</sup>September, 2013, while sanctioning Duty Drawback under section 74 or otherwise, it was to be ensured that in all cases the Assistant/Deputy Commissioner of Customs shall pass a speaking order following the principles of natural justice, giving detailed reasons with regard to establishing the identity or otherwise of the goods under re-export, and determination of use, if any.

Test check of drawback sanction files in four commissionerates revealed that in 42 cases drawback of ₹ 2.64 crore was sanctioned without passing of speaking order in contravention of the aforesaid instructions.

(i) The Jt. Commissioner of Customs, ICD, Durgapur referred (20.08.2015) drawback sanction order issued on 30.06.2014 construing it mistakenly as a speaking order, although the intention of issue of speaking order and its content was made clear in Board's Circular No. 46/2011– Customs dated 20<sup>th</sup> October, 2011.

(ii) The Assistant. Commissioner of Customs, Kolkata Airport (DBK) informed (September 2015) that no Speaking Order was issued till July 2013 in ACC due to communication gap in flow of information to executive officers.

However, Board's instruction was followed after July 2013.

The Commissioner of Custom (Preventive), Kolkata stated (October 2015) that there was no requirement of issuance of speaking order as drawback claims were processed and sanctioned after thorough scrutiny.

The reply is not acceptable as the speaking order was to be passed in all cases of drawback claim under section 74 as per Board circular dated 20 October 2011.

### **3.42 Authorization of drawback at a higher rate without determining use of export goods**

In addition to conditions of Section 74 (1), Rule 4 (a) (iii) of Re-export of Imported Goods Rules, 1995 requires that the shipping bill/bill of export should bear a declaration that the goods imported were not taken into use.

In two Commissionerates, scrutiny of records revealed that exports of 11 consignments imported between July 2012 and May 2014 were allowed Drawback at the rate of 98 per cent of import duty under section 74 (1) of Customs Act, 1962 without determination of use being recorded. Such cases are illustrated below.

(i) ICD, Durgapur sanctioned drawback of ₹ 99.38 lakh in May 2014 to M/s Graphite India for export of 408 MT ‘electrode grade calcined pitch needle coke’ in October 2013. The goods were earlier imported in January 2013 on payment of duty of ₹ 101.41 lakh. The sanctioning authority allowed 98 per cent of the duty paid at the time of import, as duty drawback.

Scrutiny revealed that there was no examination report recorded by the proper officer of the customs at the time of export in compliance of Rule 5(2) (a) of Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. Further, drawback at the rate of 98 per cent under Section 74 (1) of the Customs Act, 1962 was allowed without such examination report on the triplicate copy of the shipping bill including use of imported goods and without issue of speaking order.

In absence of examination report indicating that the goods were not put to use and considering the length of period between clearance date of import and export (above 9 months), drawback was payable in terms of Notification No. 19/65 dated 6-2-1965 at reduced rate of 70 per cent of duty paid on import, which worked out to ₹ 0.71 crore (70% of ₹1.02 crore). This resulted in excess payment of drawback of ₹ 0.28 crore (₹ 0.99 crore - ₹ 0.71 crore).

The Jt. Commissioner of Customs, ICD, Durgapur stated (20.08.2015) that examination was done by the proper officer but the report was not endorsed inadvertently in the triplicate copy of the shipping bill. Since such omission not only indicate non adherence to prescribed procedure, but had financial implication too as rate of drawback was to determined on use of goods, which was also not mentioned.

(ii) Test check revealed that In 10 cases, Drawback Cell under the Commissioner of Customs, (Preventive), West Bengal, sanctioned drawback of ₹ 82.92 lakh between March and October 2014 under Section 74 of the Customs Act, 1962 at the rate of 98 per cent of import duty paid at the time of import, without issue of speaking order and without determining use of export goods. Further scrutiny revealed that neither the exporters declared their goods as unused, nor the examination report in the shipping bills bear any mention on use of the goods that was exported.

Drawback payable at reduced rate under notification 19/65 dated 6.02.65 could not be ascertained in absence of detailed calculation sheet showing bill of entry wise duty paid on importation.

The Commissioner of Custom (Preventive), West Bengal stated (October 2015) that from the shipping bills and other documents it could be stated that consignments were re-exported in “as such condition”.

The reply is not acceptable because no documents were furnished to audit substantiating that the consignment were re-exported in “as such condition”. Further, shipping bill and examination report did not state that the goods were in unused condition.

### **3.43 Refund of duty drawback after exclusion of Education Cess**

In terms of Finance Act, Education Cess and Secondary and Higher Education Cess were levied on all imported goods as duties of customs from 9 July, 2004 and 1 March 2007 respectively. Further, it is provided that the provisions of Customs Act, 1962 and the rules regulations made there under, including those relating to refunds and exemptions from duties and imposition of penalties, shall apply in relation to the levy and collection of Education Cess on imported goods as they apply in relation to the levy and collection of duties of customs on such goods.

Scrutiny of records of duty drawback sanctioned under Section 74 revealed that Commissioner of Customs, Kolkata (Airport & Admn.) (from 2013-14 onwards) and ICD, Durgapur allow Drawback refund of both the Education Cess paid at the time of import where as other two major Commissionerates i.e. Kolkata (Port) and Preventive, West Bengal did not allow refund of education cess. Thus, there was a variation in practice of payment of duty drawback under these four commissionerates which could have been avoided by issue of proper clarification by the Board.

In reply Assistant. Commissioner of Customs, Kolkata Airport (ACC) informed (September 2015) that the practice of deducting education cess was till July 2013 in ACC due to misconception, however, after the period duty drawback was calculated on the amount of duty including education cess.

The Commissioner of Customs (Preventive), West Bengal stated (October 2015) that the issue would be taken care of in future.

### **3.44 Governance, Risk and Control issues:**

Quality of Data, Management, Internal control & Monitoring by the Commissionerates and the CBEC was assessed based on the information made available by the audited entities, information available in the official website of CBEC and ICES 1.5 data available with audit till May 2015 only. Audit observations are as follows:

**(A)** In order to obtain a holistic picture on Re-Export cases for the period 2012-2014 (upto June 2014) audit had made efforts to collect data/information for analysis from the following websites/reports:

- (1) [www.cbecddm.gov.in](http://www.cbecddm.gov.in) (CBEC)

- (2) Annual Reports of the Ministry of Finance for the years 2013-14 & 2014-15.
- (3) Result Framework Document of the CBEC, Ministry of Finance for 2015-16.

Audit could not locate the pan India data on Re-export of goods in the aforesaid websites/documents. The Result Framework document does not identify the Re-export cases as one of the success indicators for the assessment function although there were un-cancelled bonds exceeding 22807 numbers pending as on June 2014. Cases of re export from SEZ zones, EOUs (comprising almost 25% of the trade) were not captured at all by the CBEC-Customs EDI, ICES. Similarly, license conditions affected by non compliance of re export/ re import conditions could not be correlated at the systems level since the DGFT (EDI) was not connected with the ICES. Only 31% of the trade covered by the Commissionerates was audited. Despite inability and reluctance to provide relevant information to audit by Commissionerates/CBEC, observations worth Rs 308.26 crore of irregularities were noted essentially on matters of non compliance with a material bearing on Customs revenue. Several other cases of internal control malfunction and at systemic level could not be quantified because of lack of necessary records.

**(B) Deficiencies in the ICES 1.5 of CBEC- Customs**

The data directory of ICES 1.5 comprises 273 tables (column heads) which covers all the information/figures present in Bills of Entry, Shipping Bills, IGMs & EGMs. An analysis of dump data (ICES 1.5) available for the period from April 2012 to May 2013 in respect of Re-Export cases revealed the following:

- (i) There is no mechanism to monitor export of goods imported through Bills of Entry with re-export condition. Further, the system does not have the mechanism to incorporate the re-export particulars subsequently, for a particular B/E, with a re-export condition.
- (ii) The validity of Imports against re-export notifications which specify furnishing of mandatory certificates could not be analysed through ICES as in many instances such details are not present in the ICES. It is also to be noted that there have been instances where column heads for such certificates are present in the transactional data; but, they are blank and as a result audit cannot ascertain whether they have been furnished or not. Analysis of ICES 1.5 transactional data for the year 2012-13 revealed that in 9939 nos. of items under 830 nos. of Bills of Entry involving Duty Forgone amounting to ₹ 75.92 crore were cleared without production of mandatory certificate to the effect that the goods were imported for the purpose of the events only as prescribed in the Notifications.

**(iii)** It was observed that in four commissionerates (Ahmedabad, Kandla, Mundra and Jamnagar) the details of duty free Warehoused goods already re-exported have not been entered in the EDI system, as a result of which the web ledger shows these cases as live or not cancelled.

In four commissionerates (Mumbai Zone I, II, III & Bengaluru) the department failed to produce records of 1036 cases where goods worth ₹ 379.92 crore was imported under five exemption notifications availing exemption of duty of ₹ 98.66 crore. Accordingly, the eligibility to get exemption as also re-exports effected in fulfilment of the condition of the notifications could not be examined in audit.

Scrutiny of ICES import data pertaining to Commissioner of Customs (Airport & Admn.), Kolkata between December 2011 and January 2014 revealed that M/s Immersive Technologies and 14 others imported light fixtures, colour ledger, laptop etc. valued at ₹ 6.67 crore without payment of duty while availing benefit of the notification 157/90. Duty exempted on these goods worked out to ₹ 1.56 crore.

No record showing re-export of those goods was produced to audit. Further, in absence of prescribed procedure including submission of bond, re-export of imported goods has not been followed up by the Unit resulting in considerable amount of duty payable but for exemption remaining unguarded.

Kolkata (Airport) Commissionerate authorities intimated (September 2015) that three importers had submitted proof of re-export, while in 12 cases letters sent were returned undelivered.

**(iv)** In Kolkata Port & Airport Commissionerates, it has been observed that data entered in registers differed from those present in the ICES system; as a result audit could not rely on the data for compilation of this report.

**(C) Inadequate Internal controls and monitoring mechanism to safeguard misuse of procedure**

**(i) Role of Internal Audit Department (IAD)**

In four Commissionerates (Kolkata Port, Airport, Preventive (WB), Patna), it was noticed that the Internal Audit Department was not exercising any check in respect of monitoring of fulfillment of re-export conditions made under various re-export notifications as also maintenance of proper records.

Kolkata (Airport) Commissionerate authorities stated (October 2015) that internal audit department does not conduct audit of any section or group of the commissionerate. It is merely a co-ordinating unit between various sections/groups and Custom Receipt Audit.

**(ii) Absence of effective monitoring mechanism**

Audit noticed that there were no separate common Bond and BG cell in Commissionerates for accepting and discharging bond in re-export cases despite Boards instructions.

Customs authority allowing exemption of duty is responsible for monitoring fulfillment of re-export condition embodied in the notifications. However, in seven Customs Commissionerates (Kolkata Port, Airport, Preventive (WB), Mumbai, Lucknow, ICD Tughlakabad, and ICD, Patparganj), ineffective monitoring of re-export cases was noticed which led to large number of re-export bonds pending action for cancellation from 2009 onwards.

No mechanism was in place for monitoring re-export cases by calling for documents from the importers immediately after expiry of the stipulated period or issuing demand notices, wherever necessary. There is no prescribed report/return on cases of re-exports pending finalization facilitating monitoring of such cases.

Finalisation of re-export bonds was also not available in the ICES system of Customs.

There was no module in the ICES to link the Bill of entry of import/ Re-import with the corresponding shipping bills of Re-export.

**(iii) Inadequacy in maintenance of records**

Inadequate maintenance of the records relating to re-export cases viz. Re-export Bond Registers, Bank Guarantee Registers etc. were noticed in the following customs Commissionerates:

In three Customs Commissionerates (Petrapole LCS under Preventive (WB), ICD Ludhiana, Jogbani LCS under Patna Commissionerate), no re-export bond register was maintained.

The Commissioner of customs (Preventive), West Bengal intimated (October 2015) that re-export bond register is being maintained henceforth.

In seven Commissionerates (Kolkata Port, Kolkata Airport, Mundra, Mumbai Customs Zone II, ICD Dadri in NOIDA , ICD Tughlakabad and ICD Patparganj) Re-export Bond Registers were maintained for recording cases of imports under different exemption notifications with condition to re-export. But the entries in the Registers, in most cases, were without essential details like Notification Nos., date of expiry of re-export period, duty forgone etc., without which monitoring of re-export cases could not be facilitated.

In ICD Ludhiana, Drawback claim Register was not maintained properly. In most of the cases date of submission of drawback claim was not mentioned.

Audit could not ascertain the facilitation percentage checks prescribed for DG (Audit) in re-export cases cleared through ICES 1.5.

In the light of the foregoing, it is evident that the internal control system of the CBEC is lax in terms of prescribing necessary records, system of maintenance of prescribed records, frequent monitoring of the records at respective levels, parallel assessment by the internal audit and taking corrective actions on the aberrations where found.

### **3.45 Conclusion**

Audit observations based on only 26 percent of the trade transactions reported ₹ 308.26 crore of irregularities noted essentially on matters of non compliance of conditions of notifications, provisions of the Act or instruction issued by the board, with a material bearing on Customs revenue.

The ICES system which is used to process the customs transaction does not currently have the functionality to manage the re export cases along with managing the Bonds. ICES did not capture cases of re export from SEZs, EOUs comprising almost 25% of the trade. Similarly, license conditions affected by non compliance of re export/ re import conditions could not be correlated at the systems level since the DGFT (EDI) was not connected with the ICES. Further ICES does not have a validation check to ensure that benefit of exemption under the relevant notifications were not extended to ineligible imports/exports; or deficiencies managed as a result of cancellation of re export bonds; not matching of containers imported with those re-exported; late submission of re-export documents and non closure of bonds.