

## EXECUTIVE SUMMARY

During the financial year 2014-15 the Custom Receipts of ₹ 1,88,016 crore grew by nine percent over the previous financial year accounting for 34 percent of Indirect Tax revenue and 15 percent of Gross tax revenue. The ratio of Customs duty collected to GDP had reduced to 1.5 percent, however, the duty foregone increased by 100 percent to ₹ 4,97,945 crore in the last five years.

The Report has a total revenue implication of ₹ 1162 crore covering 122 paragraphs in addition to several systemic and internal control issues worth ₹ 37,852 crore. There were 80 paragraphs involving money value of ₹ 82 crore on which rectificatory action was taken by the department/Ministry in the form of issuing show cause notices, adjudicating of show cause notices and recovery of ₹ 22 crore. A few significant findings included in this Report are mentioned in the following paragraphs.

### Chapter I: Customs revenue

The chapter discusses trends, composition and systemic issues in Customs using data from Finance Accounts, departmental accounts and relevant data available in public domain.

- Customs revenue as a ratio of GDP had shown declining trend in FY 14 and FY 15.  
*{Paragraph 1.5}*
- Exports have recorded a marginal decline of 0.45 per cent while imports registered growth of 0.80 per cent during FY 15. Customs receipts grew at 9 per cent during the same period  
*{Paragraphs 1.6 to 1.8}*
- The Customs Revenue forgone is increasing exponentially without commensurate increase in the exports. Five schemes accounted for 80 per cent of total revenue foregone under the Schemes.  
*{Paragraph 1.11}*
- Custom revenue of ₹ 20,808 crore demanded up to March 2015 was not realized by the department at the end of the FY 15. Of this, ₹ 6,211 crore was undisputed. Eight zones accounted for 76 per cent of total revenue arrears pending during FY 15.  
*{Paragraph 1.13}*

## Chapter II: Provisional Assessments

- There were abnormal delays in finalization of provisional assessment and consequent postponement in realisation of revenue. More than 36000 cases with bond value exceeding ₹ 108389.37 crore were pending beyond 6 months for collection of Customs Revenue.
- There were several cases of non-compliance of Customs rules, regulation relating to provisional assessment, provisional duty, bond and bank guarantee management. The module for finalization of the provisional assessment in ICES 1.5 needs streamlining.
- Audit noticed issues worth ₹ 545.92 crore alongwith the issue of execution of bonds valued at ₹ 28679.48 crore without any security or Bank Guarantee, in addition to the systemic deficiencies which could not be quantified.

*{Paragraphs 2.1 to 2.30}*

## Chapter III: Re-export of goods

- Inadequate information management of re export transactions, bond management and improper maintenance of re import/export records by the Commissionerates resulted in inadequate internal control, management and monitoring by the Commissionerates and the CBEC.
- Based on only 26 percent of the trade transactions audit observed irregularities worth ₹ 308.26 crore 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. There were several other cases of lack and lapse of internal control and systemic malfunction which could not be quantified because of unavailability of necessary records with the Commissionerates/CBEC.

*{Paragraphs 3.1 to 3.45}*

## Chapter IV: Assessment of customs Revenue

We detected incorrect assessment of customs duty totalling ₹ 53.65 crore. These arose mainly due to Non recovery of TED refund amount, Non recovery of customs cost recovery charges, Imports cleared without levying or short levying the applicable anti dumping duty, Import of foreign liquor, Special valuation etc.

*{Paragraphs 4.1 to 4.10}*

## **Chapter V: Duty exemption/Remission schemes**

- Revenue of ₹ 168.94 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.

*{Paragraphs 5.1 to 5.10}*

## **Chapter VI: Incorrect application of General exemption notifications**

- Duty of ₹ 1.52 crore was short levied due to incorrect application of exemption notifications.

*{Paragraphs 6.1 to 6.6}*

## **Chapter VII: Mis-classification of goods**

- Duty of ₹ 1.70 crore was short levied due to misclassification of goods.

*{Paragraphs 7.1 to 7.7}*