



SUPREME AUDIT INSTITUTION OF INDIA
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Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India on
Customs for the period ended March 2023**

**Union Government
Department of Revenue (Indirect Taxes–Customs)
Report No. 21 of 2025
(Compliance Audit- Civil)**

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Laid on the table of Lok Sabha and Rajya Sabha on

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PREFACE

This Report for the year ended March 2023 has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The Report contains significant results of the compliance audit of the Department of Revenue – Customs under the Ministry of Finance, and Director General of Foreign Trade under Ministry of Commerce and Industry.

The Government has made significant investment in Indian Customs EDI System (ICES) with a goal of a comprehensive, paperless, fully automated customs clearance system and availability of transactional information in the form of electronic data. Consequently, Audit attempted to conduct hundred *per cent* review of data, instead of test check of transactions in a few locations. The availability of complete data would also reduce the requirement of physical visits of Audit to the Customs premises for test check of transactions. However, since the Department did not provide complete data for Pan-India transactions, Audit was carried out in the traditional method in 39 out of 70 Customs Commissionerates.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2022-23 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Customs duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution). Customs receipts form part of the indirect tax revenue of the Government. Duties of Customs are levied under the Customs Act 1962, and the rates of duties are governed under the Customs Tariff Act and notifications issued from time to time. Department of Revenue (DoR) under Ministry of Finance (MoF) is responsible for administration of Indirect Union Taxes, through the Central Board of Indirect Taxes and Customs (CBIC). The levy and collection of Customs duty and cross-border preventive functions are administered by the CBIC through 70 Customs Commissionerates across the country.

During FY 23, exports worth ₹36.22 lakh crore (4.69 crore transactions) through 417 Customs ports (203-EDI, 28-Non-EDI, 1-Manual and 185-SEZ ports) and imports worth ₹57.50 lakh crore worth of imports (4.11 crore transactions) through 432 Customs ports (184-EDI, 15-Non-EDI, and 233-SEZ ports) took place.

During FY 23, Audit issued 203 inspection reports to the respective Commissionerates/ Regional Licensing Authorities containing 1,894 observations and carrying a total revenue implication of ₹1,779 crore.

This report contains four chapters. Chapter I provides a brief description of functions of Department of Revenue and Department of Commerce and an overview of high level statistical information regarding Customs receipts, India's Imports and Exports, performance of Special Economic Zones (SEZs), arrears of Customs receipts and results of the Department's internal audit. Chapters II describes the CAG's audit mandate, scope and results of audit efforts. Chapter III is a Subject specific compliance Audit (SSCA) on topic "Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS)" and Chapter IV contains significant audit findings of Non- Compliance to provisions of Customs Act, Customs Tariff notifications and Export Promotion Schemes of Foreign Trade Policy.

Chapter I: Overview- Customs Revenue

During FY 23, Customs receipts realised were ₹2,13,372 crore as against ₹1,99,728 crore realised in FY 22. Customs receipts growth rate on Year-on-Year (YoY) basis had increased by 6.83 *per cent* during FY 23 and in last five years Customs Receipts increased by 81 *per cent*. Further, in last five years (FY 19 to FY 23) Customs receipts as percentage of GDP had increased from 0.62 to 0.79 *per cent*. Customs receipts as percentage of GTR (Gross Tax Revenue) had also increased from 5.99 *per cent* (FY 19) to 6.99 *per cent* (FY 23).

{Paragraphs 1.6.1 and 1.6.2}

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Imports registered a growth of 25.74 *per cent* in FY 23, while Exports also registered rise of 15.08 *per cent* during the same period.

{Paragraphs 1.7.2 and 1.7.3}

In addition to earning of foreign exchange and development of infrastructure, SEZs have achieved significant local area impact in terms of direct as well as indirect employment, emergence of new activities, changes in consumption pattern and social life. Exports from SEZ in FY 23 (₹12.64 lakh crore) had overall growth of 80.20 *per cent* over exports (₹7.01 lakh crore) made in FY 19 and a growth of 27.54 *per cent* over FY 22.

{Paragraphs 1.9.1 and 1.9.2}

A total of ₹6.60 lakh crore had been invested in SEZs during FY 23 which resulted in generation of employment for 28.96 lakh persons. Investment had registered an incremental growth of 30 *per cent* in FY 23 over investment of ₹5.08 lakh crore made in FY 19. During the same period, employment generated had registered growth of 40.49 *per cent*.

{Paragraph 1.9.3}

The total arrear of Customs revenue pending as on March 2023 (₹55,853 crore) had increased by 7.86 *per cent* in comparison to pendency as on March 2022 (₹51,784 crore). The overall arrears in Customs Duties have grown by 55.90 *per cent* in FY 23 compared to FY 19. Age analysis of undisputed arrears revealed that out of total ₹13,612 crore, ₹3,526 crore (25.90 *per cent*) was lying unrecovered for more than five years.

{Paragraphs 1.11.3 and 1.11.8}

Out of 20 Zones having Customs Duties arrears of ₹55,583 crore as on 31 March 2023, 10 Zones accounted for 83.12 *per cent* (₹46,201 crore). There were 13,027 defaulters in 20 Zones (as on 31 March 2023) from whom Customs revenue of ₹5,908 crore was due for recovery. The pendency of arrears and slow recovery may be attributed to vacancies under various categories of post. The Ministry needs to take effective steps for strengthening the Department's recovery mechanism.

{Paragraphs 1.11.6 and 1.11.9}

Chapter II: CAG's Audit mandate and extent of Audit

This current report contains 50 audit observations (including one Subject Specific Compliance Audit) with revenue implication of ₹747 crore noticed during FY 23. The Ministry of Finance and Ministry of Commerce have responded in 24 out of 50 cases issued. Additionally, in 25 cases, responses were received from the local Customs Commissionerates/Regional Authorities. The Ministries/Departments have accepted 49 paragraphs and taken rectification measures involving money value of ₹21 crore in the form of issue of SCNs, adjudication of SCNs and have

reported recovery of ₹14 crore in 39 cases of incorrect assessment of Customs duties.

{Paragraph 2.6}

Chapter III: Subject Specific Compliance Audit (SSCA) on “Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS)”

A Subject Specific Compliance Audit was conducted to review the internal control mechanism and implementation of two schemes of the Foreign Trade Policy 2015-20 - MEIS and SEIS. Audit findings comprising systemic and compliance issues involving revenue of ₹724.96 crore are reported to the Ministry, response to which is awaited. A Performance audit of these schemes was conducted earlier and featured as CAG Audit Report No. 5/2020. The audit also sought to evaluate the extent to which the recommendations of the previous audit have been implemented.

Audit observed that:

- (i) Despite the recommendations made in the previous AR No. 5 of 2020 to address the shortcomings in automation and to improve the internal controls and monitoring mechanism, relating to both the MEIS and SEIS schemes, the Ministry/DGFT was found lacking to implement those recommendations, primarily because both the Schemes were discontinued.
- (ii) Even after discontinuance of the schemes, the number of licences issued (as per Government dispensation) under both the schemes were substantial and involved outflow of incorrect incentive by way of duty credit which could have been avoided had the earlier recommendations been implemented.
- (iii) From a systemic perspective, Audit observed that though automation of the process of issuing MEIS and SEIS licences was taken up, the shortcomings and validation weaknesses in the automation system continued to persist requiring manual intervention. This was leading to substantial process delays, which were noticed in 39 *per cent* and 44 *per cent* of the sampled cases (MEIS and SEIS respectively). This indicates the failure of the automated system in achieving the objective of simplification of procedures and ease of doing business.
- (iv) Systemic issues noticed inter alia includes Irregular issue of scrips to firms in the Denied Entity List and also to firms whose names did not match with the names in the respective unique identifier-Importer Exporter Code (IEC), availing of dual export benefits, scrips issued for time barred claims/shipping bills, excess issue of scrips owing to

non/short levy of late cut involving revenue implication aggregating ₹185.85 crore.

- (v) From a compliance perspective, in the administration of MEIS scheme, Audit observed inadmissible and irregular grant of MEIS benefits aggregating ₹132.21 crore because of allowing benefits to ineligible products, misclassification of exported products, adoption of incorrect incentive rate, non-realisation of export proceeds or realisation of export proceeds in Indian Rupees.
- (vi) In the administration of the SEIS scheme SEIS benefits were incorrectly permitted aggregating revenue of ₹406.90 crore attributable to inadmissible services, services rendered in eligible manner, misclassification of services, incorrect computation of foreign exchange earnings, non-exclusion of government taxes while granting SEIS benefits and incorrect adoption of exchange rates.

Audit recommended that:

- (i) The department should achieve automation of the entire workflow process of issuing licences, mapped with the business rules, to eliminate manual intervention, minimise process delays and to ensure consistency in application of schemes. The classification of services by various agencies has to uniformly aligned to avoid misuse of incentives.
- (ii) The Department should strengthen validation controls in the automated system as well as strengthen its process of verification and sanctioning FTP schemes to ensure that duty scrips/benefits are provided as envisaged.
- (iii) DGFT may instruct the RAs to initiate appropriate recovery action wherever duty credit under MEIS was granted after discontinuance of the scheme particularly in respect of Apparels and Made-ups sector, which are eligible for duty credit under another scheme Rebate of State and Central Taxes and Levies (RoSCTL).

{Paragraphs 3.1 to 3.9}

Chapter IV: Non-compliance to provisions of Customs Act, Customs Tariff, notifications and Export Promotion Schemes of Foreign Trade Policy

Test audit of 39 Customs Commissionerates, 12 Regional Authorities of DGFT and nine Development Commissioners revealed instances of under assessments of applicable Customs duties due to misclassification of imported goods, incorrect application of notifications and violations of prescribed rules, procedures framed to give effect to the provisions of the Foreign Trade Policy.

The cases of non-compliance noticed during audit could be broadly categorized as follows:

- Misclassification of imports (***Paragraphs 4.4.1 to 4.4.10***)
- Incorrect application of notifications (***Paragraphs 4.5.1 to 4.5.6***)
- Non-compliance to provisions of Export Promotion Schemes (***Paragraphs 4.6.1 to 4.6.3***).
- Other irregularities (***Paragraphs 4.7.1 to 4.7.3***)

Of the total revenue of ₹22 crore due from importers/ exporters reported in 49 cases, the department had accepted all cases and reported recoveries aggregating ₹14 crore in 39 cases.

{Paragraphs 4.4.1 to 4.7.3}

Glossary of terms and abbreviations

Abbreviation	Expanded Form
AA	Advance Authorization
ACC	Air Cargo Complex
ACU	Asian Clearing Unit
ADD	Anti-Dumping Duty
ADGFT	Additional Director General of Foreign Trade
AEO	Authorized Economic Operator
ANF	Aayat Niryat Form
AO	Assessing Officer
BCD	Basic Customs Duty
BE	Bill of Entry
BE	Budget Estimates
BO	Back Office
BoA	Board of Approval
BRC	Bank Realization Certificate
CA	Chartered Accountant
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CC	Commissionerate of Customs
CE	Central Excise
CKD	Complete Knock Down
Commissionerate	Commissionerate of Customs
CPC	Central Product Classification
CRA	Customs Receipt Audit
CSEZ	Cochin Special Economic Zone
CTH	Customs Tariff Heading
CVD	Countervailing Duty
DC	Development Commissioner
DC-Customs	Deputy Commissioner of Customs
DEL	Denied Entity List
DG	Director General
DGFT	Directorate General of Foreign Trade
DoC	Department of Commerce
DoR	Department of Revenue
DPC	Duty Power and Conditions
DRI	Directorate of Revenue Intelligence
DTA	Domestic Tariff Area
ECM	Electronic Control Module
EDI	Electronic Data Interchange
EEFC	Exchange Earners' Foreign Currency

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Abbreviation	Expanded Form
EO	Export Obligation
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods
EXIM	Export and Import
FEMA	Foreign Exchange Management Act
FOB	Free on Board
FTP	Foreign Trade Policy
FTDR Act	Foreign Trade (Development and Regulation) Act
FY	Financial Year
GDP	Gross Domestic Product
GeM	Government e-Marketplace
GoI	Government of India
GST	Goods and Services Tax
GTR	Gross Tax Revenue
HBP	Hand Book of Procedures
HSN	Harmonized System of Nomenclature
ICD	Inland Container Depot
ICES	Indian Customs Electronic Data Interchange System
IEC	Importer Exporter Code
IGST	Integrated Goods and Service Tax
INR	Indian Rupee
ITC (HS)	Indian Trade Classification (Harmonized System)
IT/ITES	Information Technology/ Information Technology Enabled System
JDGFT	Joint Director General of Foreign Trade
JNCH	Jawaharlal Nehru Customs House
KASEZ	Kandla Special Economic Zone
LCD	Liquid Crystal Display
LEO	Let Export Order
MEIS	Merchandise Exports from India Scheme
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NFE	Net Foreign Exchange
NSEZ	Noida Special Economic Zone
OIO	Order in Original
OM	Office Memorandum
PA	Performance Audit
PBA	Premises Based Audit
PCA	Post Clearance Audit
PN	Public Notice
PH	Personal Hearing
PNC	Pre Notice Consultation
Pr.CCA	Principal Chief Controller of Accounts

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Abbreviation	Expanded Form
Prev.	Preventive
PVC	Poly Vinyl Chloride
₹	Rupee
RA	Regional Authority
RBI	Reserve Bank of India
RCMC	Registration-cum- Membership Certificate
RE	Revised Estimates
RMS	Risk Management System
RoDTEP	Remission of Duties and Taxes on Export Products
RoSCTL	Rebate on State and Central Taxes and Levies
SAD	Special Additional Duty of Customs
SB	Shipping Bill
SCN	Show Cause Notice
SD	Safeguard Duty
SEEPZ	Santacruz Electronic Export Processing Zone
SEIS	Service Exports from India Scheme
SEZ	Special Economic Zone
SSCA	Subject Specific Compliance Audit
STP	Software Technology Park
SWS	Social Welfare Surcharge
TBA	Theme Based Audit
TPS	Target Plus Scheme
UNSD	United Nations' Statistics Division
VSEZ	Visakhapatnam Special Economic Zone
YoY	Year on Year

CHAPTER I

Customs Revenue

1.1 Nature of Customs Duties

1.1.1 Customs Duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution). Customs Receipts form part of the indirect tax revenue of the Government.

1.1.2 Duties of Customs are levied under the Customs Act, 1962, and the rates of duties are governed under the Customs Tariff Act, 1975 and notifications issued from time to time.

1.2 Customs Revenue Base

1.2.1 The Customs revenue base comprises of the Importers and Exporters issued with Importer Exporter Code (IEC) by the Directorate General of Foreign Trade (DGFT). As on March 2023, there were 18,61,927 active IECs issued by DGFT, Delhi. During FY 23, exports worth ₹36.22 lakh crore (4.69 crore transactions) through 417 Customs ports (203-EDI, 28-Non-EDI, 1-Manual and 185-SEZ ports) and imports worth ₹57.50 lakh crore worth of imports (4.11 crore transactions) through 432 Customs ports (184-EDI, 15-Non-EDI, and 233-SEZ ports) took place.

1.3 Organisation and Functions of Administrative Departments

1.3.1 The Department of Revenue (DoR) under Ministry of Finance (MoF) is the apex Department of Government of India responsible for administration of the Direct and Indirect Union Taxes, through two statutory Boards namely, the Central Board of Indirect Taxes and Customs (CBIC) and the Central Board of Direct Taxes (CBDT) constituted under the Central Board of Revenue Act, 1963.

1.3.2 The levy and collection of Customs Duty, IGST on imports and cross-border preventive functions are administered by the CBIC through 11 Zones headed by Chief Commissioners across the country.

There are 11 Zones of Customs and Customs (Preventive) and nine combined Goods and Services Tax (GST) Zones, with Customs Commissionerates spread across the country. These Zones are headed by the Principal Chief Commissioners/Chief Commissioners. There are 70 Commissionerates exclusively of Customs, Customs (Preventive), Customs (Appeals) and Customs (Audit).

1.3.3 The Department of Commerce (DoC) under Ministry of Commerce and Industry (MoCI), through DGFT formulates, implements and monitors the Foreign Trade Policy (FTP), which provides the basic framework of policy and strategy to be followed for promoting exports and trade. Besides, the DoC is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special

Economic Zones (SEZs), State trading, export promotion and trade facilitation, and development and regulation of certain export oriented Industries and commodities.

1.3.4 The FTP is implemented through the Regional Authorities (RAs) who are responsible for providing IECs and granting licenses under various schemes of export promotion. During FY 23, there were 25 RAs across India. However, the execution/implementation of such licences is done through the Customs Commissionerates.

1.4 Customs Receipts

1.4.1 Customs receipts, before the introduction of Goods and Service Tax (GST), comprised Basic Customs Duty (BCD), Additional Duty¹ and Special Additional Duty (SAD). All imports are also subjected to Social Welfare Surcharge (SWS) in place of Education Cess and Secondary and Higher Education Cess w.e.f. February 2018². In addition, Anti-Dumping Duty (ADD) and Safeguard Duty (SD) are leviable wherever applicable.

1.4.2 After introduction of GST w.e.f. 1 July 2017, the CVD and SAD on import of all commodities, except petroleum products and alcoholic liquor for human consumption, have been subsumed and replaced by Integrated Goods and Service Tax (IGST). Tobacco products are subject to both Central Excise and IGST. The IGST is in addition to the applicable BCD which is levied as per the Customs Tariff Act. In addition, GST compensation cess is also leviable on certain luxury and demerit goods under the GST (Compensation to States) Cess Act, 2017. Levy of education cess as well as ADD and Safeguard Duty remains unchanged.

1.5 Budget Estimates and Actual Receipts

1.5.1 The Receipt Budget of the Union Government provides budget estimates of tax and non-tax revenues of the Government. Comparison of budget estimates with actual receipts is an indicator of quality of fiscal management. The actuals may differ from the estimates either due to unexpected events or due to unrealistic assumptions.

1.5.2 Budget Estimates (BE), Revised Estimates (RE) and actual Customs Receipts during FY 19 to FY 23 are given in **Table 1.1**.

¹ Additional duty of Customs levied under Section 3(1) of the Customs Tariff Act 1975 equal to excise duty, sales tax, local taxes and other charges, commonly known as Countervailing Duty.

² SWS is an additional charge on import of goods being levied under clause 108 of the Finance Bill (Act), 2018.

Table 1.1: Budget and Revised Estimates, actual receipts

Year	Budget estimates ₹ in Cr.	Revised estimates ₹ in Cr.	Actual receipts ₹ in Cr.	Difference between Actual and BE ₹ in Cr.	Per cent variation between Actual and BE	Difference between Actual and RE ₹ in Cr.	Per cent variation between Actual and RE
FY 19	1,12,500	1,30,038	1,17,813	(+) 5,313	(+)4.72	(-)12,225	(-)9.40
FY 20	1,55,904	1,25,000	1,09,283	(-)46,621	(-)29.90	(-)15,717	(-)12.57
FY 21	1,38,000	1,12,000	1,34,750	(-)3,250	(-)2.36	(+)22,750	(+)20.31
FY 22	1,36,000	1,89,000	1,99,728	(+)63,728	(+)46.86	(+)10,728	(+)5.68
FY 23	2,13,000	2,10,000	2,13,372	(+)372	(+)0.17	(+)3,372	(+)1.61

Source: Union Budget and Finance Accounts for respective years and MoF (CBIC) letter No.307/46/2022-PAC-CUS dated 07.03.2025

1.5.3 The variation between RE and actual receipts ranged between (-) 12.57 per cent to 20.31 per cent during FY 19 to FY 23. Variation between BE and actuals was in the range of (-)29.90 per cent to 46.86 per cent during the same period.

1.5.4 Actual Customs receipts during FY 23 were increased by (+) 0.17 per cent (₹372 crore), while during FY 22, they were more than by (+) 46.86 per cent (₹63,728 crore) in comparison to their BE. The actual receipts during FY 23 have marginally exceeded the RE because the Department regularly monitors several factors affecting the Indian Economy and makes intervention by way of calibrating Customs duty rate structure as and when required after presentation of the budget.

Department of Revenue (CBIC), for variation in RE/BE, stated (March 2025), that Customs Duty structure has been guided by conscious policy of the government to incentivize domestic manufacturing with focus on increased value addition under Make in India and Atma Nirbhar Bharat schemes, which inter-alia envisages imposition of lower import duty on raw materials and discourages the import of non-essential items. Keeping this policy of government as guiding principle, Customs duty targets for budgets estimates for FY 23 was set at the time of presentation of budget during February 2023 under various assumptions based on the prevailing macro-economic conditions, past revenue trends and estimated tax buoyancy.

DoR, further stated that while fixing revised targets, Customs duty collection trends were reviewed by the Department along with the prevailing macro-economic condition. Accordingly, Customs duty target was revised at the RE stage.

DoR attributed the increase in Customs receipts compared to RE during FY 23 also to the fact that the Department regularly monitors factors affecting the economy and made intervention by way of calibrating Customs duty rate structure as and when required. After presentation of the Budget, changes were made in Customs Duty structure to address inversion in duty structure.

1.6 Growth of Customs Receipts

1.6.1 Table 1.2 gives the relative growth of Customs receipts with reference to Gross Domestic Product (GDP), Gross Tax Revenue (GTR) receipts and Gross Indirect Tax receipts during FY 19 to FY 23.

Table 1.2: Growth of Customs Receipts

Year	Customs Receipts ₹ in Cr.	Year on year growth per cent	GDP ₹ in Cr.	Customs Receipts as % of GDP	Gross Tax Revenue (GTR) ₹ in Cr.	Customs Receipts as % of GTR	Gross Indirect Taxes ₹ in Cr.	Customs Receipts as percentage of Indirect Taxes
FY 19	1,17,813	(-)8.69	1,88,99,668	0.62	19,68,456	5.99	8,43,177	13.97
FY 20	1,09,283	(-)7.24	2,01,03,593	0.54	20,10,059	5.44	8,59,122	12.72
FY 21	1,34,750	23.30	1,98,54,096	0.68	20,27,102	6.65	10,76,891	12.51
FY 22	1,99,728	48.22	2,35,97,399	0.85	27,09,315	7.37	12,97,797	15.39
FY 23	2,13,372	6.83	2,68,90,473	0.79	30,54,192	6.99	13,91,164	15.34

Source: Union Budget & Finance Accounts for respective years, GDP figures from National Statistical Office, MoSPI press note dated 28 February 2025.

1.6.2 Customs receipts growth rate on Year-on-Year (YoY) basis had shown a growth of 6.83 per cent during FY 23 and in the last five years (FY 19 to FY 23) Customs receipts increased by 81 per cent. Further, in last five years (FY 19 to FY 23) Customs receipts as percentage of GDP had shown an oscillating trend in the range of 0.54 per cent to 0.85 per cent. Customs receipts as percentage of GTR (Gross Tax Revenue) had also fluctuating trends in the range of 5.44 per cent to 7.37 per cent during the same period.

1.6.3 During FY 23, the percentage of Customs receipts to GDP (0.79 per cent) had shown a downward movement as compared to 0.85 per cent in FY 22. Customs receipts as a percentage of GTR had also decreased to 6.99 per cent in FY 23 as compared to 7.37 per cent in FY 22.

1.6.4 During FY 23, the Customs receipts to GDP ratio was less than one per cent (0.79 per cent) while Customs receipts as a percentage of GTR were 6.99 per cent. However, Customs receipts as a percentage of Indirect taxes were 15.34 per cent.

1.7 India's Imports and Exports

1.7.1 Trade with top 10 trading partners

During the last five years (FY 19 to FY 23) India's major trading partners were USA, China, UAE, Saudi Arabia, Russia, Indonesia, Iraq, Singapore, Hong Kong, and Korea. Of these, the share of imports in FY 23 as compared to FY 22 from major trading partners have increased except China, Iraq and Hong Kong.

In terms of YoY growth of FY 23 over FY 22, imports from top of 10 countries, have increased. The commodity groups imported from top 10 countries were Petroleum Crude, Petroleum Products, Gold, Pearls, Precious and Semi-Precious-Stones, Coal

Coke and Briquettes, Electronic components, Telecom Instruments, Vegetable Oils, Organic Chemicals and Computer Hardware etc.

Imports from the top 10 trading partners during FY 22 and 23 accounted for about half of the total imports made during the period (**Table 1.3**).

Table 1.3: Imports from top 10 trading partners' year on year growth FY 23 over FY 22

Sl. No.	Country	Imports FY 22	Imports FY 23	Growth % FY 23 over FY 22	%age Share of total imports in FY 22	%age Share of total imports in FY 23
1	China	7,05,123	7,90,932	12.17	15.42	13.76
2	UAE	3,34,470	4,27,406	27.79	7.31	7.43
3	USA	3,23,033	4,08,621	26.50	7.06	7.11
4	Russia	73,655	3,74,003	407.78	1.61	6.50
5	Saudi Arabia	2,54,678	3,37,572	32.55	5.57	5.87
6	Iraq	2,38,418	2,75,202	15.43	5.21	4.79
7	Indonesia	1,32,049	2,30,815	74.80	2.89	4.01
8	Singapore	1,41,574	1,89,828	34.08	3.10	3.30
9	Korea	1,30,299	1,70,632	30.95	2.85	2.97
10	Hong Kong	1,42,400	1,46,586	2.94	3.11	2.55
	Sub Total	24,75,699	33,51,597			
	Percentage			25.74	54.14	58.29
	India's total Imports	45,72,771	57,49,801		100	100

Source: EXIM Data, Ministry of Commerce and Industry

Imports from ten major trading partners during FY 23 had shown an increasing trend as compared with imports made during FY 22. The most significant increase of 407 per cent was in imports from Russia during FY 23, primarily driven by discounted oil prices offered due to extraneous factors. There was moderate to significant increase in Imports from other nine major trading partners during the same period.

1.7.2 India's trade imbalance with its top 10 trading partners

During FY 23 India's trade imbalance with its top 10 trading partners was 89 per cent {(-) ₹-19,02,016 crore} of the total trade imbalance {(-) ₹21,28,251 crore}. The details of imports and exports from the top 10 trading partners during FY 23 are depicted in **Table 1.4**.

Table 1.4: India's top 10 trading partners for FY 23

Rank	FY 23 Country	Values: ₹ in crore			
		Export	Import	Total Trade	Trade Balance
1	USA	6,30,152	4,08,621	10,38,772	2,21,531
2	China	1,22,774	7,90,932	9,13,706	-6,68,158
3	UAE	2,53,852	4,27,406	6,81,258	-1,73,553
4	Saudi Arabia	86,271	3,37,572	4,23,843	-2,51,301
5	Russia	25,463	3,74,003	3,99,466	-3,48,541
6	Indonesia	80,335	2,30,815	3,11,150	-1,50,480

Rank	FY 23	Values: ₹ in crore			
	Country	Export	Import	Total Trade	Trade Balance
7	Iraq	21,777	2,75,202	2,96,979	-2,53,426
8	Singapore	96,185	1,89,828	2,86,013	-93,643
9	Hong Kong	79,497	1,46,586	2,26,084	-67,089
10	Korea	53,275	1,70,632	2,23,907	-1,17,356
Total of Top 10 countries		14,49,582	33,51,597	48,01,179	-19,02,016
India's Total		36,21,550	57,49,801	93,71,351	-21,28,251
Share percentage of Top 10 countries in India's total trade		40.03	58.29	51.23	89.37

Source: EXIM Data, Ministry of Commerce and Industry

1.7.3 India's total Import and Export during FY 19 to FY 23

The **Table 1.5** depicts the growth trend of India's imports and exports during FY 19 to FY 23.

Table 1.5: India's Import and Export during FY 19 to FY 23

Year	Imports ₹ in Cr.	% growth over previous year	Exports ₹ in Cr.	% growth over previous year	Trade Imbalance ₹ in Cr.
FY 19	35,94,675	19.78	23,07,726	17.95	(-)12,86,949
FY 20	33,60,954	(-)6.50	22,19,854	(-)3.81	(-)11,41,100
FY 21	29,15,958	(-)13.24	21,59,043	(-)2.74	(-)7,56,915
FY 22	45,72,771	56.82	31,47,021	45.76	(-)14,25,750
FY 23	57,49,801	25.74	36,21,550	15.08	(-)21,28,251

Source: EXIM Data, Ministry of Commerce & Industry

In FY 23, India's overall export in value was ₹36,21,550 crores as compared to ₹31,47,021 crores in FY 22, registering growth of 15.08 *per cent*. In FY 23, India's overall import in value was ₹57,49,801 crores as compared to ₹45,72,771 crores in FY 22, also registering a positive growth of 25.74 *per cent*.

YoY growth rate of imports had shown varying trend during FY 19 to FY 23 from (-)13.24 *per cent* to 56.82 *per cent* by reason of COVID pandemic (FY 20 to FY 21). The growth rate in exports also shown swing from (-) 3.81 *per cent* to 45.76 *per cent* during the same period. However, trade balance for overall trade during FY 23 has further aggravated as compared to last four years' trade (FY 19 to 22). The increase in imports and weak growth in exports during FY 23 is the reason behind India's rising trade deficit. This was mainly because of surge in imports value of petroleum products, while exports remained weak due to external factors.

1.8 Share of top five Commodity groups in Imports and Exports during FY 23

1.8.1 During FY 23, the highest import of ₹ 20,93,896 crore was recorded for the commodity 'Mineral fuels and products of their Distillation' which constitutes the largest share of 36.42 *per cent* in India's total import. The top five principal commodities of import during FY 23 along with percentage share are described in

Table 1.6. These commodity groups accounted for 67.83 *per cent* share of India's total imports made during FY 23.

Table 1.6: Share of top five commodity groups in Imports during FY 23

Sl. No.	Name of the Commodity	Import Value (₹ in crore)	Per cent to total Import
1	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes. (Chapter-27)	20,93,896	36.42
2	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad With Precious Metal and Articles thereof; Imitation Jewellery; Coins. (Chapter-71)	5,92,525	10.31
3	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image, Sound Recorders and Reproducers, and Parts. (Chapter-85)	5,43,741	9.46
4	Machinery and Mechanical Appliances; Parts thereof. (Chapter-84)	4,37,140	7.60
5	Organic Chemicals (Chapter-29)	2,32,169	4.04
	Sub total	38,99,471	67.83
6	Others (Except Chapter-27, 71, 85, 84, 29)	18,50,329	32.17
	Total	57,49,801	100.00

Source: EXIM Data, Ministry of Commerce & Industry

1.8.2 During FY 23, the highest export of ₹8,12,670 crore was also recorded in 'Mineral fuels and products of their Distillation' which constitute the largest share of 22.44 *per cent* in India's total export. The top five principal commodities of export during FY 23 along with percentage share are depicted in **Table 1.7**. The share of the five major commodity groups in exports during FY 23 was 48.08 *per cent* of India's total exports.

Table 1.7: Share of top five commodity groups in exports during FY 23

Sl. No.	Name of The Commodity	Export Value (₹ In Crore)	Per Cent To Total Export
1	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes. (Chapter-27)	8,12,670	22.44
2	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad with Precious Metal and Articles thereof; Imitation Jewellery; Coin. (Chapter-71)	3,05,758	8.44
3	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image, Sound Recorders and Reproducers, and Parts. (Chapter-85)	2,30,511	6.36
4	Machinery and Mechanical Appliances; Parts thereof. (Chapter-84)	2,20,977	6.10
5	Organic Chemicals (Chapter-29)	1,71,546	4.74
	Sub total	17,41,462	48.08
6	Others (Except Chapter-27, 71, 85, 84, 29)	18,80,087	51.92
	Total	36,21,550	100.00

Source: EXIM Data, Ministry of Commerce & Industry

1.9 Performance of Special Economic Zones

1.9.1 The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February, 2006, providing for simplification of procedures and for single window clearance on matters relating to Central as well as State Governments. In terms of the SEZ Act, 2005, an SEZ may be set up either jointly or severally by the Central Government, State Government or any person for manufacture of goods or rendering services or for both or as a Free Trade Warehousing Zone (FTWZ). Such proposals duly recommended by the concerned State Government are considered by the Board of Approval (BoA) for SEZs.

The main objectives of the SEZ Act are:

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities
- development of infrastructure facilities

After notification of SEZ Rules in February 2006, as of 1 April 2023, the Department of Commerce had granted 424 formal approvals for setting up SEZs, out of which, 395 had been notified, of which only 275 SEZs were operational (**Annexure 1**) i.e. 64.86 *per cent* of the total approved SEZs. As on 31st March 2023, there were total 5,675 units approved in SEZs.

1.9.2 The SEZ scheme has generated tremendous response among the investors, both in India and abroad which is evident from the flow of investment and creation of additional employment in the country. In addition to earning of foreign exchange and development of infrastructure, SEZs have achieved significant local area impact in terms of direct as well as indirect employment, emergence of new activities, changes in consumption pattern and social life. The three parameters of SEZ performance (i) Export performance, (ii) Investment, and (iii) Employment for the period FY 19 to FY 23 are given in **Table 1.8** below.

Table 1.8: Performance of SEZs

	FY 19	FY 20	FY 21	FY 22	FY 23
Export performance (₹ in crore)	7,01,179 (21%)*	7,96,669 (14%)	7,59,524 (-5%)	9,90,747 (30%)*	12,63,578 (28%)*
Investment (₹ in crore)	5,07,644 (3%)	5,71,735 (13%)	6,17,499 (8%)	6,49,705 (5%)*	6,60,184 (2%)*
Employment (in person)	20,61,055 (3%)	22,38,305 (8%)	23,58,136 (5%)	26,96,180 (14%)*	28,95,612 (7%)*

Source: Ministry of Commerce & Industry *Figures in bracket indicate YoY growth

Exports from SEZ, which stood at ₹12.64 lakh crore in FY 23, had overall growth of 80.20 per cent (₹7.01 lakh crore) over exports made in FY 19. The exports growth percentage had increased to 28 per cent in FY 23 over FY 22 with exports of ₹12.64 lakh crore. The YoY growth in exports had increase from 21 per cent in FY 19 to 28 per cent in FY 23 as compared to previous years (Table 1.8 and Annexure 1). The exports growth exhibits an increasing trend in FY 23 after declining effects of Corona pandemic in FY 21.

1.9.3 A total of ₹6.60 lakh crore had been invested in SEZs during FY 23 which resulted in generation of employment for 28.96 lakh persons. Investment had registered an incremental growth of 30 per cent in FY 23 over investment of ₹5.08 lakh crore made in FY 19. During the same period, employment generated had registered growth of 40.49 per cent (Table 1.8).

1.10 Cost of Collection of Customs Receipts during FY 22 and FY 23

1.10.1 Cost of collection is the cost incurred on collection of Customs Duties and comprises of expenditure on Import/Export Trade control functions, preventive functions, transfers to reserve fund/deposit account and other expenditure. The cost of collection of Customs receipts for the period from FY 22 to FY 23 is given in Table 1.9 below.

Table 1.9: Cost of Collection during FY 22 and FY 23

(₹ in Crore)

Expenditure Heads	FY 22	FY 23
Expenditure on Revenue-cum Import /export and trade control functions	833	928
Expenditure on preventive and other functions	4,279	5,275
Transfer to Reserve, Fund, Deposit A/c and other expenditure	19	23
Remission of Duties and taxes on exported products	12,016	13,175
Rebate on State and Central Taxes and levies	9,176	7,659
Rebate under MEIS	23,051	1,248
Rebate under SEIS	4,099	2,610
Rebate/Incentive under TPS	766	129
Rebate under other Schemes	213	61
Total Expenditure	54,452	31,109
Customs Receipts	1,99,728	2,13,372
Cost of collection as percentage of Customs Receipts	27.26	14.58

Source: Finance Accounts of the Union Government for respective years

1.10.2 Expressed in terms of percentage of Customs receipts, cost of collection was 27.26 per cent in FY 22 and 14.58 per cent in FY 23. The decrease in cost of collection was because of decreasing expenditure under heads 'Rebate under MEIS, Rebate under SEIS, Rebate/Incentive under Target Plus Scheme (TPS), Rebate on State and Central Taxes and levies and Rebate under other Schemes'.

1.11 Arrears of Customs Duties

1.11.1 Recovery of arrears of Customs Duties is the overall responsibility of the jurisdictional Commissioners. They are required to review and monitor the functions of recovery cell functioning within the Commissionerates. Every year, recovery targets are fixed for each Commissionerate. Details of target fixed and achievement for recovery of Customs Duties arrears during FY 19 to FY 23 are depicted in the **Table 1.10**.

Against the recovery target of ₹9,707 crore in FY 23, the Department had recovered ₹1,898 (19.55 *per cent*), leaving a balance of ₹7,809 crore (80.45 *per cent*) (**Table 1.10**).

Table 1.10: Recovery target fixed and achieved during FY 19 to FY 23

Year	Arrear Target (₹ in Cr.)	Target Achieved (₹ in Cr.)	Target Shortfall (₹ in Cr.)	Percentage of Shortfall
FY 19	4,315	2,159	(-)2,156	(-)49.97
FY 20	4,044	1,952	(-)2,092	(-)51.73
FY 21	4,108	1,128	(-)2,980	(-)72.54
FY 22	3,767	1,673	(-)2,094	(-) 55.59
FY 23	9,707	1,898	(-)7,809	(-)80.45

Source: Ministry of Finance letter no. F.No.307/46/2022-PAC-CUS dated 12.02.2025 for FY 23

The above table depicted that the Department had not achieved the targets fixed by CBIC to recover Customs Duties arrears. The shortfall in target was (-) 80.45 *per cent* in FY 23. There was continuous shortfall in achieving the targets fixed to recover Customs Duties arrears since the last five years. The vacancies in overall staff strength may have affected the recovery arrears target. The overall shortage in staff strength was 47 *per cent* as on January 2023.

Board has issued instructions/Circulars relating to recovery of arrears under Central Excise, Service Tax and Customs from time to time. Considering the changes that have taken place, especially after the introduction of GST in July 2017, it has become imperative to update and revamp the procedure for recovery of arrears of Indirect Taxes and Customs.

1.11.2 The arrears of Customs Duty are duties raised by the Department but not recovered due to various reasons like pendency of adjudication, disputed claims, and provisional assessments. Total Customs arrears amounted to ₹55,853 crore as on 31 March 2023. The Customs revenue arrears for FY 19 to FY 23 are depicted in the **Table 1.11** below.

Table 1.11: Arrears of Customs Duties

Year	Arrear of Customs Duties under dispute (₹ in Cr.)	Arrear of undisputed Customs Duties (₹ in Cr.)	Total Arrears (₹ in Cr.)	Percentage of disputed arrears to total arrears	Percentage of undisputed arrears to total arrears
FY 19	27,972	7,855	35,827	78.08	21.92
FY 20	36,951	8,101	45,052	82.02	17.98
FY 21	34,215	8,386	42,601	80.32	19.68
FY 22	41,917	9,867	51,784	80.95	19.05
FY 23	42,241	13,612	55,853	75.63	24.37

Source: DG Performance Management (TAR), Customs, Central Excise & Services

1.11.3 The arrears of Customs Duties had risen steadily during FY 19 to FY 23. The total arrear of Customs revenue pending as on March 2023 (₹55,853 crore) had increased by 7.86 per cent in comparison to pendency as on March 2022 (₹51,784 crore). The overall arrears in Customs Duties have grown by 55.90 per cent in FY 23 compared to FY 19.

1.11.4 Amount of arrears under dispute as a proportion to total arrears had marginally decreased from 78.08 per cent in FY 19 to 75.63 per cent in FY 23 and stood at ₹42,241 crore.

1.11.5 Undisputed arrears (₹13,612 crore) pending as on 31 March 2023 were 24.37 per cent of total arrears (₹55,853 crore). The undisputed arrears had increased in FY 23 (24.37 per cent) in comparison to previous year.

1.11.6 Out of total 20 Zones {11 Customs Zones and nine combined (Customs and GST Zones)}, 10 Zones accounted for 83.12 per cent (₹46,201 crore) of total arrears pending (₹55,853 crore) during FY 23 as shown in **Table 1.12**.

Table 1.12: Zone wise Arrears of Customs revenue as on 31 March 2023

Rank	Chief Commissioner Zones	Amount under Dispute (₹ in crore)	Amount Undisputed (₹ in crore)	Amount pending as on 31.03.2023 (₹ in crore)
1	Ahmedabad Customs	8,576	2,280	10,855
2	Bengaluru Customs	5,337	1,401	6,739
3	Mumbai - II Customs	6,085	542	6,626
4	Delhi Customs	3,169	3,001	6,171
5	Mumbai - I Customs	2,432	618	3,050
6	Mumbai - III Customs	2,287	679	2,966
7	Kolkata Customs	2,062	499	2,562
8	Chennai Customs	1,771	678	2,449
9	Bhopal CE & GST	1,251	1,192	2,442
10	Delhi Preventive	1,874	468	2,341
	Sub-total top 10	34,843	11,358	46,201
11	Total of others	7,398	2,254	9,382
	Grand Total	42,241	13,612	55,853

Source: Ministry of Finance letter no. F.No.307/46/2022-PAC-CUS dated 12.02.2025

1.11.7 Chief Commissionerates of Customs, Ahmedabad had the highest quantum of arrears of Customs Duty in FY 23, followed by Bengaluru, Mumbai-II, Delhi Customs, Mumbai-I and Mumbai-III, Kolkata, Chennai, Bhopal-CE&GST and Delhi Preventive Zones in that order.

1.11.8 Age wise Arrears of Customs revenue for FY 19 to FY 23 are depicted in the **Table 1.13**.

Table 1.13: Age wise pendency of Arrears of Customs Revenue for FY 19 to FY 23

Year	Amount under dispute (₹ in Cr.)				Amount not under dispute (₹ in Cr.)				Grand total (col.5+9)
	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.2+3+4)	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.6+7+8)	
1	2	3	4	5	6	7	8	9	10
FY 19	24,670	2,373	929	27,972	5,361	831	1,663	7,855	35,827
FY 20	29,226	6,128	1,597	36,951	6,243	864	994	8,101	45,052
FY 21	25,077	7,599	1,539	34,215	6,285	918	1,183	8,386	42,601
FY 22	31,558	8,436	1,923	41,917	7,667	966	1,234	9,867	51,784
FY 23	31,603	7,253	3,385	42,241	10,086	1,989	1,537	13,612	55,853

Source: Ministry of Finance letter no. F.No.307/46/2022-PAC-CUS dated 12.02.2025 for FY 23

Age analysis of undisputed arrears revealed that out of total ₹13,612 crore, ₹3,526 crore (25.90 per cent) were lying unrecovered for more than five years. Of which, recovery of an amount of ₹1,537 crore was pending for more than ten years.

1.11.9 Further, there were 11,322 defaulters in 20 Zones (as on 1 April 2022) from whom Customs revenue of ₹5,960 crore was due for recovery. There was an addition of 2,258 new defaulters during FY 23 having revenue liability of ₹525 crore. After recoveries in few cases there were 13,027 defaulters having arrears of ₹5,908 crore as on 31 March 2023. The pendency of arrears and slow recovery may be attributed to vacancies under various categories of post. The Ministry needs to take effective steps for strengthening the Department's recovery mechanism.

1.12 Internal Audit

1.12.1 The internal audit of CBIC and its field formations comprises of technical audits conducted by Directorate General of Audit {DG (Audit)} and audit of payments and accounts conducted by the Principal Chief Controller of Accounts (Pr. CCA). DG (Audit) has its Headquarters located in Delhi, headed by Director General (Audit) with seven zonal units at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Mumbai, each headed by an Additional Director General. Every zonal unit of DGA has area wise jurisdictional control over zonal units of the Chief Commissioner and Commissionerates there under.

1.12.2 The Customs Act, 1962, provide a statutory framework for conducting Post clearance audit. DG (Audit) had planned two types of Post Clearance Audit i.e. Transaction Based Audit (TBA) and Premises Based Audit (PBA).

1.12.3 Transaction Based Audit (TBA) means examination of Bill of Entry (Import document)/Shipping Bill (Export document) for verifying compliance to all the legal provisions and to check for any short levy or non-levy. TBA normally does not require the auditor to visit the premise but if required it may involve a field audit also. During FY 23, a total of 5,43,916 BsE were planned to be audited in TBA. Audit was conducted for 8,67,669 BsE which were more than the audit planned as it included some BsE from the previous year. DG (Audit) detected duty evasion of ₹799.50 crore, of which duty of ₹146.39 crore had been recovered.

1.12.4 Premise Based Audit (PBA) means that the legal compliance and correct assessment of Customs duties will be verified at the premise of the importers and exporters. Identification of auditees for the PBA will be done based on the risk parameters. PBA will be conducted once in two/three/five years for Authorized Economic Operator (AEO) Tier³-1/Tier-2/Tier-3 respectively. During FY 23, against planned 174 units for audit, 176 units actually audited, as it included some units from the previous year. Duty evasion of ₹274.91 crore was detected by DG (Audit) during PBA. Out of which, duty of ₹64.54 crore had been recovered.

1.12.5 Pr. CCA conducts internal audit of payments and accounts of CBIC and its field formations. According to information given by CBIC, 115 audit observations amounting to ₹42,669 crore⁴ pointed by Pr. CCA during FY 23 were pending as on 31st March 2023. These mainly consisted of the following irregularities:

- a) Non-accountal of costly stores/govt. money-₹11.28 crore (02 cases);
- b) Blocking of Government revenue in GeM- ₹211.19 crore (23 cases);
- c) Overpayments/Irregular expenditure/Irregular Purchase/TA-LTC Advance- ₹2.31 crore (45 cases);
- d) Other irregularities⁵: Any other items of special nature-₹42,654 crore (45 cases);

There was a decreasing trend in the pending irregularities amount in FY 23 (₹42,669 crore) over FY 22 (₹2,80,353 crore).

Pr. CCA stated (February 2025) that these outstanding figures involves; (i) Adjudication cases and (ii) Blocking of Government revenue in Government e-Marketplace (GeM) which should have not been included as outstanding recoveries.

The reply emphasises need for exhaustive scrutiny by the Senior management before reporting irregularities.

³ Authorized Economic Operator (AEO) category

⁴ Ministry of Finance letter no. No.IA/NZ/HQ/CAG/Information/2023-24/179 dt. 18.02.2025 for FY23

⁵This amount included figures towards adjudication which cannot be taken as outstanding recoveries as Adjudication is a regular recurring process between the Department and the tax payers.

1.13 Tax Evasion and Seizures

1.13.1 According to information furnished (February/March 2025) by DRI/CBIC-MoF regarding tax evasion cases detected by DRI during FY 23, the number of duty evasion cases moved down from 752 in FY 19 to 582 in FY 23, and the value also decreased from ₹6,228 crore to ₹4,256 crore during the same period (**Annexure 2**). However, details of recoveries made in cases detected have not been provided.

1.13.2 The major commodities (by value) seized as per MoF during FY 23 are Narcotics, Gold, Cigarettes, Red Sanders, Foreign Currency, Indian Currency, Electronics items, Vehicles/Vessels, Diamonds/Precious Stone, Silver, and others. The value of Narcotics seized by DRI was ₹14,248 crore (91.98 *per cent*) out of total ₹15,660 crore.

1.14 Human Resource

1.14.1 Cadre wise rationalisation/reorganisation of Human Resource at all levels for Customs formations in CBIC was last done in the year 2017-18. There was an overall vacancy of 12,506 Customs officers/officials posts (as on January 2023). These vacant posts constituted 47 *per cent* of the total *sanctioned* strength (26,681). The Ministry may provide the reasons for not filling the vacancies.

Table 1.14: Human Resources in CBIC

As on date	Sanctioned Strength			Total Gr. A, B & C	Working Strength			Total Gr. A, B & C
	Gr. A	Gr. B	Gr. C		Gr. A	Gr. B	Gr. C	
01.01.2022	1,280	16,811	8,588	26,679	814	9,530	3,791	14,135
01.07.2022	1,282	16,807	8,592	26,681	763	9,680	3,706	14,149
01.01.2023	1,162	16,807	8,592	26,681	683	9,918	3,508	14,175

As on date	Vacancy							
	Gr. A	Percentage	Gr. B	Percentage	Gr. C	Percentage	Total Gr. A, B & C	Overall %
01.01.2022	466	36.41	7,281	43.31	4,797	55.86	12,544	47.02
01.07.2022	519	40.48	7,127	42.40	4,886	56.57	12,532	46.97
01.01.2023	479	41.22	6,889	40.99	5,084	59.17	12,506	46.87

Source: Directorate General (HRD)-CBIC letter dated 05.03.2025 for FY 23

1.15 Conclusion:

India's trade figures for FY 23 revealed that the Imports and exports have increased in FY 23 over FY 22 by 25.74 and 15.08 *per cent* respectively; however, the trade balance for overall trade during FY 23 has further worsened as compared to last four years (FY 19 to 22).

The commodities covered under Chapters 27, 71, 85, 84 and 29 of the Customs Tariff accounted for 68 *per cent* share of India's total imports made during FY 23. While the share of five major commodities exported during FY 23 covered under

Chapters 27, 71, 85, 84 and 29 of the Customs Tariff was 48 *per cent* of India's total exports.

Out of total 20 Zones {11 Customs Zones and nine combined (Customs and GST Zones)}, 10 Zones accounted for 83.12 *per cent* (₹46,201 crore) of total arrears pending (₹55,583 crore) during FY 23. Chief Commissionerates of Customs, Ahmedabad had the highest quantum of arrears of Customs Duty in FY 23, followed by Bengaluru, Mumbai-II, Delhi Customs, Mumbai-I and Mumbai-III, Kolkata, Chennai, Bhopal-CE&GST and Delhi Preventive Zones in that order.

The Department had not achieved the targets fixed by CBIC to recover Customs Revenue arrears. The shortfall in target was (-)80.45 *per cent* in FY 23. There was continuous shortfall in achieving the targets fixed to recover Customs Revenue arrears since the last five years (FY 19 to FY 23).

Age analysis of undisputed Duty arrears revealed that out of total ₹13,612 crores, ₹3,526 crores (25.90 *per cent*) were lying unrecovered for more than five years. Of which, an amount of ₹1,537 crores was pending for recovery for more than ten years.

The Ministry may revamp the procedure for recovery of arrears of Indirect Taxes and Customs.

CHAPTER II

CAG's Audit Mandate and Extent of Audit

2.1 Authority of the CAG for audit of receipts

2.1.1 Article 149 of the Constitution of India provides that CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament. The Parliament passed the Comptroller and Auditor General's DPC Act (CAG's DPC Act) in 1971.

Section 16 of the CAG's DPC Act, 1971 authorizes CAG to audit all receipts (both revenue and capital) of the Government of India and of the Government of each State and of each Union Territory having a legislative assembly and to satisfy himself that the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed. Regulations on Audit & Accounts (Amendments), 2020, lay down the principles for Receipt Audit.

2.1.2 Compliance audit of Customs revenue covers transactions involving levy and collection of Customs Duties, any other levies of Customs, transactions of imports and exports undertaken under various schemes implemented under the FTP and specific compliance areas reviewed by audit from time to time. The transactions covered in this report pertain to Financial Year (FY) 23, but in some cases, prior period transactions have also been reviewed for getting a holistic picture.

2.2 Scope of Audit

2.2.1 CAG examines the records, selected on a risk based sample by the Audit team (in the absence of holistic Pan-India data), of the various functional wings of CBIC, along with the sample of transactional records of Customs field formations relating to imports, exports and refunds. CAG also examines records relating to departmental functions like adjudication and recovery of arrears and preventive functions.

2.2.2 Further, records of the concerned RAs of DGFT under MoCI in respect of Customs exemption benefits availed by importers/exporters under FTP are examined. Similarly, CAG conducts audit of the Development Commissioners (DCs) of SEZs/EOUs and Software Technology Parks (STPs), including certification of accounts of Central government owned SEZs.

2.3 Audit Universe

2.3.1 Audit universe for Customs Receipt audit includes CBIC, its Customs field formations and the ports (both Electronic Data Interchange (EDI) linked, non-EDI and SEZ) and transactions executed there under i.e. BsE and SBs.

2.3.2 Customs field formations are divided into 11 Customs Zones and nine Combined {Customs and GST} Zones with 70 Principal Commissioners/Commissioners in 20 Zones headed by one Chief Commissioner each. As on 1 April 2023, there were 44 Customs Executive Commissionerates, 13 Customs Preventive Commissionerates, nine Customs Appeal Commissionerates and four Customs Audit Commissionerates.

2.3.3 For the audit of Export Promotion schemes, the audit universe comprises of the DGFT, its RAs and Development Commissioners of SEZ/EOU/STP. DGFT is an attached office of the MoCI and is headed by the Director General (DGFT). DGFT is responsible for formulating and implementing the FTP with the main objective of promoting India's exports. The DGFT issues scrips/authorizations to exporters and monitors their corresponding obligations through a network of 25 regional offices.

2.3.4 The schemes which are implemented through SEZs and EOUs, are audited at the offices of the respective DCs of SEZs/EOUs.

2.4 Access to Auditee data

Audit relies on Customs transaction data to draw assurance that laws have been applied correctly to prevent loss of revenue. Lack of full access to Pan-India data limits the audit scrutiny to test check of transactions selected at the individual Customs field formations and a limited assurance in certifying revenue receipts.

Pan India import and export transactions data for the period FY 18 to FY 23 requisitioned (June 2019/July/September 2020/2022/2023) by Audit in terms of a Memorandum of Undertaking (MoU) signed in March 2015, was not received despite repeated requests. In the absence of Pan-India transactional data, audit was conducted by physically visiting 39 out of 70 Commissionerates and using the Customs Receipt Audit (CRA) Module and Import Customs Receipt Audit (ICRA) Module interface of Indian Customs EDI System (ICES), which had their limitations.

Audit has, to the extent possible based on the findings in test check quantified the total number of transactions at risk, through the limited access provided in CRA Module and ICRA Module by the Department. The instances mentioned in this Report are those which came to notice in the course of test audit conducted during the period FY 23 and in some cases earlier year also.

2.5 Audit sample

During FY 23, a test check of transactions was carried out in 39 out of 70 (56 per cent) Commissionerates. The audit of Commissionerates of Customs covered 28 out of 44 Executive Commissionerates, 10 out of 13 Preventive Commissionerates and one out of nine Appeal Commissionerates. In addition, Audit of licenses/authorisations under various schemes of FTP granted by the DGFT through its RAs was conducted in 12 out of 25 RAs and nine Development Commissioner (DC).

Table 2.1: Audit Universe and Sample

Ministry	Audited Entity	Audit Universe	Audit Sample
Ministry Of Finance (Department of Revenue-CBIC)	Chief Commissionerates of Customs & Preventive	11	9
	Principal Commissionerate/Commissionerate	70	39
	Executive Commissionerate	44	28
	Exclusive Preventive Commissionerate	13	10
	Appeal Commissionerate	9	01
	Audit Commissionerate	4	Nil
Ministry of Commerce and Industry (Department of Commerce- DGFT)	Regional Authority	25	12
	Development Commissioner	9	9

2.6 Audit efforts

2.6.1 During FY 23, 203 Inspection Reports were issued to respective Commissionerates/ RAs/DCs containing 1,894 observations and carrying a total revenue implication of ₹1,779 crore.

2.6.2 Significant and high value cases noticed during audit were issued to the Ministries (MoF/ MoCI) for comments before inclusion in the Audit Report. This report covers 50 audit observations involving revenue implication of ₹747 crore and were issued to both Ministries during January 2025 to May 2025.

2.6.3 The Ministries/department responded in 49 out of 50 audit observations issued and accepted 49 audit observations, conveying rectification measures involving money value of ₹21 crore in the form of issue of SCNs, adjudication of SCNs and had reported recovery of ₹14 crore in 39 cases of incorrect assessment of Customs Duties.

2.6.4 The Foreign Trade Policy prescribes export incentives for Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS). A Subject Specific Compliance Audit was conducted to review the internal control mechanism and implementation of two schemes MEIS and SEIS and reported findings with revenue implication of ₹724.96 crore in Chapter III.

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A Performance audit of these schemes was conducted earlier and featured as CAG Audit Report No. 5/2020. The audit also sought to evaluate the extent to which the recommendations of the previous audit have been implemented.

2.6.5 In Chapter IV, Audit reported significant findings noticed during test check of Bills of Entry/Shipping Bills and other records at selected Commissionerates and Regional authorities of DGFT with a revenue implication of **₹22 crore**. The audit findings pertained to 'Misclassification of imports (Paragraphs 4.4.1 to 4.4.10)', 'Incorrect application of IGST notification (Paragraphs 4.5.1 to 4.5.4)', 'Incorrect application of exemption notifications (Paragraphs 4.5.5 to 4.5.6)', 'Non-compliance to provisions of Export Promotion Schemes' (Paragraphs 4.6.1 to 4.6.3) and "Other irregularities (Paragraph 4.7.1 to 4.7.3). Audit findings flagged included certain systemic issues and persistent irregularities.

(A) Systemic issues

Audit noticed systemic issues in a few import cases wherein the RMS allowed clearance at duty rates lower than the prescribed. The RMS needs to address such issues so that the prescribed import conditions are complied with and applicable duties are automatically charged once the BE passes through the system.

A few cases are mentioned below and also discussed in Chapter IV of the Report.

- (i)** Short levy of IGST on imports of internal combustion piston diesel engines **(Paragraph 4.5.1)**.
- (ii)** Short levy of duty due to incorrect application of IGST rate on imports of iron and steel articles **(Paragraph 4.5.3)**.

(B) Persistent irregularities

Similar instances of misclassification of imports and 'Non/Short levy of Anti-Dumping Duty on imports' flagged to the Ministry in the previous Audit Reports continue to be reported in the Customs field formations, notwithstanding assurances of the CBIC that their field formations have been sensitised to check similar issues cautiously. A few cases are mentioned below:

- (i)** Misclassification of rail cum road vehicle **(Paragraph 4.4.3)**.
- (ii)** Non/Short levy of Anti-Dumping Duty on imports **(Paragraph 4.7)**.

2.7 Revenue Impact of Audit Reports

In the five reports pertaining to FY 19 to FY 23, Audit has covered 525 audit paragraphs **(Table 2.2)** involving revenue implication of ₹12,716 crore. Government has accepted observations in 494 audit paragraphs involving amount of ₹364 crore and has recovered amount of ₹229 crore in 357 paragraphs as on May 2025.

Table 2.2: Revenue Impact of Audit Reports

Year	Paragraphs included		Paragraphs accepted		Recoveries effected	
	No.	Amount	No.	Amount	No.	Amount
		(₹ in Cr.)		(₹ in Cr.)		(₹ in Cr.)
FY 19	114	10,909	104	69	83	41
FY 20	137	143	130	127	93	40
FY 21	105	86	93	71	59	65
FY 22	119	831	118	76	83	69
FY 23	50	747	49	21	39	14
Total	525	12,716	494	364	357	229

Source: Previous year's Audit Reports and ATNs

2.8 Acknowledgement

We acknowledge the cooperation of the Customs Department, DC-SEZ and DGFT in facilitating the Audit by providing the necessary records and information related to the conduct of SSCA and regular compliance audit.

CHAPTER III

Subject Specific Compliance Audit (SSCA) on 'Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS)

3.1 Introduction

The five-year Foreign Trade Policy (FTP) 2015-20, launched on 1 April 2015, provided a framework for increasing exports, generating employment and increasing value addition in the country with 'make in India' vision. The focus of the FTP 2015-20 was to support both the manufacturing and services sectors, with a special emphasis on improving the 'ease of doing business'.

FTP 2015-20 introduced two new schemes, namely "Merchandise Exports from India Scheme (MEIS)" for export of specified goods to specified markets and "Services Exports from India Scheme (SEIS)" for increasing exports of notified services, in place of a plethora of schemes earlier, with different conditions for eligibility and usage. There would be no conditionality attached to any scrips issued under these schemes. Duty credit scrips issued under MEIS and SEIS and the goods imported against these scrips are fully transferable. For grant of rewards under MEIS, the countries are categorized into three Groups, whereas the rates of rewards under MEIS range from 2 *per cent* to 5 *per cent*. Under SEIS the selected Services would be rewarded at the rates of 3 *per cent* and 5 *per cent*.

3.1.1 Category of products/sectors not eligible to MEIS/SEIS

- (i) As per Para 3.06 of FTP 2015-20, initially 19 categories of products/sectors were not eligible under MEIS, and subsequently (December 2017) reduced to seven⁶ categories. The ineligible categories included products restricted to export which suffer export duties or subjected to minimum export price, such as cereals, deemed exports, crude and petroleum products, Diamond Gold, Silver, and Platinum, other precious metal, Ores and concentrates of all types etc.
- (ii) Further, Exports of Garments and Made-up⁷ under chapter 61, 62 and 63 are ineligible (with effect from 7 March 2019) after introduction of a new scheme named Rebate of State and Central Taxes and Levies (RoSCTL).

MEIS Scheme for exports of all goods was replaced by a new scheme named Remission of Duties and Taxes on Export Products⁸ (RoDTEP) vide DGFT

⁶ Para 3.06 of FTP (Mid-term Review report)

⁷ Made-ups are generally made from woven fabric, but they can also include knitted or crocheted fabrics for certain products like blankets and bed linens. DGFT PN. NO.58/2015-20;dt.29-01-2020; DGFT PN. NO.83/2015-20;dt.29-03-2019; CBIC circular No.22/2021, dated 30-09-2021

⁸ DGFT Notification. 19/2015-20, dt. 17-08-2021; CBIC circular No.23/2021,dt.30-09-2021

Notification No. 19/2015-20 dated 17 August 2021 effective for exports from 1 January 2020 amending FTP 2015-2020. However, MEIS claims of those exports before the notified date were continued to be processed with applicable late fees.

- (iii) As per para 3.09 FTP 2015-20, Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible.

3.2 Administration of MEIS/SEIS Schemes

- (i) **The Directorate General of Foreign Trade (DGFT)** an attached office of the Ministry of Commerce and Industry, Government of India (GoI) is responsible for formulating and implementing FTP with the objective of promoting and facilitating exports/imports. The DGFT also issues scrips/authorisation to exporters and monitors their corresponding obligations through a network of 25 RAs spread across the country, established after re-organisation⁹ of Regional Authorities of DGFT.
- (ii) **The Central Board of Indirect Taxes and Customs (CBIC)**, working under the aegis of the Ministry of Finance, is the apex body implementing Customs Duty and any other additional duties/taxes for Exports/Imports happening from India. There are 20 Customs Zones and thereunder, 70 Customs Commissionerates including Preventive, Audit and Appeals Commissionerates.
- (iii) **Development Commissioners** of notified Special Economic Zones (SEZs), working under the Ministry of Commerce, are the nodal officers for processing MEIS/SEIS claims of those Importer-Exporter Codes (IECs) having units in SEZs or those registered as 100 *per cent* Export Oriented Units (EOUs). There are 395 SEZs notified under the SEZ Act of 2005, out of which 275 are functional (as on 1 April 2023). There are nine SEZs¹⁰ under the Government of India.

3.3 Audit objectives

The audit objectives of the subject specific compliance audit were to see:

- a) whether Audit recommendations made in Performance Audit Report No. 5 of 2020 (PA on MEIS/SEIS) have been implemented.

⁹ O&M Instruction No. 05/2018, dt.06-09-2018; Trade Notice No. 31/2019-20, dt. 06-09-2019

¹⁰ Chennai-Tamil Nadu, Falta-Kolkata, KASEZ- Gujarat, Kochi-Kerala, Noida- Uttar Pradesh, SEEPZ-Mumbai, Visakhapatnam, Indore, Mihan-Nagpur

- b) whether Compliance with rules and procedures of the Schemes viz., MEIS/SEIS was achieved.
- c) whether internal control measures were sufficient to minimize the risks of revenue loss, misuse, and fraud while implementing MEIS/SEIS scheme.

3.4 Audit Scope, Audit Coverage and sample

3.4.1 Audit Scope

The SSCA covered the MEIS and SEIS scrips issued from November 2018 to March 2023 and follow up of audit findings, recommendations and Ministry’s action taken notes (ATNs) of previous Performance Audit- AR No. 5 of 2020 wherein transactions up to October 2018 were covered. Audit examined the records in the MoC&I, DGFT along with its Regional Authorities and Development Commissioner of SEZs and Ministry of Finance, CBIC, Customs field formations through concerned Customs Commissionerate who are engaged in the policy framework and execution of MEIS and SEIS Schemes.

The policy formulation/changes and scheme implementation files, MIS reports, manpower and evaluation/review reports and other pertinent material at Ministry level (DoC/DGFT/DoR) were scrutinized by O/o DGA (CR), New Delhi (FAO).

3.4.2 Audit Coverage and sample

Analysis of Pan-India MEIS data received from DGFT revealed that 7,30,217 scrips (MEIS-7,07,775 & SEIS-22,442) valuing ₹1,07,445 crore (MEIS ₹90,905 crore plus SEIS ₹16,540 crore) were issued by 25 Regional Authorities (RAs) during the period November 2018 to March 2022.

In view of prevalent manual processes, a sample of 20 RAs and eight DC offices were selected for this audit to examine the manual checks exercised by the RAs and DC offices. These 28 units covered 5,103 (4,294 MEIS and 809 SEIS) scrips are detailed below:

Table 3.1: Sample selected

Sl. No.	RA Name	MEIS Scrips selected	SEIS Scrips selected
1	Ahmedabad	150	20
2	Vadodara	150	20
3	DC KASEZ-Kandla	50	10
4	Jaipur	175	35
5	Mumbai	150	20
6	Pune	150	20
7	DC SEEPZ, Mumbai	50	10
8	Chennai	150	30
9	Coimbatore	150	30

Sl. No.	RA Name	MEIS Scrips selected	SEIS Scrips selected
10	DC MEPZ-SEZ Chennai	50	20
11	Cochin	186	42
12	Cochin-SEZ	242	33
13	Hyderabad	195	33
14	Visakhapatnam	150	48
15	DC VSEZ	60	14
16	Bengaluru	369	70
17	Delhi	350	63
18, 19, 20	Indore, Bhopal, SEZ Indore	406	23
21	Kolkata	150	224
22	Guwahati	150	2
23	Falta SEZ	50	3
24	Ludhiana	175	31
25	Panipat	194	0
26	Noida SEZ	60	0
27	Kanpur	164	6
28	Varanasi	168	2
	Total	4,294	809

Audit also selected 19¹¹ Customs formations from where exports relating to these sampled scrips were effected. Results of the data analysis carried out on Pan-India data and the audit findings based on test check carried out in selected units and sampled scrips are suitably included in the report.

Further, those MEIS and SEIS scrips on which certain observations were pointed out during the course of regular audit have also been incorporated in addition to the selected sample. Additional samples were also covered in MEIS scheme for issues like misclassification, ineligible products, Late cut etc., which were identified during the analysis of MEIS data provided by DGFT.

3.5 Audit Criteria and Audit Methodology:

3.5.1 Audit Criteria

Audit criteria are derived from the prescribed manuals and rules, government notifications, public notices, and circulars. An illustrative list of sources for criteria is as follows:

- (i) FTP 2015-20 as updated on 30-6-2015, 5-12-2017, 30-06-2019 and 31-03-2021.

¹¹ CC-Mundra, ICD-Khodiyar, CC-Jodhpur-Jaipur, CC-JNCH & ACC Mumbai, CC (Imp-II)-Chennai, CC-Tuticorin, CC-Cochin, CC(Prev.)-Cochin, CC-ACC-Hyderabad, ICD-Sanath Nagar-Hyderabad, ICD-Whitefield-Bengaluru, CC-ACC-Bengaluru, CC-ACC-Delhi, ICD-TKD, CC-Indore, CC-Kolkata, CC-ACC-Kolkata, CC-Ludhiana

- (ii) Handbook of Procedures (HBP) 2015-20 and its Appendices and Aayat Niryat Forms (ANF) updated on 30-06-2015, 05-12-2017, 30-06-2019 and 31-03-2021.
- (iii) Public Notice/Trade Notice/Circulars etc., issued by the DGFT.
- (iv) Foreign Trade (Development and Regulation) Act,1992
- (v) The Customs Act, 1962, The Customs Tariff Act, 1975
- (vi) IGST, CGST, SGST Act and Rules, 2017 (as amended from time to time).
- (vii) CBIC's Notifications and Circulars on MEIS and SEIS.
- (viii) Foreign Exchange Management Act,1999
- (ix) ATNs and Recommendations of earlier PA Report No.05/2020.

3.5.2 Audit Methodology

This SSCA was conducted as per the CAG's Compliance Auditing Guidelines (2017) and CAG's Audit Regulations (2020), and within the scope prescribed in the CAG's DPC Act, 1971. Audit methodology included desk review of files, collection of data and data analysis, test check of scrip files, bills of entry (imports) availing benefit of MEIS and SEIS duty credit scrips.

3.6 Follow up on Recommendations made in earlier Performance Audit Report No. 5 of 2020

In order to ascertain the Action taken/status of implementation of the recommendations made to Ministry of Commerce, records of ATNs/replies on recommendations was sought from DGFT, New Delhi and reply was furnished (June/September 2023) in response to requisitions made in this regard. The recommendations made and Action taken/status of its implementation by the DGFT (Headquarters) are given in **Annexure 3**.

In all, 14 recommendations were reported of which ten recommendations were accepted, two were partially accepted and remaining two were not accepted. However, DGFT had not adequately monitored the implementation of the accepted/partially accepted recommendations which led to persistence of similar observations. These observations are discussed in subsequent paragraphs in this report.

3.7 Audit findings

Audit examined the implementation of facilitation measures introduced for simplifying the process of issuance of MEIS and SEIS scrips by Pan-India analysis. The Audit findings have been categorised under:

- i. Systemic issues in MEIS and SEIS {Paras 3.7.1(A) to 3.7.1 (K)}
- ii. Compliance issues with MEIS {Paras 3.7.2.1(A) to 3.7.2.1 (G)}
- iii. Compliance issues with SEIS {Paras 3.7.3.1 (A) to 3.7.3.1 (M)}

The report comprises a total number of 39 observations which included Systemic and compliance issues. The revenue impact of the report is ₹724.96 crore. The summary of audit observations is given below:

Table 3.2: Summary of observations

Sl. No.	Topics	No. of observation	Amount (₹ in lakh)
1	Systemic issues in MEIS/ SEIS	14	18,585
2	Compliance issues with MEIS	12	13,221
3	Compliance issues with SEIS	13	40,690
		39	72,496

Objective: Whether Compliance with rules and procedures of the Schemes viz. MEIS/SEIS was achieved.

3.7.1 Systemic issues in MEIS and SEIS

Audit observed that though automation of the process of issuing MEIS and SEIS licences was taken up, there were shortcomings and validation weaknesses, due to absence of system driven checks, requiring manual intervention leading to process delays.

(A) Delay in issuance of MEIS scrips

DGFT, in its Citizen Charter under Para 1.09 of FTP 2015-20 prescribed¹² time schedules for providing various services to the clients. The Handbook of Procedures (Para 9.10) prescribes three days for disposal of applications for issue of scrips. In case of any suspicion of wrong classification or mis-declaration in application, the RA concerned could seek physical documents for scrutiny and on receipt of documents, the claim has to be decided within seven days¹³ after scrutiny.

Out of 4,294 MEIS Scrips, 1,656 MEIS scrips (39 per cent) in 20 RAs and seven DCs-SEZ were issued beyond the prescribed time frame i.e., after three days from the date of receipt of application. The delay ranged from one day to 2,080 days. The details of such scrips are detailed in **Annexure 4** and age-wise analysis is shown in **Table 3.3**.

Table-3.3: Range of delay in issuance of MEIS scrips

Range of delay	No. of MEIS Scrips			Percentage
	In RA	In SEZ	Total	
Less than three months	152	49	201	12.14
three to six months	279	79	358	21.62
six to 12 months	285	63	348	21.01

¹² Vide Public Notice No.16/2015-20 dated 4 June 2015

¹³ As specified in Para 3.01 of HBPv1 made effective from 5 December 2017

Range of delay	No. of MEIS Scrips			Percentage
	In RA	In SEZ	Total	
More than 12 months	697	52	749	45.23
Total	1,413	243	1,656	100.00

The above table depicts that out of total 1,656 scrips belatedly issued, there were delays in 1,413 scrips (85 *per cent*) issued by RAs and in 243 scrips issued in SEZs. The delay was beyond 12 months in 749 scrips (45 *per cent*) and in remaining 907 scrips (55 *per cent*) the delay in issuing the scrips was in the range from one day to 12 months.

Though a system driven approval mechanism was implemented, the checks to be carried were not formalised and system driven checks were not implemented leading to manual checks being carried out. Apart from manual intervention/process, the other reasons for the delay, if any, were not forthcoming from the records.

Following was the response from various sampled RAs

RA Coimbatore did not provide the data and stated (September 2023) that the Scrips were issued in erstwhile legacy system, which was no longer operational and in the absence of access to the erstwhile portal, it was not possible to check the reasons for delay. Accordingly, in the absence of erstwhile system, the RA office assumed that scrips would have been issued after issuing of deficiency letters and rectification of defects.

The reasons furnished by the department were not acceptable without any documentary evidence. Further progress is awaited (May 2025).

RA, Chennai (January 2024) stated that, due to shortage of staff, delay might have happened as huge documentation was required to be verified for processing MEIS application. It ensured corrective measures without any documentary evidence.

Audit is of the view that non-access to the legacy MEIS scrip data because of its non-migration had deferred duty credit to the exporters and may also result in loss of export benefits in some of the cases.

(B) Delay in issuance of SEIS scrips

Out of 809 selected SEIS scrips pertaining to 18 RAs and four DC-SEZs, 357 SEIS scrips (44.13 *per cent*) were issued beyond the prescribed time frame i.e. after three days from date of receipt of application. The delay ranged from one day to 947 days. The details of such scrips are detailed in (Annexure 5) and age-wise analysis is given in Table 3.4.

Table 3.4 : Delay in issuance of SEIS scrips

Range of delay	No. of SEIS Scrips			Percentage
	In RA	In SEZ	Total	
Less than three months	241	15	256	71.71
three to six months	32	10	42	11.76
six to 12 months	21	11	32	8.96
More than 12 months	20	7	27	7.56
Total	314	43	357	100.00

From the above table, it is evident that out of 357 scrips issued belatedly, in 92 per cent (330 cases), the delay ranged from 1 day to 12 months and in 8 per cent cases (27 cases) the delay was more than 12 months.

In RA, Kolkata, there was an inordinate delay of 947 days in case of M/s. 'A' Restaurant Limited. An application was filed on 28 March 2017 for issue of SEIS scrip for ₹19.12 lakh and submitted all necessary complete documents on 5 April 2018. But the SEIS Scrip was issued only on 10 November 2020. This was pointed out in December 2023, the Department's reply is awaited (May 2025).

Despite the automation, the percentage of delay in processing of MEIS/SEIS claims was significant indicating that the time schedule, as prescribed in the Citizens Charter was not followed scrupulously, defeating the objective of automation in augmenting ease of doing business.

RA, Chennai (January 2024) stated that delay might be due to shortage of staff as huge documentation was required to be verified for processing SEIS application. It was further stated that since the access to the legacy data was not made available, the RA was unable to furnish proper justification for the delay.

(C) MEIS Scrips issued to firms in the Denied Entity List (DEL)

As per Para 2.15 of FTP, if the Scrip holder violates any condition of Authorisation or fails to deposit the requisite demand amount within the period specified in demand notice, he/she shall be liable for action in accordance with FT (D&R) Act, the Rules and Orders made there under, FTP and any other law for time being in force.

Rule 7 of Foreign Trade (Development & Regulation) Rules, 1993, provides that the licensing authority may refuse to grant or renew a scrip when the Scrip holder is placed on DEL. The DGFT maintained a DEL data containing the name of the Scrip holder and Importer Exporter Code (IEC) that enumerates entities that are banned from getting any new scrips. Hence, such entities should not be issued any MEIS/SEIS scrips to avail MEIS/SEIS benefits.

In 388 MEIS scrips involving duty credit of ₹9,123 lakh pertaining to 12 RAs and four DC-SEZ, the MEIS scrips were issued by RAs on those dates when the firms were in

the DEL list. Thus, the Department had not ensured that appropriate systems were in place to prevent such occurrences from happening, and no proper reasoning had been recorded for considering the issuance of scrips despite the IEC holders being placed in DEL, which was in violation of the provisions (**Annexure 6**).

This was pointed out during September to December 2023, the Department's reply is awaited (May 2025).

(D) MEIS/SEIS Scrips issued to penalized IEC holders

An applicant for MEIS and SEIS Schemes has to furnish a declaration that none of its Proprietor/Partners/Directors were attached to any firms which have been listed as defaulters with DGFT and furnish the details of unrealised foreign exchange pending beyond six months to avoid issue of MEIS scrips to such penalized IEC holders (Para 3.01(b) of the HBP, Vol. I).

(i) Five RAs issued 38 MEIS scrips involving duty credit of ₹229.24 lakh to the IEC holders who were penalised, in contravention to the provisions of HBP (**Annexure 7**).

(ii) Similarly, In RA Mumbai, three SEIS scrips involving duty credit of ₹ 30 lakh were issued (February 2019, January/ September 2020) by RA Mumbai to the penalised IEC holder (**Annexure 8**).

Reply of the department for the reason behind irregular issuance of MEIS/SEIS scrips to the penalised IEC holders is awaited (May 2025).

Issuance of MEIS/SEIS scrips to the entities placed in DEL/ or penalised, exposes the vulnerabilities in the DGFT system in preventing the authorities from issuing the licences, indicating lack of control mechanism.

DGFT/SEZ to institutionalize effective monitoring mechanism and better supervision for proactively preventing issuance of scrips to the entities in DEL list or penalised. Responsibility may be fixed for act of commission/ omission for irregular issuance of scrips to DEL /Penalised IEC holder without recording any reasons.

(E) Discrepancies between MEIS scrip value and actual entitlement

As per Para 3.04 of FTP, the basis of calculation of reward would be on realized FOB value of exports or on FOB value as given in the Shipping Bills (SBs), whichever is less, unless otherwise specified. In the application made by the exporter for grant of MEIS Scrip having multiple SBs, the automated MEIS module should compute rewards by adding up the actual entitlement of rewards from each shipping bill in the application. The incentive scrip value equals to the sum of all such rewards.

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Audit noticed that in 13 scrips issued by five RAs and three SEZs, the scrip value issued exceeded the actual entitlement as per the SBs, by ₹33.12 lakh (**Annexure 9**). The excess scrips value issued needs to be recovered.

This was pointed out to the Department and their reply is awaited (May 2025).

Despite highlighting the issue in PA Report No. 5 of 2020 (refer Para 2), and the recommendations made, the system has not been updated to address the discrepancy, which has resulted in an excess rewards of ₹33.12 lakh to the exporters.

(F) Mismatch in the name of scrip holder vis-a-vis as in the Importer Exporter Code

As per Para 2.05 of FTP 2015-20, IEC is mandatory for undertaking any export/import activity. For services exports, IEC was necessary for service provider taking benefits under the FTP.

Further, as per Para 3.06 of HBP 2015-20, the applicants had the option to choose the Jurisdictional RA on the basis of Corporate Office/Registered Office/Head Office/Branch Office address endorsed on IEC for submitting application/applications under MEIS and SEIS which is required to be exercised at the beginning of the financial year. Once an option is exercised, no change would be allowed for claims relating to that year. The IEC holder's name was required to be endorsed as the name of Scrip holder on the duty credit scrips.

In 90 MEIS scrips, worth ₹1,276.92 lakh, issued by five RAs and one SEZ to 24 IEC holders (**Annexure 10**), the name on the scrip did not match with the name mentioned in the respective IEC. The DGFT IT system failed to prevent the issuance of scrips to entities whose IEC's name is different from the applicant's name putting the future punitive action, if any under risk.

RA Panipat replied (October 2023) that it was the choice of IEC holder to keep the name on their IEC as per their requirement after making request online.

The Department's reply is not acceptable as basic identifier for future punitive action is an IEC number and in the event of its mismatch, systemic regulation could not be exercised putting the recoverable revenue, if any at risk. Further, no documentary evidence was provided in support of the reply regarding IEC holder having choice.

Reply from other RAs is awaited (May 2025)

(G) Utilisation of shipping bills in more than one scrip

A single shipping bill could be used to generate a script only once, and therefore, the system should prevent the same shipping bill from being used to generate multiple scripts.

In 46 MEIS scrips involving 188 SBs pertaining to four RAs and one SEZ, Audit observed that the same SB was utilised for issuance of different scrips. The repeated use of SBs occurred even when scrips involving such SBs were either cancelled or surrendered for various reasons. The shipping bills related to the cancelled scrips were reactivated in the DGFT repository, making them available for exporters to claim again.

Even after excluding such cancelled/surrendered scrips, double usage of SBs was observed in 188 SBs in 27 files (26 scrips) involving MEIS rewards amounting to ₹1.18 crore (**Annexure 11**). As there was no inbuilt system to alert the users about the SBs being used for the second time, this irregularity has occurred. This exposes the weaknesses in the internal controls as it failed to exercise the basic check, thus giving scope for misuse and fraud.

Reply of the department is awaited (May 2025).

(H) Dual export benefits availed

(i) Dual export benefits availed under MEIS and RoSCTL Schemes

A new scheme namely 'Rebate of State and Central Taxes and Levies (RoSCTL)' for export of Garments and made ups¹⁴ falling under chapter 61, 62 and 63 of ITC HS 2017 was notified (Jan 2020) by amending Para 4.95 of the HBP 2015-20. Accordingly, MEIS benefits were withdrawn for exports of items under Chapters 61, 62 and 63 with effect from 7 March 2019, in view of the introduction of new scheme (PN No. 58/2015-2020 dated 29 January 2020). Any excess/undue claims paid to exporters in the intervening period from 07.03.2019 to 31.12.2019 relating to apparel and made-ups would be suitably adjusted against RoSCTL and recoveries would be effected, wherever due {HBP Para 3.01(l)}.

Scrutiny revealed that 18 RAs and one SEZ irregularly issued 656 MEIS scrips (8,401 SBs) to 264 IEC holders for export of Apparels and made-ups covered under Chapter 61, 62 and 63 of ITC HS on or after 7 March 2019 which were ineligible for MEIS benefits. The IEC holders, who claimed benefit under MEIS scheme simultaneously availed benefit under RoSCTL Scheme leading to dual benefit of duty credit amounting to ₹44.30 crore (**Annexure 12**).

RA Coimbatore stated (December 2023) that in respect of seven IEC holders, the MEIS duty credit issued was already paid/ adjusted against the RoSCTL scrips.

Audit accepted the Department reply in case of seven IEC holders, after verification. However, reply in respect of the remaining 54 IEC holders, highlighted by Audit is awaited (May 2025).

¹⁴ DGFT PN. No.58/2015-20; dt.29-01-2020; DGFT PN. No.83/2015-20; dt.29-03-2019; CBIC circular No.22/2021, dt. 30-09-2021

RA, Chennai (January 2024) stated that the DGFT online system have electronically populated the entitlement per shipping bill including the additional ad-hoc incentives and reduced/adjusted MEIS already granted. Only after the system-based approval of the final entitlement, scrips have been issued by RAs.

The stated facts could not be verified by Audit as no evidence was provided by the Department that the scrips were issued after reducing/ adjusting the MEIS already granted.

Reply from other RAs is awaited (May 2025).

(ii) Benefit of MEIS allowed instead of RoSCTL

In two RAs and two SEZs, 88 MEIS scrips for ₹996.04 lakh (**Annexure 13**) were incorrectly granted to 22 IEC holders for exports of items covered under Chapter 61, 62 and 63 after 7 March 2019 instead of under RoSCTL in contravention to codal provisions.

Neither the system was able to prevent the dual benefits to exporters nor the licensing officer was able to regulate the grant of duty credit under MEIS to ‘Apparel and made-ups’ sector beyond 7 March 2019 permitting irregular duty credit.

(I) Excess issue of MEIS/SEIS benefit due to non/incorrect levy of ‘Late Cut’

In terms of Para 3.15 of HBP 2015-20, read with Para 9.02 of HBP, applications claiming duty credit scrip under MEIS/SEIS shall be filed within a period of twelve months from Let Export Order (LEO) date of shipping bill¹⁵ or within three months of customs uploading of shipping bills of EDI ports to DGFT server, whichever is later, otherwise Late Cut was leviable on late application. The applications received later than due date could be considered after imposing a “Late Cut” of 2 to 10 *per cent*, depending upon period of delay upto 12 months but not later than 2 years from the due date.

(i) Audit analysed the data of selected 4,294 MEIS scrips issued, which revealed that the system had incorrectly applied “Late Cut Fee” in 2,846 SBs pertaining to 10 RAs and seven SEZs involving 429 Scrips resulting in excess sanction of MEIS duty credit of ₹120.91 lakh (**Annexure 14**) indicating that the system was not aligned to calculate the “Late Cut Fee” correctly on its own. Audit, further observed that:

- In 2,548 SBs, the late cut had not been applied at all against the late cut of two *per cent*, five *per cent* or 10 *per cent* applicable as the case may be.
- In 161 SBs, the late cut of two *per cent* had been applied against the applicable late cut of five *per cent* or 10 *per cent*.

¹⁵ Public Notice 67/2015-20 Dated 31.03.2020 and Public Notice 53/2015-20 dated 09.04.2021.

- In 76 SBs, the late cut of five *per cent* was applied against the applicable late cut of 10 *per cent* and in 61 SBs, the late cut of five *per cent* was applied against the applicable late cut of two *per cent*, five *per cent* or 10 *per cent* as the case may be.

RA, Chennai stated (January 2024) that exports made through EDI shipping bills were considered through system driven process and the issue has been taken up by them with DGFT Headquarters for further clarification. Reply from other RAs was awaited (May 2025).

(ii) Similarly, Audit observed short/non-imposition of “Late Cut” in nine SEIS applications (106 SEIS scrips) filed before eight RAs though they were received after due dates. The “late cut” recoverable was ₹394.12 lakh. **(Annexure 15)**.

(J) Incorrect grant of Scrips on time barred shipping bills

In 115 scrips, (involving 656 SBs) issued by 14 RAs and four SEZs, the duty credit was granted after imposing late cut of two/five/ten *per cent* or without imposing any late cut. But, on verification of the LEO date of the SB, it was noticed that the applications were filed after expiry of prescribed (maximum) time limit for such filing and instead of declaring the SBs time barred, the RAs have irregularly sanctioned MEIS duty credit scrip of ₹1034.10 lakh **(Annexure 16)**.

Thus, sanctioning of rewards in respect of time barred shipping bills indicated weakness in online system and lack of validation control.

In RA, Jaipur, one MEIS scrip was issued (November 2019) to M/s. ‘B’ Industries Ltd. for ₹1.06 crore though the claims were filed after expiry of three years from the prescribed late cut period (up to 2018) in one SB.

Similarly, in RA, Delhi, one MEIS scrip was granted (November 2020) to M/s. ‘C’ Metallex LLP for ₹28.84 lakh, claims for which were filed after expiry of three years after the prescribed cut off period.

In reply, RA Chennai, stated (January 2024) that exports made through EDI shipping bills were considered through system driven process and the issue had been taken up with DGFT Headquarters for further clarification.

RA, Delhi, stated (October 2023) that the excess payment of MEIS rewards amounting to ₹1.12 lakh was recovered with appropriate interest in one MEIS scrip. Further progress is awaited (May 2025).

Reply from other RAs/SEZs is awaited (May 2025).

Despite highlighting the issue in the earlier PA Report (Para 2.4) and the recommendation made in this regard, the issues on late cut persisted. The IT system couldn’t prevent such arithmetical inaccuracies and recurrence of such lapses, which led to

non-compliance with FTP & HBP provisions and consequential excess duty credit to the tune of ₹15.49 crore.

(K) Discrepancy in values of MEIS/SEIS scrips issued

DGFT (Headquarters) and a network of 24 RAs supports Government in formulation and implementing of foreign trade policies with the main objective of promoting India’s exports. The Management Information System (MIS), built on data generated as a by-product of administration, is an important component of the official statistics and supports management decisions with an organization.

On being requisitioned (June 2023), DGFT (Headquarters) furnished (July 2023) information regarding the value of scrips issued during 2021-2022 and 2022-23. Audit scrutiny revealed discrepancy between the figures of data provided by the DGFT (Headquarters) and details mentioned in DGFT-MIS Report on Export Promotion Scheme-2023, as detailed in **Table 3.5**.

Table 3.5: Comparison of scrips issued

Year	Value of Scrips issued as furnished by PC-III of DGFT (Headquarters)	Value of Scrips issued as mentioned in the DGFT MIS on Export (₹ in Crore)	Difference
MEIS			
2021-2022	24,757.73	20,984.00	3,773.73
2022-2023	1,201.18	1,028.00	173.18
SEIS			
2021-2022	4,033.54	2,299.00	1,734.54
2022-2023	2,610.35	2,455.00	155.35

Source: Summary of audit analysis and observations based on department records

Further, there was a discrepancy in the figures of number of MEIS scrips issued and their corresponding value for the year 2021-22, as reported in Annual Report vis-a-vis MIS Report as detailed in **Table 3.6**.

Table 3.6: Difference in number and value of Scrips issued

Year	No. of MEIS Scrips issued			Value of Scrips (₹ in crore)		
	As per MOCI Annual Report 2022-23	As per MIS report-2022	Difference	As per MOCI Annual Report 2022-23	As per MIS report-2022	Difference
2021-22	1,86,004	1,86,040	36	20,976	20,984	08

Source: Summary of audit analysis and observations based on department records

The differences appear to be material and could impact the accuracy and reliability of the financial figures and impact assessment. Accordingly, Audit is not able to ascertain the actual value of scrips issued in respect of MEIS and SEIS schemes for the period 2021-22 and 2022-23.

This was communicated to the DGFT (Headquarters) in January 2024, their reply is awaited (May 2025).

3.7.2 Compliance issues with MEIS

(A) Incorrect grant of MEIS incentives on realisation of export Proceeds in INR (Indian Rupee)

The Foreign Trade Policy 2015-20 envisaged (para 2.52) "denomination of Export Contracts" whereby all export contracts and invoices had to be denominated either in freely convertible currency or Indian Rupees, but export proceeds were to be realized in freely convertible currency. It was specified that the realisation should be through a freely convertible Vostro account¹⁶ of a non-resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan.

Further, if e-BRC had been generated in INR and payment was made under Para 2.52(b) of the Foreign Trade Policy, a letter from the concerned bank was required to be submitted to the concerned RA confirming that the payment had been received through Vostro Mechanism {Para 3.01 (b) Handbook of Procedures}.

Non-compliance to these provisions were highlighted in the previous Performance Audit Report (Para 2.5 of Audit Report No. 5/2020). The deficiency continued to persist.

Audit observed that export proceeds were realized in Indian Rupees, however, the related physical MEIS files verified through the Back Office (BO) portal of the RA, did not contain the requisite letter from the concerned bank confirming that the payment was received through Vostro mechanism.

Detailed scrutiny of the INR receipts from ACU countries revealed that an amount of ₹23.47 crore was received in INR from Bangladesh, Nepal and Bhutan (ACU Country) and reward of ₹17.97 lakh was awarded against 27 SBs covering eight scrips by three RAs against the prescribed provisions {Bengaluru -17 BsE/5 Scrips), Kolkata -9 BsE/2 Scrips and Pune -01 BE/01 scrip} **(Annexure 17)**.

Accordingly, there was neither a mechanism with RAs to ensure that export proceeds were received in INR by way of Vostro accounts nor the RAs insisted for any declaration from the exporters. Reply of the Department is awaited (May 2025).

(B) Grant of MEIS scrips to ineligible products and categories

Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in Indian Trade Classification (Harmonised System) {ITC (HS)}, and Export products which are subject to Minimum Export Price (MEP) or Export duty were **ineligible** for Duty Credit Scrip entitlement under MEIS (Para 3.06 of the FTP).

¹⁶ A Vostro account is an account that a local bank holds for a foreign bank in the local currency. It's essentially a correspondent banking arrangement where a bank acts as a custodian for a foreign bank's funds within its own currency.

Further, items not appearing in the Appendix 3B of the Scheme were also ineligible for MEIS benefits.

In all, 132 MEIS scrips were granted to ineligible products like Onions, Milk Products, Indian mackerel (a fish), Marigold in pellet form and plant extract etc., which were either under MEP or deleted from MEIS incentives or categorised under prohibited categories. This resulted in incorrect sanctioning of scrips involving value ₹243.09 lakh (**Annexure 18**).

The cases are discussed in the successive paragraphs:

(i) Sanction of ineligible MEIS rewards on export of marigold meal in pellet form.

CSEZ-Kochi, incorrectly granted five MEIS scrips with duty credit of ₹1.17 crore for export of ineligible Marigold meal in pellet which was not included in Appendix 3B of MEIS .

(ii) Sanction of ineligible MEIS rewards on export of Milk products.

“Milk and Milk products”, exported during the period 05 December 2017 to 12 July 2018 are ineligible for MEIS reward (Public Notice (PN) No. 44/2015-2020, dated 5 December 2017, read with PN No.23/2015-2020 dated 13 July 2018).

Audit noticed that two RAs (RA Chennai and RA Coimbatore) had granted 15 MEIS scrips against 54 SBs involving duty credit of ₹17.66 lakh to nine exporters for export of “Milk and Milk Products” during the period ineligible for MEIS benefits.

On this being pointed out (September 2023), RA Coimbatore stated (November 2023) that Let Export Order (LEO) date of shipping bills was from 11 November 2017 onwards.

However, on re-examination of the data by Audit, it had been confirmed that the LEO date in respect of the SBs pointed out falls during the ineligible period of 5 December 2017 to 12 July 2018 and hence the grant of MEIS scrips for the export of said goods was incorrect.

RA, Chennai stated (January 2024) that milk products were not made ineligible, but continued at the rates prevailing during the period and only products for which entitlement rate got revised was mentioned in the referred PN.

The reply is not acceptable because PN 44 (Table 3, Appendix 3B) clearly specified that export of milk and milk products are ineligible for MEIS benefits.

(iii) Sanction of ineligible MEIS rewards for export of Onion under MEP

MEIS benefit on export of onion under ITCHS code 07031010 was withdrawn with immediate effect vide PN 9/2015-20 dt.11 June 2019 .

Audit noticed that despite withdrawal of MEIS benefits w.e.f. 11 June 2019, RA-Chennai, granted 27 MEIS Scrips to 22 exporters for export of onions against 72

Shipping Bills during withdrawal period. This resulted in incorrect grant of MEIS scrips involving duty credit worth ₹32.63 lakh.

(iv) Sanction of ineligible MEIS rewards to items deleted from MEIS schedule

DGFT PN No.12/2015-20 dated 10 July 2020 and PN 17/2015-20 dated 22 September 2020 amended Appendix 3B and consequently MEIS benefits were not available for certain commodities as they were deleted for exports made with effect from 1 January 2020 and these ITC (HS) codes ceased to exist with effect from 1 January 2020.

Audit noticed that RA Chennai granted 24 MEIS Scrips covering 237 SBs to 15 exporters for exports of commodities made under ITC (HS) codes, which were deleted from Appendix 3B. This resulted in incorrect grant of MEIS reward of ₹23.30 lakh.

(v) Sanction of ineligible MEIS rewards due to misclassification on Indian mackerel

The MEIS benefits were granted only if the description of export item in the shipping bill matched the description given in Appendix 3B of MEIS schedule. Indian mackerel (a fish) classifiable under ITC HS code 03024900 and 03035900 were eligible for MEIS benefits at 7 per cent only under Sl. No. 8019 and 8020 of Appendix 3B-MEIS schedule for exports made on or after 1 July 2018. MEIS benefit under Sl. No. 8020 was withdrawn on export of Indian mackerel (a fish) with effect from 1 January 2020 (PN 12/2015-20 dated 10 July 2020)

Audit noticed that in RA Chennai, "Indian Mackerel" (a fish) was mis-classified under various ITCHS codes viz., 03028990; 03035400; 03043900; 03024900; 03073990 03031900 and granted 62 MEIS scrips under MEIS Schedule Sl. No.'s 13, 26, 27, 40, 56 & 100. The said ITCHS codes cover commodities other than "Indian Mackerel". This resulted in incorrect grant of MEIS scrips involving duty credit of ₹52.83 lakh to 10 exporters covering 192 Shipping Bills.

In cases of granting incorrect benefits for Onion and Indian Mackerel exports, RA, Chennai stated (January 2024), that demand notices were issued for recovery of incorrect MEIS rewards granted.

Further, RA, Chennai in cases of ineligible categories under DGFT PN No.12/2015-20 and PN 17/2015-20 stated that (January 2024), exports were made through EDI shipping bills and processed through system. Hence, the matter has been taken up with DGFT Headquarters for further clarification.

Further progress is awaited (May 2025).

Despite highlighting the issue in the earlier PA Report (Para 2.10.3) and the recommendation made in this behalf, no proper validation controls exist in the

MEIS module of DGFT's IT system which led to irregular award of duty credit scrips involving ₹243.09 lakh.

(C) Excess grant of MEIS reward due to misclassification

DGFT for simplifying the procedures, cutting down delays and to increase the transparency in processing the applications for MEIS claims, directed vide PN no. 62/2015-2020 dated 16 February 2018, that except for the items specified in the Annexure, for all other notified items, the RA shall process applications for MEIS claim only on the basis of ITC (HS) code as specified in the SB without verification of the item description of the product.

Scrutiny of classification of goods in audit revealed that misclassification of goods led to claim of higher rates of MEIS duty credit scrips. The responsibility of ensuring the correctness of Indian Trade Classification/Harmonised System (ITC/HS) code of the goods exported with reference to the item description given in the SBs, invoices and packing list, at the time of permitting export lies with the Customs department.

Audit noticed that the system allowed higher rates as claimed by the exporters amounting to ₹409.19 lakh in 178 MEIS Scrips issued by nine RAs and one SEZ involving misclassification of export products viz., zeolite mineral, test kit, pharma drugs, Extracted Marigold oleoresins and ceramic tiles etc. **(Annexure 19)**.

RA, Coimbatore, reported that (December 2023) the excess payment of MEIS rewards amounting to ₹117.20 lakh was recovered with appropriate interest.

RA, Chennai, stated (January 2024) that, demand notices were issued to the scrip holders for recovery of excess credit granted.

Reply from other RAs is awaited (May 2025).

Despite highlighting the issue in the earlier PA (Para 2.10.2) and the recommendation made in this behalf, the Department allowed excess duty credit of ₹4.09 crore overlooking the correct classification of the export goods in violation of the rate schedule.

(D) Excess grant of MEIS benefits due to adoption of higher incentive rate

DGFT data analysis of selected MEIS Scrips, revealed that in 187 MEIS scrips issued by 10 RAs and one SEZ reward for export products was allowed at rates higher than prescribed in Appendix-3B of MEIS schedule amounting to ₹3,127.94 lakh **(Annexure 20)**.

This indicated that the system failed to grant rewards as per the specified rates and failed to prevent excess grant of MEIS rewards. Further this indicates that the system is not duly mapped with Appendix 3B, which lists the rate of reward to be awarded to each product.

Reply of the department is awaited (May 2025).

(E) Issue of MEIS scrip by non-Jurisdictional authorities

An applicant has the option to choose Jurisdictional RA on the basis of Corporate Office/Registered Office/Head Office/Branch Office¹⁷ address endorsed on Importer Exporter Code (IEC) for submitting application/applications under MEIS and SEIS. This option needs to be exercised at the beginning of the financial year. Once the option was exercised no change would be allowed for claim relating to that year (Para 3.06 of HBP 2015-2020).

Audit scrutiny revealed that in 343 MEIS scrips, involving duty credit of ₹6,197.46 lakh, issued by five RAs and one SEZ, the IEC holders violated the jurisdictional criteria as prescribed under the provisions and applied for duty credit under MEIS with different RAs for exports made in the same financial year (**Annexure 21**).

Reply of the Department has not been received (May 2025).

(F) Grant of MEIS Scrips to SEZ units claiming benefit outside the jurisdiction

Importer Exporter Code(IEC) holders having units in Special Economic Zones (SEZs)/EOUs shall apply to the concerned Development Commissioner of SEZ given in appendix 1A for availing benefit under MEIS and SEIS provided in FTP 2015-2020 (DGFT PN No. 30/2015-2020 dated 26 August 2015 read with Para 3.6 and 3.08 of HBP 2015-20 as amended)

In 210 MEIS scrips involving duty credit of ₹3,228.27 lakh issued by five RAs and two SEZs, Audit noticed that the scrips were issued to units functioning as SEZ/EOU, by RAs other than where registered in contravention of the provisions of the FTP 2015-20 (**Annexure 22**). The units were registered with DCs viz., MEPZ-Chennai, CSEZ-Kochi, Indore-SEZ, KSEZ-Kandla, NSEZ-Noida and Vishakhapatnam.

Reply of the Department is awaited (May 2025).

Despite highlighting the issue in the PA Report No. 5 of 2020 against Para 2.7.2 and the recommendations made in this behalf, yet the system was not duly mapped with the jurisdictional criteria which led to issuance of MEIS scrips involving duty credit of ₹3,228.27 lakhs by officers who are not empowered to issue such licences.

(G) Functioning of RMS

Para 3.19 of FTP 2015-20 envisaged that DGFT HQrs on random basis would select 10 *per cent* of issued scrips under each scheme every month for scrutiny by RA based on guidelines issued by the DGFT from time to time. RA, in turn may call for original documents in all such selected cases for a detailed examination. It would be the responsibility of the applicants to maintain such documents for a period of at

¹⁷ Para 3.06 of HBP r.w. DGFT PN 30/2015-20, dt.26-08-2015 and PN 58/2015-20, dt.10-02-2017

least three years from the date of issuance of scrips or completion of scrutiny under RMS initiated by the RA, whichever is later.

Deficiencies in the RMS were highlighted in the previous performance audit (Para 3.9 of Audit Report No. 5 of 2020). Audit had recommended that the RMS be strengthened by plugging the loopholes and leakages in the automated system on issuing of scrips.

On being enquired about selected cases, the RAs stated that there were no cases selected by RMS from November 2018 to March 2022 as such list was not received from the DGFT.

Audit, however, centrally obtained data of the cases selected by RMS across all locations and it was observed that 91 cases were selected by RMS in five RAs and two SEZ for scrutiny (**Annexure 23**). The selected cases included 9 cases pertaining to JDGFT, Guwahati, which had stated that list of cases selected by RMS were not received from the DGFT.

However, Audit had observed deficiencies in two cases (ADGFT-Kolkata and Falta-SEZ-highlighted in **paras 3.7.1(H)** of this report), where MEIS benefits were irregularly provided and/or not recovered in respect of shipping bills for which benefits were covered under RoSCTL scheme, suggesting shortcomings in the departmental review of the cases selected by RMS.

Further, Audit could not ascertain the status of examination of scrips issued by other RAs as the details were not provided to audit. This was pointed out to the department their reply is awaited (May 2025).

From the cases observed by Audit it was evident that the inadequacies of the RMS persisted, as the risk parameters were not exhaustive and the work flow process in the system had validation weaknesses.

3.7.3 Compliance issues with SEIS

SEIS was an incentive scheme for eligible service exports introduced in the Foreign Trade Policy (2015-20) replacing the Served From India Scheme (SFIS).

The scheme offered rewards based on net foreign exchange earned and covered services rendered under two modes viz. services exported out of India and services provided to a foreign consumer in India.

Incorrect grant of SEIS scrips

(A) SEIS scrips granted incorrectly to the services not specified

Service providers of notified services, located in India shall be rewarded under SEIS, subject to specified conditions. Only Services rendered in the following manner are eligible:

Mode 1– Cross Border Trade (Supply of Service from India to any other Country).

Mode 2 – Consumption Abroad (Supply of a Service from India to the Service consumer of any other country (currently) in India).

Out of selected 809 SEIS cases, Audit noticed that five RAs and one SEZ had incorrectly granted 294 scrips (31 files) involving duty credit of ₹25,983.69 lakh {Annexure 24} for ‘Geological, Geophysical and other Scientific prospecting services (8341)’, Services related to securities market (8132), Services auxiliary to insurance and pension funding (814), Other services auxiliary to financial intermediation (8133) and various other services which are not covered under notified list of services.

This was pointed out in October 2023, the Department reply is awaited (May 2025).

(B) Incorrect grant of SEIS scrips to services rendered in ineligible manner (Mode-3 and Mode-4)

Service providers, who provide service through commercial presence in any other country {Mode 3- Para 9.51 (iii) of FTP} or supply of a service from India through the presence of natural persons in any other country (Mode 4- Para 9.51 (iii) of FTP) are not eligible for rewards under SEIS.

Audit observed that seven RAs had granted rewards of ₹1,176.78 lakh in 20 SEIS claims to 13 service providers for services rendered in ineligible manner under Mode-3 and Mode-4 (Annexure 25) in contravention to extant provision.

Test check of Contractual agreements, work orders, description of invoices of 20 SEIS claims revealed supply of materials, inspection, transport, fabrication, installation and supervision of projects being done onsite. This was also corroborated by exporters’ personnel frequent foreign visits; recovery of their foreign travel, stay expenses, which indicated that the manner of supply of service would fall under Mode-4 manner of supply, viz. through natural persons in any other country.

RA Chennai stated (January 2024) that demand notice had been issued to M/s. ‘D’ Company India Private Limited for ₹66.35 lakh involving three scrips. Reply from remaining RAs is awaited (May 2025).

(C) Incorrect grant of incentives to Information Technology/ Information Technology Enabled Services (IT/ITES)

Majority of the services delivered through IT/ITES platform viz., computer related-hardware, software and other database services falling under CPC (Central Product Classification) provisional codes 841 to 849 are not specified in Appendix 3D/3E/3X of SEIS which includes list of eligible services for this incentive.

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Two RAs had incorrectly granted 15 scrips for Services, CPC codes of which were not included in Appendix 3D. The Services are {(i) software development falling under provisional CPC code 842 and (ii) “Research and Development” Software design and development services CPC code 842} involving duty credit aggregating to **₹2,539.55 lakh (Annexure 26)**.

This resulted in irregular grant of duty credit under SEIS which was pointed out in February 2024. The Department reply is awaited (May 2025).

(D) SEIS scrips issued for ineligible services on account of mis-classification

Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement and any other inflow of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans, royalty etc. and any other inflow of foreign exchange, not related to rendering of notified services, would be ineligible (As per Para 3.09 of FTP). It was clarified (Trade Notice No. 04/2018 dated 25 April 2018) that only the service categories which have been notified for SEIS are allowed for claim under SEIS.

As per Recommendation No.10 in AR 5 of 2020, it was stated that the classification of services by various agencies (DGFT, RBI, Customs etc.) needs to be aligned to the Central Product Classification (CPC) code of United Nations’ Statistics Division (UNSD) to avoid any misuse of incentives which is based on CPC codes.

In 40 SEIS scrips (28 files) issued to 20 exporters by six RAs and two SEZs, involving a value of **₹4,870.31 lakh (Annexure 27)**, wherein export proceeds were realised by the service providers for the services on account of Maritime transport service {support service for maritime transport (745)}, Material things-medicine (9311), Goods and travel expenses (8672), Royalty etc., which are not listed in the Appendix of the FTP 2015-20. However, the services rendered were mis-classified under eligible services to claim the inadmissible SEIS benefits. The regional authorities failed to ascertain the eligibility of services before grant of duty credit.

This was pointed out in (January 2024), reply is awaited (May 2025).

(E) Incorrect self-declarations and CA certificate

An application for grant of duty credit scrip for eligible services rendered shall be filed online on annual basis under digital signatures. The claim application after due scrutiny of the information provided in Annexure attached being signed by the Chartered Accountants shall be processed. In absence of any further documents, reliance needs to place on self-declaration of applicant and chartered accountant certificates for grant of scrips (Para 3.04(b) read with Para 3.10 of HBP).

In nine SEIS scrips granted by 4 RAs against nine applications involving reward of ₹332.99 lakh, irregular grant of SEIS rewards was observed because of varied income in two separate documents certified by the CA (**Annexure 28**).

RA Coimbatore stated (December 2023) that, letter has been sent to the firm calling for the supporting documents. Further progress is awaited (May 2025).

Reply from other RLAs is awaited. (May 2025).

In order to avoid ambiguity and to bring in more clarity on eligible services, it was earlier recommended in PA Report; Para 3.3 to insist for CA certificate on exact/correct classification of service with CPC code and the Mode under which it falls, rather than merely stating the serial number of the list of eligible service. Had this recommendation been implemented, the SEIS benefits granted incorrectly involving duty credit of ₹349.03 crore could have been prevented (Annexure 24+ Annexure 25+ Annexure 26+ Annexure 27+ Annexure 28).

(F) Irregular issue of SEIS scrips to Service providers without RCMC/IEC

Any person applying for any benefit under FTP is required to furnish the valid Registration-cum- Membership Certificate (RCMC) from relevant Export Councils for claiming rewards (Para 2.56 of FTP). Further, the Service provider shall have an active IEC at the time of rendering services for which rewards are claimed (Para 3.08 (f) of FTP).

Audit noticed that four RAs had issued 16 scrips involving duty credit of ₹2,949.41 lakh without verifying the validity of RCMC at the time of rendering of services (**Annexure 29**). Reply of the Department is awaited (May 2025).

(G) SEIS scrip issued for services rendered prior to notification of the Scheme

The rewards under SEIS shall be admissible for the services rendered on or after the date of notification i.e. 1 April 2015 (Para 3.12 of FTP). An application for grant of duty credit scrip for eligible services rendered shall be filed online for a financial year on annual basis. The last date for filing of SEIS application shall be 12 months from the end of relevant financial year of claim period (Para 3.15(b) of HBP 2015-20,).

(i) Audit noticed that three RAs, irregularly granted rewards of ₹133.12 lakh to services rendered prior to April 2015 or rendered in a financial year other than that for which the claim was preferred (**Annexure 30 and 31**).

On being pointed out (October 2023), RA Chennai stated (January 2024) that the demand notice has been issued (January 2024) for recovery of the objected amount. Reply in respect of other RAs is awaited (May 2025).

In spite of highlighting the issue in the PA Report No. 5 of 2020 against Para 3.5.1 and the recommendations made in this behalf, absence of a proper check list for effective

internal control led to issuance of SEIS scrips to ineligible services rendered prior to introduction of the Scheme led to sanctioning of irregular duty credit of ₹133.12 lakh.

(H) Incorrect sanction of SEIS reward to ineligible remittances

As per Para 3.09 of FTP, Foreign exchange (FE) remittances other than those earned for rendering of notified services would not be counted for entitlement and any other inflow of foreign exchange, unrelated to rendering of service are not eligible for benefit under the Scheme.

Three RAs and one SEZ irregularly granted 14 SEIS scrips, involving reward of ₹445.62 lakh on ineligible remittances viz., remittances made in Indian Rupees, FE earnings from un-notified services and services for which the nature of foreign exchange earnings was not known. **(Annexure 32).**

RA Coimbatore replied (December 2023) that the FTP provisions have been amended from 05 December 2017 with reference to Para 3.09 regarding ineligible categories under SEIS, where payments for services received from EEFC account has not been listed in the ineligible categories.

The reply is unacceptable in view of a PN 45 dated 5 December 2017, wherein it was notified that payments received from Exchange Earners' Foreign Currency (EEFC) account were not eligible for SEIS rewards. Reply from other RAs is awaited (May 2025).

Notwithstanding the recommendation (No. 14) made in the PA Report 5 of 2020 to issue clear instructions to RAs about the basic checks required to be exercised before issuing SEIS duty credit scrip yet the issue persisted leading to ineligible grant of duty credits to the tune of ₹445.62 lakh.

(I) Excess grant of scrips due to incorrect computation of Net Foreign Exchange

The Service provider is eligible for SEIS benefits based on net free foreign exchange earnings (NFE) in preceding financial year. The calculation of Net Foreign Exchange (NFE) be done in the following manner (Para 3.08(d) of FTP): -

$$\text{NFE} = \text{Gross Earnings of Foreign Exchange (GFE)} \text{ minus (-) Total expenses/payment of Foreign Exchange by the IEC holder, relating to service sector in the financial year.}$$

In 27 SEIS cases (165 scrips), six RAs and two SEZs issued excess rewards of ₹1,139.12 lakh **(Annexure 33)** because of errors in computation of NFE as given in **Table 3.7.**

Table 3.7: Net Foreign Exchange computation errors

Types of errors	No. of application	Excess duty credit (₹in lakh)
Excess value of NFE was considered while calculating entitlement	10	143.05
Improper Foreign Inward Remittance Certificate (FIRC)s	13	953.28
Non-exclusion/less exclusion of expenses	4	42.79
Total	27	1,139.12

Source: Based on the information collected from the records maintained by RLAs.

RA, Mumbai stated that a SCN was issued (September 2022) and further progress is awaited (May 2025).

RA, Delhi stated (December 2023) that the excess payment of SEIS rewards amounting to ₹33.05 lakh was recovered with appropriate interest in four out of six licences pointed out.

(J) Excess grant of scrip due to adoption of incorrect exchange rates

Annexure-A of Application Form for SEIS captured the details of transaction and date-wise foreign exchange earnings in USD. If the proceeds were received in currencies other than USD, their equivalent in USD on the date of transaction, by applying exchange rate as per customs notification on the date of transaction, was to be mentioned by the applicant.

In RA Kolkata, M/s. 'E' Global Beverages Ltd. had applied (15 November 2019) for SEIS scrips reward for management services rendered during 2017-18 to M/s. 'F' Global Beverages Services Ltd., Middlesex, England for Net Foreign Exchange (NFE) earnings of USD 6070182.90. The exporter realized the service value in GBP (UK Pound) and had not adopted the Customs notified exchange rates applicable as on the dates of transaction (invoice date), resulting in incorrect declaration of NFE. This resulted in an excess grant of reward by ₹11.65 lakh (**Annexure 34**).

This was pointed out in October 2023, reply is awaited (May 2025).

(K) Excess issue of scrip due to non-exclusion of Government taxes

The Central/State Government taxes collected by the service provider from the customers on behalf of the Governments concerned, are not earnings of the service provider and hence, not eligible towards SEIS benefits (Para 3.09 of FTP 2015-2020 read with trade notice No. 11/2015-20 dated 27 July 2016).

Audit noticed that four RAs have issued five SEIS scrips on Net Foreign Exchange (NFE), earned value which included amounts paid towards Service Tax, Swatch Bharat Cess and Krishi Kalyan Cess resulting in excess grant of reward of ₹5.45 lakh (**Annexure 35**). Reply of the Department is awaited (May 2025).

(L) Non maintenance of jurisdiction discipline

Para 3.06 of HBP 2015-20 read with DGFT PN No.30/2015-20 dated 26 August 2015 and 58/2015-20 dated 10 February 2017 prescribed that IEC holders having units in SEZs /EOUs shall apply to the concerned DCs.

DC SEEPZ-Mumbai had granted (December 2018) SEIS scrip of ₹1,100.70 lakh to M/s. 'G' Research & Development India Pvt. Ltd. operating under the provisions of SEZ Act, 2005. The exporter claimed SEIS benefits in respect of two SEZ units located at SEZ Pune and SEZ Bangalore. The forex earnings of SEZ Bengaluru being higher, the exporter was required to claim SEIS benefits before jurisdictional RA i.e., DC/CSEZ Kochi (Bengaluru falls under DC/CSEZ Kochi jurisdiction), instead of claiming from DC/SEEPZ, Mumbai. This resulted in grant of reward on forex earnings made during the FY 2016-17 by an authority who is not authorised to grant such duty credit scrips (**Annexure 36**). This was pointed out in December 2023, Department response is awaited (May 2025).

(M) Incorrect grant of SEIS scrip due to non-availability of provision to declare service wise expenses in Aayat Nirayat Form (ANF)

As per pars 3.08 (d) of FTP, Net Foreign exchange earnings for the scheme is defined as Gross Earnings of Foreign Exchange minus total expenses/payment / remittances of Foreign Exchange by the IEC holder, relating to service sector in the financial year. Further, to claim the entitlement under SEIS scheme, firm must fill up ANF 3B.

Audit scrutiny of SEIS files revealed that ANF 3B form has an option to declare gross foreign exchange earned according to multiple services rendered. But it had no option to declare expenses/payment/remittances of Foreign Exchange according to multiple services rendered in respect of two or more services. In the absence of the aforesaid provision, the firm had to declare consolidated expenditure for all the services rendered.

In the absence of aforesaid provision, the system (DGFT-SEIS Module) on the backend bifurcated the total expenditure in proportion to service wise gross foreign exchange earned and calculated service wise net foreign exchange earned & entitlement and accordingly generates office note. Because of difference in reward rates (3 per cent to 7 per cent) for each services rendered, there was excess issue of reward scrip.

Thus, due to non-availability of provisions in ANF 3B to properly capture the expenditure details, incorrect grant of duty credit under SEIS to those claimants rendering two or more services with different rate of entitlement was noticed.

On being pointed out (August 2023) the Department replied (September 2023) that it is to be noted that there was mandatory requirement of CA Certificate certifying the value of claim applied to the RAs and thereafter, RAs manually examine &

process the claim including its calculation. Therefore, a double check was available at the RA level. However, in the instant case, a report has been called from the concerned RA. Recovery action, if any would be initiated. Further, it may be noted that the SEIS scheme has been discontinued w.e.f. 01 April 2020. The last date for submitting application under SEIS was 28 February 2022 and no changes were therefore being possible in IT systems design being implemented by NIC.

The facts were communicated to the DGFT (Headquarters) in January 2024, their response is awaited (May 2025).

3.8 Conclusion:

The Subject Specific Compliance Audit was conducted to review the internal control mechanism and implementation of two schemes of the Foreign Trade Policy 2015-20 - MEIS and SEIS. A Performance Audit of these schemes was conducted earlier and featured as CAG Audit Report No 5/2020. The current audit also sought to evaluate the extent to which the recommendations of the previous audit have been implemented.

- (i) Despite the recommendations made in the previous AR No. 5 of 2020 to address the shortcomings in automation and to improve the internal controls and monitoring mechanism, relating to both the MEIS and SEIS schemes, the Ministry was found lacking to implement those recommendations, primarily because both the Schemes were discontinued.
- (ii) However, during this follow-up audit, it was observed that even after discontinuance of the schemes, the number of licences issued (as per Government dispensation) under both the schemes were substantial and involved outflow of incentive by way of duty credit which could have been avoided had the earlier recommendations been implemented.
- (iii) From a systemic perspective, Audit observed that though automation of the process of issuing MEIS and SEIS licences was taken up, the shortcomings and validation weaknesses in the automation system continued to persist requiring manual intervention. This was leading to substantial process delays, which were noticed in 39 *per cent* and 44 *per cent* of the sampled cases (MEIS and SEIS respectively). This indicates the failure of the automated system in achieving the objective of simplification of procedures and ease of doing business.
- (iv) Systemic issues noticed inter alia includes Irregular issue of scrips to firms in the Denied Entity List and to firms whose names did not match with the names in the respective unique identifier-Importer Exporter Code, availing of dual export benefits, scrips issued for time barred claims/shipping bills, excess issue of scrips owing to non/short levy of late cut involving revenue implication aggregating **₹185.85 crore**.

- (v) From a compliance perspective, in the administration of MEIS scheme, Audit observed inadmissible and irregular grant of MEIS benefits aggregating **₹132.21 crore** because of allowing benefits to ineligible products, misclassification of exported products, adoption of incorrect incentive rate, non-realisation of export proceeds or realisation of export proceeds in Indian Rupees.
- (vi) Similarly, in the administration of the SEIS scheme SEIS benefits were incorrectly permitted aggregating revenue of **₹406.90 crore** attributable to inadmissible services, services rendered in eligible manner, misclassification of services, incorrect computation of foreign exchange earnings, non-exclusion of government taxes while granting SEIS benefits and incorrect adoption of exchange rates.

3.9 Recommendations:

Audit reiterates the recommendations that:

- The department should achieve automation of the entire workflow process of issuing licences, mapped with the business rules, to eliminate manual intervention, minimise process delays and to ensure consistency in application of schemes. The classification of services by various agencies has to be uniformly aligned to avoid misuse of incentives.
- The Department should strengthen validation controls in the automated system as well as strengthen its process of verification and sanctioning of FTP schemes to ensure that duty scrips/benefits are provided as envisaged.
- DGFT may instruct the RAs to initiate appropriate recovery action wherever duty credit under MEIS was granted after discontinuance of the scheme particularly in respect of Apparels and Made-ups sector, which are eligible for duty credit under RoSCTL.

CHAPTER IV

Non- Compliance to provisions of Customs Act, Customs Tariff notifications and Export Promotion Schemes of Foreign Trade Policy

4.1 Introduction

Custom Duty an indirect tax, is imposed under the Customs Act formulated in 1962. The Customs Act, 1962 is the basic statute, which governs entry or exit of different categories of vessels, aircrafts, goods, passengers etc., into or outside the country. The Customs Act, 1962 just like any other tax law is primarily for the levy and collection of duties but at the same time it has the other and equally important purposes such as: (i) regulation of imports and exports; (ii) protection of domestic industry; (iii) prevention of smuggling; (iv) conservation and augmentation of foreign exchange. Section 12 of the Custom Act provides that duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or other applicable Acts on goods imported into or exported from India.

4.2 The assessment function of the Customs authorities is to determine the duty liability, taking due note of any exemptions or benefits claimed under different notifications or export promotion schemes. They also have to check whether there are any restrictions or prohibitions on the goods imported and if they require any permission/license/permit etc., and if so, whether these requirements have been met. Assessment of duty essentially involves proper classification of the goods imported under the Customs tariff, having due regard to the rules of interpretations, chapter and sections notes etc., and determining the duty liability. It also involves correct application of exemption notification, if any or fulfilment of conditions of the export promotion schemes of Foreign Trade Policy.

4.3 Audit Sample

During 2022-23, a total of 47.51 lakh BsE and 62.05 lakh SBs were generated in 39 Commissionerates audited, out of which Jurisdictional Audit offices, based on local risks, selected a sample of 3.61 lakh BsE (7.60 *per cent*) and 2.63 lakh SBs (4.24 *per cent*) for physical audits. The samples were selected through local audits in the absence of Pan- India data, which is sub-optimal. Significant audit observations (49 cases) with revenue implication of ₹10 lakh or more noticed during test check of documents in the Customs Commissionerates/ Regional authorities of DGFT are covered in this chapter. Minor observations were issued to the respective Commissionerates/ Regional authorities through Inspection Reports for corrective action.

4.3.1 Sample of records generated, audited and recoveries made

Pan India, in 70 Customs Commissionerates, 880 lakh import and export records (BE/ SB) were generated during FY 23. Audit test checked 39 commissionerates wherein 109.56 lakh records (12.45 per cent of 880 lakh) were generated.

Further, based on risk analysis, Audit in 39 commissionerates selected 6.24 lakh records (5.70 per cent of 109.56 lakh) (**Table 4.1**) and observed significant irregularities in 49 cases involving revenue of ₹22 crore which are reported in this Chapter.

Table 4.1: Records generated/ audited in Commissionerates

Sl. No.	Pan India 70 Commissionerates (in lakh)	Sampled 39 Commissionerates (in lakh)	Percentage of total in 39 commissionerates (Col. 3/ Col 2)	Percentage records audited in 39 commissionerates (Row 3/ row 2)
1	2	3	4	5
Records generated (BE+SB)	880	109.56	12.45	
Records audited (BE+SB)		6.24	0.71	5.70

The cases of non-compliance noticed during audit could be broadly categorized as follows:

- I. Misclassification of imports (**Paragraphs 4.4.1 to 4.4.10**).
- II. Incorrect application of notifications
 - a) Incorrect application of IGST Notification (**Paragraphs 4.5.1 to 4.5.4**).
 - b) Incorrect application of exemption notifications (**Paragraphs 4.5.5 to 4.5.6**).
- III. Non-compliance to provisions of Export Promotion Schemes (**Paragraphs 4.6.1 to 4.6.3**).
- IV. Other irregularities (**Paragraphs 4.7.1 to 4.7.3**).

Table 4.2 given below depicts the status of findings flagged and recoveries effected as on May 2025.

Table 4.2: Cases objected, acceptance and recoveries made

Para category	Misclassification of imports	Incorrect application of notifications	Non-compliance to provisions of Export Promotion Schemes	Other irregularities	Total
No. of Paras objected	19	20	3	7	49
Paras accepted	19	20	3	7	49
Recoveries made in paras	12	18	3	6	39
Amount objected (₹ in lakh)	1,141	590	289	220	2,240
Amount accepted (₹ in lakh)	1,132	475	289	188	2,084
Amount recovered (₹ in lakh)	633	302	332	135	1,402

The Ministries/Departments have accepted 49 paragraphs and taken rectification measures involving money value of ₹21 crore in the form of issue of SCNs, adjudication of SCNs and have reported recovery of ₹14 crore in 39 cases of incorrect assessment of Customs duties.

Though the Ministry has taken corrective action to recover duty in 49 cases, it may be pointed out that these are only a few test-checked cases. There is every possibility that such error of omission and commission in assessments, may exist in many more transactions.

4.4 Misclassification of Imports

Classification of commodities imported is governed under the provisions of the Customs Tariff Act 1975. Levy of applicable duties is dependent on classification applied to the imported commodity.

During test check of records, Audit noticed short levy of duty due to misclassification in 19 cases. These 19 cases of misclassification, each involving revenue implication of ₹10 lakh or more, having total revenue implication of ₹11.41 crore, have been covered in this chapter. Individual cases of misclassification of imports with money value less than ₹10 lakh have been reported to the local Commissionerates through field Inspection reports.

Out of the 19 cases of misclassification noticed in 10 Commissionerates, 10 cases involving total revenue implication of ₹10.10 crore are discussed in the following paragraphs and remaining nine cases involving total revenue implication of ₹1.31 crore are listed in the **Annexure 37**. The Department had accepted all 19 cases and reported recovery of ₹6.33 crore in 13 cases.

4.4.1 Misclassification of 'Electrical ignition or starting equipment used for internal combustion engines' as 'Other Automatic regulating or controlling instruments'

'Controller Assembly Glow Plug' are classifiable under Customs Tariff Heading (CTH) 8511 as 'Electrical ignition or starting equipment of a kind used for spark-Ignition or compression-Ignition internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparking plugs and glow plugs, starter motors etc. and attract Basic Custom Duty (BCD) at the rate 15 *per cent* and Integrated Goods and Service Tax (IGST) at the rate 28 *per cent* (IGST Notification No. 01/2017, Schedule IV- Sl. No.143 dated 28 June 2017).

M/s. 'H' Suzuki India Ltd. imported (January 2019 to March 2021), 29 consignments of 'Controller Assembly Glow Plug' at aggregated Assessable value of ₹17.66 crore through ICD-Garhi Harsaru, Gurugram. The imported items were misclassified under CTH-90328990 as 'Other automatic regulating or controlling instruments and

apparatus' and levied BCD at the rate 7.5 *per cent* and IGST at the rate 18 *per cent* (Schedule III-SI. No. 422 of aforesaid IGST notification).

Audit scrutiny revealed that the imported item is 'Controller assembly glow plug' which decides when to switch the current for the 'Glow plug' on or off and how much current is required to switch on the 'Glow plugs' integrated with the engines. 'Controller assembly glow Plug' controls automatically the function of Glow Plug based on the inputs received from the sensors. This item works in an ecosystem where Electronic Control Module (ECM), Glow Plug and Sensors are the dominant players. Accordingly, it should be correctly classifiable under CTH-8511 which covers Glow Plug and Parts thereof instead of under CTH-90328990 and leviable to BCD and IGST at the rate 15 and 28 *per cent* respectively.

Thus, the mis-classification of imported goods resulted in short levy of duty amounting to ₹3.78 crore.

On being pointed out (May 2021), the Department confirmed (January 2023) a demand for ₹3.78 crore against the importer and imposed penalty of same amount.

4.4.2 Transport vehicles used in mines misclassified as 'Other Boring or excavating machinery'

As per Harmonized System of Nomenclature (HSN) 'Shuttle cars', which are used in mines to transport coal or ores are classified under CTH 87049090 as 'other vehicles' and attract BCD at the rate 15 *per cent* (Notification 50/2017-Customs, SI. No. 526 dated 30 June 2017) and IGST at the rate 28 *per cent*.

M/s. 'I' Mining Limited imported (March 2021) two consignments (under one BE) of Shuttle car in Completely Knocked down (CKD) condition through Kolkata (Sea Port). The department misclassified the goods under CTH 84304190- as 'Other Boring or excavating machinery' instead of under CTH 87049090. The imported goods were cleared levying BCD at the rate of 7.5 *per cent* and IGST at 18 *per cent* instead of applicable BCD rate of 15 *per cent* and 28 *per cent* IGST. The misclassification resulted in short levy of duty amounting to ₹2.60 crore.

On being pointed out (December 2021), the department intimated (November 2022) that the importer had paid ₹2.99 crore which included interest.

4.4.3 Short levy of duty due to misclassification of rail cum road vehicle

As per Harmonised System of Nomenclature (HSN) 'explanatory note Road-rail lorries specially equipped to travel both by road and rail are classifiable under CTH 8704. Also as per Note 4(a) of Section XVII of the Customs Tariff 'Vehicles specially constructed to travel on both road and rail' are classifiable under the appropriate heading of Chapter 87 of the Customs Tariff. Additionally, Central Board of Excise and Customs, vide circular No. 14/2012-Customs dated 11.06.2012, had clarified

that the correct classification of 'Rail cum Road Vehicles' should be in the appropriate heading under Chapter 87 by application of Note 4 (a) to Section XVII.

Accordingly, electrically operated 'rail cum road vehicle' are classifiable under CTH 87049012 and attract BCD at the rate of 40 *per cent* and IGST at 5 *per cent* (Notification NO.1/2017-Integrated Tax (Rate) Schedule I, Sl. No. 242A dated 28 June 2017 as amended).

M/s. 'J' Heavy Engineering Ltd. and one other imported (February 2021) two consignments of 'Electrically operated rail cum road vehicle' through kolkata (Sea) Port. The imported goods were misclassified under CTH 86029090/ 86012000 as 'Rail locomotives/Other rail locomotives powered by electricity or by electric accumulators' and cleared levying BCD at the rate 10 *per cent* and IGST at the rate 12 *per cent*. The goods merit classification under CTH 87049012 and attract BCD at the rate of 40 *per cent* and IGST at 5 *per cent*. Misclassification resulted in short levy of duty of ₹53.22 lakh.

On being pointed out (April 2022), the department stated (March 2023) that Show Cause Notices had been issued to the importers.

Further progress is awaited (May 2025).

4.4.4 Short levy of Duty due to misclassification of Carbon Blacks

'Carbon Blacks' is classifiable under CTH 28030010 and attracts BCD at the rate of 7.5 *per cent* along with other applicable duties.

M/s. 'K' India Private Limited imported (April 2021 to February 2023) 62 consignments of "Carbon Blacks" through ICD Talegaon, Pune Commissionerate. The imported Goods were mis-classified under the CTH 28030090 as 'Other forms of Carbon' and cleared levying BCD at the rate of 5 *per cent* instead of 7.5 *per cent* applicable. The misclassification resulted in short levy of duty to the tune of ₹1.12 crore.

On being pointed out (March 2023), the Department accepted the audit observation and reported recovery of ₹1.16 crore plus interest of ₹21.71 lakh.

4.4.5 Parts and accessories for medical devices misclassified as Instruments and appliances

"Parts and accessories (not specified or included elsewhere in the Chapter) for machines, appliances, instruments or apparatus of Chapter 90" are classifiable under CTH-9033000 and attract IGST at the rate 18 *per cent* (IGST Notification No.01 Integrated Tax (Rate), Sl. No.423, Schedule III dated 28 June 2017).

M/s. 'L' Group Private Limited and M/s. 'M' Medical Devices imported (February 2021 to July 2022) 18 consignments of 'LCD display system for Blood pressure monitor and other parts (components for medical devices)' through ICD

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Tughlakabad. The goods were mis-classified under CTH 90189011 as 'Instruments and appliances' and assessed to IGST at the rate of 12 *per cent*.

Audit scrutiny revealed that the imported goods are 'Parts and accessories' for machines, appliances, instruments or apparatus of Chapter 90, hence merit classification under CTH 90330000- and leviable to IGST at the rate of 18 *per cent*. Thus, mis-classification of imported goods resulted in short levy of duty amounting to ₹48.34 lakh.

On being pointed out (February 2023), the Department reported (February 2024) recovery of ₹39.08 lakh plus interest of ₹9.38 lakh from M/s. 'L' Group Pvt. Ltd. and issued Show Cause Notice to another importer.

Further progress is awaited (May 2025).

4.4.6 Short levy of BCD and IGST due to misclassification of "Parts of engine - Valves inlet and exhaust"

'Parts suitable for use solely or principally with internal combustion piston engines of CTH 8407 or 8408 (motor vehicles/motor cars/motor cycles) merits classification under CTH 8409. Accordingly, "Valve Tappet, Valve seat ring, Exhaust, Valve guide, Valve guide exhaust, exhaust valve and ring set –Piston" being parts of engine are classifiable under CTH 84099111/ 84099911 and attract BCD at the rate of 15 *per cent* and IGST at the rate of 28 *per cent* (Notification No. 01/2017-Integrated Tax (Rate), Schedule IV- Sl.No.116 dated 28 June 2017).

M/s. 'N' India Commercial Vehicles Pvt. Ltd and M/s. 'O' Automotive India Pvt. Ltd. imported (April 2019 to November 2020) 'Parts of engines namely 'Valve Tappet, Valve Seat Ring Exhaust, Valve Guide Valve Guide Exhaust, Exhaust Valve and Ring Set- Piston' under 46 BsE through ICD, Irungattukottai under Chennai (Sea) Customs. The imported items were mis-classified under CTH 8481 as 'Taps, Cocks, Valves and similar appliances for pipes, boiler shells, tanks, vats or the like' and assessed to BCD at 7.5/ 10 *per cent* and IGST at the rate of 18 *per cent*. The mis-classification had resulted in short levy of BCD and IGST totaling ₹46.09 lakh.

Audit scrutiny revealed that in 227 consignments of similar imports, the importers had correctly classified the goods under CTH 84099111 as 'Parts of engine' and paid BCD and IGST at the rate of 15 *per cent* and 28 *per cent* respectively.

On this being pointed out (October 2021), the Department reported (February 2022) recovery of ₹45.66 lakh plus interest of ₹15.47 lakh from one importer (M/s. 'N' Commercial Vehicle Pvt. Ltd). Response in respect of another importer is awaited (May 2025).

4.4.7 Short levy of duty due to misclassification of 'Wheeled toy (scooter)'

'Tricycles, scooters, pedal cars and similar wheeled toys' merit classification under CTH 9503 and attract total Customs duty of 85.92 *per cent* (including BCD, SWS and IGST). 'Bicycles and other cycles (including delivery tricycles), not motorised' merit classification under CTH 8712. Heading CTH 87120090 includes goods of description 'Other than Bicycles' which attract total customs duty of 24.32 *per cent* (including 10 *per cent* BCD, 10 *per cent* SWS of BCD and 12 *per cent* IGST).

Imports of "Wheeled Toy (Scooter)/ Children Standing Cycle" valued at ₹2.38 crore were made under 28 Bills of Entry (BsE) through Custom House (AP&SEZ) Mundra during the period April to September 2021. Audit test checked 14 BsE and noticed short levy of duty amounting to ₹32.48 lakh involving imports valued at ₹52.73 lakh.

M/s. 'P' Synthetics Ltd. and M/s. 'Q' Embroidery imported (April to May 2021) 14 consignments goods of 'Children Standing Cycle' through Custom House (AP&SEZ), Mundra. The goods were mis-classified under CTH 87120090 as 'Other Bicycles' and cleared levying total Customs duty of 24.32 *per cent* (including BCD, SWS and IGST). Scrutiny revealed that the imported item in common trade parlance is known as 'Scooter for kids' and are categorized as 'Toys' which merit classification under CTH 9503. Thus, misclassification resulted in short levy of duty amounting to ₹32.48 lakh.

On this being pointed out (September 2022), Department reported (October 2022) that demand notices have been issued (October 2022) to both the importers. Further progress is awaited (May 2025).

4.4.8 Short levy of duty due to mis-classification of 'Ribbon/ tape/webbing made of Polyester/Nylon'

"Other narrow woven fabrics made of man-made fibres" are classifiable under CTH 58063200 and attract BCD at the rate of 20 *per cent*.

M/s. 'R' design Pvt. Ltd. and 48 others imported (June 2020 to January 2023) 99 consignments of 'Ribbon/ tape/webbing made of Polyester/Nylon' at aggregated assessable value of ₹2.46 crore through Commissioner of Customs (Import), ACC, New Delhi. The Department assessed the imported goods under CTH 58062000/ 58063190/ 58063990– as 'Other woven fabrics containing 5 *per cent* or more of elastomeric yarn made of cotton or of other textile materials' and cleared levying BCD at the rate of 10 *per cent*.

Audit scrutiny revealed that Polyester/Nylon are kind of man-made fibres and hence imported goods made of these fibres merit classification under CTH 58063200 and attracted BCD at the of 20 *per cent* instead of 10 *per cent* applied. The mis-

classification of imported goods resulted in short levy of duty amounting to ₹28.37 lakh.

On being pointed out (June 2022/January 2023), the Department intimated (April 2023 to February 2024) confirmation of demands for ₹5.09 lakh against two importers, recovery ₹0.78 lakh from 10 importers, and issue of SCNs/PNC to 31 importers. Further progress is awaited (May 2025).

4.4.9 Fabrics of synthetic/ artificial fibres misclassified as 'fabrics of cotton'

"Other knitted or crocheted fabrics of synthetic/artificial fibres" are classified under CTHs-60063100 to 60064400 and attract BCD at the rate 20 *per cent*.

M/s. 'S' India and 11 others imported 14 consignments of "Knitted Polyester/Rayon fabric" through ICD-Tughlakabad, New Delhi. The goods were mis-classified under CTHs 60062200/ 60062400/ 60069000 as 'Other knitted or crocheted fabrics of cotton' and assessed to BCD at the rate of 10 *per cent*.

Audit scrutiny revealed that the imported fabrics are either made of 'Polyester fibres or predominately made of Polyester/Rayon fibres' and merit classification under CTH 60063100 to 60064400 and leviable to BCD at the rate 20 *per cent* instead of 10 *per cent* applied. Thus, misclassification of imported goods resulted in short levy of duty amounting to ₹26.56 lakh.

On being pointed out (July 2022), the Department reported (January to May 2023) recovery of ₹10.54 lakh including interest from eight importers and confirmed (May 2023) demands in respect of three importers (M/s. 'T' Novelties Pvt. Ltd., M/s. 'U' Abrasives & Paints Pvt. Ltd. and M/s. 'V' Fabrics Pvt. Ltd). Further progress is awaited (May 2025).

4.4.10 Short levy of duty due to misclassification of 'Bank notes packing machines'

As per Harmonized System of Nomenclature (HSN) explanatory Notes, 'Bank notes packing machines' are classifiable under Customs Tariff Heading 84729099 as 'Other Office machines' and attract BCD at the rate 7.5 *per cent*.

M/s. 'W' Hydec India Pvt. Ltd. imported 12 consignments of Bank Note packing system {(i) Centering INS 1000-15-CEN and (ii) Strapper INS 1000-15-STR} through ICD Tughlakabad, New Delhi. The items were mis-classified under CTH 84224000- as 'other packing or wrapping machinery' and levied BCD at the rate 5 *per cent* instead of applicable rate of 7.5 *per cent*.

Audit scrutiny revealed that the imported items are machines for Cash handling system used in strapping, handling currency notes and merit classification under CTH 84729099 as per aforesaid HSN explanatory note which attract BCD at the rate 7.5 *per cent*. Thus, misclassification of the imported goods resulted in short levy of duty amounting to ₹ 24.90 lakh.

On being pointed out (August 2021), the Department confirmed a demand (July 2023) for ₹ 34.80 lakh and also imposed a penalty of ₹3 lakh in imports made under 22 BsE including 12 BsE objected by Audit.

4.5 Incorrect application of notifications

Test check revealed improper application of various notifications in 20 cases, each involving revenue of ₹10 lakh or more. The total revenue implication was ₹5.90 crore. Individual cases of improper application of notifications of value less than ₹10 lakh have been reported to the local Commissionerates through field inspection reports. The Department had accepted 20 cases and intimated recovery of ₹3.02 crore in 17 cases which included interest. Seven cases (IGST notification- five cases and Other exemption notifications- two cases) involving revenue implication of ₹3.98 crore have been discussed in the succeeding paragraphs and the remaining 13 cases involving revenue implication of ₹1.92 crore are included in **Annexure 38** (Nine cases) and **Annexure 39** (four cases).

Short levy/ Non- levy due to incorrect application of IGST Notification

All imports shall be deemed as inter-State supplies as per IGST Act and accordingly IGST shall be levied on imports in addition to the applicable Custom duties. The IGST on goods imported into India shall be levied as per provisions of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of Customs are levied.

IGST is levied under Section 3 (7) of the Customs Tariff Act, 1975 at the rates prescribed under Schedules of the Notification No.1/2017-Integrated Tax (Rate) dated 28 June, 2017 (as amended). The Central Government under sub-section (1) of Section 6 of the IGST Act, 2017, may, by notification exempt levy of IGST on imports.

4.5.1 Short levy of IGST on imports of internal combustion piston diesel engines

“Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)” classifiable under CTH 8408 attract IGST at the rate of 28 *per cent* {Notification No.1/2017-Integrated Tax (Rate), Schedule IV-SI. No. 115, dated 28 June 2017}.

M/s. ‘X’ India Ltd. imported (Oct 2021 to July 2022) seven consignments of “Cummins Diesel Engine” through ICD Talegaon, Pune Commissionerate. The imported goods were classified under the CTH 84089090 as ‘Other engines’ and levied IGST at the rate of 18 *per cent* under aforesaid notification, Schedule III, SI. No 453. The Serial No. 453 of the notification was applicable on the goods which are not specified in any Schedule of the aforesaid notification. Though, the imported Diesel engines are covered under Sch. IV, SI. No. 115 of the notification which attract

IGST at the rate of 28 *per cent*. This resulted in short levy of duty amounting to ₹54.01 lakh.

On being pointed out (March 2023), the Department reported (September 2023) recovery of the entire short levy of ₹54.01 lakh plus interest of ₹11.52 lakh.

4.5.2 Short levy of IGST on imports of Stainless steel tube for manufacturing of syringes, needles, catheters and cannula'

'Stainless Steel tube welded, riveted or similarly closed for manufacturing of syringes, needles, catheters and cannula' are classified under CTH-73063090 and attract IGST at the rate 18 *per cent* {Schedule III, Sl. No. 220 of the Notification No.1/2017 Integrated Tax (Rate) dated 28 June 2017}.

M/s. 'Y' Group Pvt. Ltd. and three others imported (November 2020 to October 2022) 25 consignments of "Stainless Steel Capillary Tube" through ICD, Patparganj. The imported goods were mis-classified under CTH-90183210/90183290/90183990 as 'Instruments-Tubular metal needles and needles for sutures' and levied IGST at the rate of 12 *per cent* under Schedule II, Sl. No 218 of aforesaid IGST Notification.

Audit scrutiny revealed that the imported goods were Stainless steel capillary tubes for manufacturing of needles for sutures and not the finished product, accordingly classifiable under CTH 73063090 which attract IGST at the rate of 18 *per cent*. This resulted in short levy of duty amounting to ₹52.39 lakh.

On being pointed out (March 2023), the Department reported (February 2024) recovery of ₹58.77 lakh which included interest from two importers (M/s. 'Z' International Industries Pvt. Ltd and M/s. 'Y' Group Pvt. Ltd). Reply in respect of two importers is awaited (May 2025).

4.5.3 Short levy of duty due to incorrect application of IGST rate on imports of iron and steel articles

(i) "Others article of iron and steel" are classifiable under CTH-7326 and attract IGST at the rate of 18 *per cent* {Schedule III, Sl. No.238 of the Notification No.1/2017 Integrated Tax (Rate) dated 28 June 2017}.

M/s. 'AA' Ltd. and four others imported (October 2022 to September 2023) ten consignments of various articles of iron and steel (Parts of Aircraft, Smart watch, Printing and packing machine etc.) through ACC (Import) Commissionerate, New Delhi. The imported items were correctly classified but cleared levying IGST at the rate of 12 *per cent* under aforesaid IGST Notification, Schedule II, Sl. No.180, instead of applicable rate of 18 *per cent*.

Audit scrutiny revealed that Sl. No. 180- Schedule II of IGST notification is applicable to 'Mathematical boxes, geometry boxes and colour boxes, pencil sharpeners' and not on the imported items. Thus, incorrect application of IGST rate resulted in short levy of duty amounting to ₹33.39 lakh.

On being pointed out (March 2023), the Customs Department reported (September/December 2023) recovery of ₹34.44 lakh (which included interest) from four importers (M/s. 'AA' Ltd., M/s. 'AB' Control Unit, M/s. 'AC' Electronics Ltd. and M/s. 'AD' Fertilizers Ltd.) and issued (August 2023) Pre-consultation notice to one importer (M/s. 'AE' Needs International Pvt. Ltd).

(ii) M/s. 'AF' Contact India Private Limited and 49 others imported 75 consignments of various 'Articles of iron and steel' at aggregated assessable value of ₹4.95 crore through ACC Import, New Delhi. The imported items were classified under CTHs 73261100 to 73269099 and levied IGST at the incorrect rate of 12 *per cent* (Schedule II, Sl. No.180 of the aforesaid notification).

Audit scrutiny revealed that IGST under Sl. No. 180 of the IGST Notification is applicable to 'Mathematical boxes, geometry boxes and colour boxes, pencil sharpeners' and not to ' Other articles of steel'. The imported goods were 'Articles of iron and steel' which attract IGST rate of 18 *per cent*. Thus, incorrect application of IGST rate resulted in short levy of duty by ₹31.48 lakh.

On being pointed out (September 2022), the Department reported (December 2023) recovery of ₹2.75 lakh including interest from six importers and issued Pre-Consultation Notices (October 2023) to 27 importers. Reply in respect of 17 importers is awaited (May 2025).

4.5.4 Short levy of IGST duty on imports of parts of Lead Acid Batteries

'Parts of electric accumulators including separators therefor, other than Lithium-ion battery' are classifiable under CTH 850790 and attract IGST at the rate 28 *per cent* {Schedule IV, Sl. No. 139 of the Notification No.1/2017-Integrated Tax (Rate) dated 28 June 2017}.

M/s. 'AG' Power Technologies Pvt. Ltd. and two others imported four consignments of "Parts of Lead Acid Batteries through ACC-Import, NCH, New Delhi. The imported goods were correctly classified under CTH 850790 but cleared levying IGST at the rate 18 *per cent* under Sl. Nos. 376AA/ 308B of Schedule III of the notification. Audit noticed that Sl. No. 376AA is applicable for Lithium-ion batteries, while Sl.No.308B covers 'parts suitable for use with power driven pumps primarily designed for handling water'. The imported goods are parts of Lead Acid Batteries which attract IGST at the rate 28 *per cent*. Thus, incorrect application of IGST rate resulted in short levy of duty by ₹26.88 lakh.

On being pointed out (January 2023), the Department reported (June 2023) recovery of ₹ 0.63 lakh from two importers (M/s. 'AG' Power technologies Pvt. Ltd.- 2BsE, M/s. 'AH' Aviation Pvt. Ltd.- 1 BE) and issued (May 2023) Pre Notice Consultation letter to one importer. Further progress is awaited (May 2025).

Incorrect application of exemption notifications

4.5.5 Short Levy of BCD on import of 'DC Motors for automotive use' due to incorrect grant of notification benefit

'DC Motors for automotive use' are classified under CTH-8501 and attract BCD at the rate of 15 *per cent*. However, concessional BCD rate of 10 *per cent* was leviable on DC Motors other than suitable for use in motor vehicles (Notification No. 50/2017-Customs, Serial No. 485A dated 30 June 2017).

M/s. 'AI' India Ltd. and five others imported (November 2020 to July 2022) 64 consignments of 'Motors for Automobiles' through ICD Patparganj. The imported goods were classified under CTH-85011011/85011012/85011013/ 85011019/ 85013119/ 85015290 as 'DC motors for various automotive uses' and cleared levying concessional BCD at the concessional rate of 10 *per cent* under aforesaid Notification.

Audit scrutiny revealed that the imported goods being 'DC motors for use in automobiles' classified under CTH-8702/8703/8704 were not eligible for concessional BCD, rather attract BCD at the rate of 15 *per cent*. Thus, incorrect grant of notification benefit resulted in short levy of duty by ₹ 1.15 crore.

On being pointed out (January 2023), the Department reported (February 2023) recovery of ₹10.77 lakh which included interest from one importer (M/s. 'AJ' Corporation Ltd.).

Reply in respect of remaining five importers is awaited (May 2025).

4.5.6 Short levy of BCD on import of 'Lithium ion Battery pack' due to incorrect grant of notification benefit

'Lithium Ion Battery' is classified under CTH 85076000 and attract BCD at the rate 20 *per cent*. However, concessional BCD rate of 10 *per cent* is applicable on 'Lithium ion Battery pack' classified under CTH 85076000 'other than for use in manufacture of electrically operated vehicle' (Notification No.50/2017-Customs, Sl. No. 528C dated 30 June 2017). Further, 'Battery pack for use in the manufacture of electrically operated vehicle or hybrid vehicle' is leviable to concessional BCD rate of 5 *per cent* subject to fulfilment of condition¹⁸ No.9 of the notification (Sl. No. 528A).

M/s. 'AK' Power India Pvt. Ltd. and M/s. 'AL' Ltd. imported (November to December 2021) three consignments of LI-ION battery for making 'Battery pack of e-Scooter' and 'Lithium battery for electric tractor' through ICD Tughlakabad, New Delhi. The imported items were rightly classified under CTH 85076000 but cleared levying BCD at the concessional rate 10 *per cent* (under Sl. No. 528C of the aforesaid notification).

¹⁸ Condition No. 9- If the importer follows the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules 2017.

Audit scrutiny revealed (March 2022) that the goods 'LI-Ion battery/Battery pack system' were imported for electrically operated vehicles (e-Scooter and electric tractor), hence ineligible for benefit under Sl. No. 528 C of the aforesaid notification. Rather, the imported goods attract BCD at the rate 20 *per cent*.

Moreover, it has been further noticed that the importers have not fulfilled the prescribed condition No. 9 of the notification to be eligible for concessional BCD rate under another serial number 528A of the notification, which covers the imported goods. Thus, incorrect grant of notification benefit to the imported goods resulted in short levy of duty amounting to ₹85.17 lakh.

On being pointed out (March 2022), the Department confirmed (February 2024) a demand of ₹29.82 lakh and also imposed a penalty of ₹2.90 lakh against M/s. 'AK' Power India Pvt. Ltd. and issued (May 2022) a Pre Notice Consultation letter to another importer. Further progress is awaited (May 2025).

4.6 Non-compliance to provisions of Export Promotion Schemes

The Foreign Trade Policy (FTP) provides a framework for increasing exports of goods and services with a focus on improving trade facilitation and ease of doing business. The FTP 2015-2020 has been notified by the Central Government in exercise of powers conferred under Section 5 of the Foreign Trade (Development and Regulation) {FTDR} Act 1992, as amended.

Audit observed non-compliance to provisions of Export Promotion Schemes involving revenue implication of ₹2.89 crore in three cases comprising of 'Excess payment of Duty Drawback on exports', 'Short levy of duty on DTA clearances' and 'Non fulfilment of Export obligation'. Of the three cases reported, the Ministry/ Department accepted all cases and reported recovery of ₹3.32 crore (including interest) up to May 2025. The cases are discussed in the following paragraphs.

4.6.1 Excess payment of Duty Drawback on export of Parts of Automotive Seating System

'Automotive Seating System and its parts' used for motor vehicles are classifiable under Tariff Heading 9401 as 'Seats (other than those of heading 9402) whether or not convertible into beds and parts thereof. As per All Industrial Rates¹⁹ of Duty Drawback w.e.f. 4 February 2020, the prescribed rate of drawback for Serial No.9401B – Seats is 1.3 *per cent*.

M/s. 'AM' Automotive Seat India Pvt. Ltd. and M/s. 'AN' Anantapur Pvt. Ltd. had exported 494 consignments of 'Automotive Seating System/Parts of Automotive Seating System' valued at ₹139.60 / ₹123.35 crore through Chennai Sea Port and Kattupalli Port respectively. The exported goods were mis-classified under Drawback Serial No.870899B as 'Parts and accessories of the motor vehicles of

¹⁹ Notification No.07/2020-Customs (NT) dated 28 January 2020

headings 8701 to 8705 – Others’ and allowed drawback at the rate of 2 *per cent*. This resulted in excess payment of Drawback amounting to ₹1.68 crore (₹92.01 lakh + ₹76.18 lakh).

On this being pointed out (October 2021), the Department reported (August-September 2023) recovery of ₹1.71 crore plus interest of ₹74.16 lakh from the exporters.

4.6.2 Short levy of duty on DTA clearances of ‘Spent Catalyst containing precious metal’

As per Section 30 of the SEZ Act 2005 any goods removed from a Special Economic Zone to the Domestic Tariff Area (DTA) shall be chargeable to duties of Customs including Anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported. Further, the rate of duty and tariff valuation, if any, applicable to goods removed from a Special Economic Zone shall be at the rate and tariff valuation in force as on the date of such removal and where such date is not ascertainable, on the date of payment of duty. “Waste and scrap of precious metal or of metal clad or precious metal compounds, of a kind used principally for the metal” is classified under CTH 7112 and attract BCD at the rate of 12.5 *per cent*. However, ‘spent catalyst or ash containing precious metals’ classified under CTH 7112 attracts BCD at concessional rate of 9.17 *per cent*, under Notification No.50/2017-Customs, Sl. No. 364 A dated 30 June 2017, subject to fulfilment of the prescribed conditions 9 and 106 of the notification.

As per condition No. 9 of the notification, the importer has to follow the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty - IGCR) Rules, 2017.

Further, Rule (5) of the IGCR Rules, 2017, prescribes that the importer who intends to avail the benefit of an exemption notification should inform the Customs Authorities at the Custom Station of importation.

Additionally, as per condition No. 106 of the Notification, the importer at the time and place of clearance:

- (i)** has to give an undertaking to the Customs, regarding percentage of precious metals contained in spent catalyst or ash containing precious metal being imported and to the effect that the said goods are imported for recovery of precious metals
- (ii)** Produces a certificate from the Ministry of Environment, Forest and Climate Change before the Customs authorities, permitting import of spent catalyst or ash containing precious metal for recovery or recycling purposes.

M/s. ‘AO’ Aromatics Production India Pvt. Ltd. under Dahej SEZ (Ahmedabad Customs Commissionerate) cleared (10 March 2021) in DTA ‘Spent catalyst (CAT

TBRET PD LINDLAR FG)' valued at ₹17.40 crore. The goods were classified under CTH 71129990 and cleared levying concessional BCD at the rate of 9.17 *per cent* after allowing the benefit of Sl. No. 364A of the aforesaid notification.

It was noticed that the requisite documents/declarations required for DTA clearance of goods at concessional rate of duty under the aforesaid notification (condition 6 and 109) were not submitted. Accordingly, these clearance merit levy of BCD at the rate of 12.5 *per cent* instead of 9.17 *per cent* rate applied. This resulted in short levy of duty to the tune of ₹65.65 lakh.

On this being pointed out (March 2022), the Department reported (August 2022/ February 2023) recovery of ₹65.65 lakh plus interest of ₹12.62 lakh.

4.6.3 Non fulfilment of Export obligation by an Export Oriented Unit (EOU)

Para 6.06 (c) (ii) of Hand Book of Procedures (HBP), 2015-20 prescribes that the tea imported by EOU units shall be utilized within a period of six months from date of import for fulfilment of Export obligation (EO). The EO shall be fulfilled within a period of 90 days from the date of import.

During 2018-19, M/s. 'AP' Group Ltd. (an EOU under Falta SEZ, Kolkata) had imported a total of 32,032 Kilograms of Ceylon tea for producing export product (instant tea). Out of total imports, only 24,016 kilograms was utilized for manufacture of export product and balance one consignment (8,016 Kg) of Ceylon tea (imported in April 2018) remained unutilised even after expiry of prescribed six months' period. The duty foregone on unused consignment of 8,016 kg of imported tea was ₹26.77 lakh.

Apart from aforesaid unused 8,016 kg of imported tea, out of total used 24,016 kg of tea, another consignment of 8,016 kg tea (imported in March 2018) was used for manufacturing 2,500 kg of export product (instant tea). Audit noticed, that the manufactured product (2,500 kg instant tea) was not exported even after the expiry of one year i.e. till the end of year 2019-20. This was in violation of the provisions of para 6.06 (c) (ii) of HBP which stipulates that export obligation be fulfilled within a period of 90 days from the date of import. The duty foregone on the unfulfilled EO was ₹28.33 lakh. Thus, non-fulfilment of EO involved duty foregone aggregating ₹55.10 lakh (₹26.77 lakh + ₹28.33 lakh) which was recoverable.

On being pointed out (January 2021), the Department reported (June 2022) recovery of ₹82.34 lakh which included interest.

4.7 Other irregularities

As per Section 9A of the Customs Tariff Act, 1975, where any article is exported from any country to India at less than its normal value, then upon the import of such article into India, the Central Government may, by a notification, impose an Anti-Dumping Duty (ADD). Accordingly, ADD was imposed on commodities like,

‘Polyvinyl Chloride (PVC) (suspension grade)’, ‘Polyurethane Leather which includes any kind of textile coated’, ‘Copper Tubes and Pipes’, Hydrogen Peroxide’, ‘Flexible Slabstock Polyol’, DVD-R, ‘Aluminium foil having thickness of 80 micron and below’, when these were imported from specified countries.

Audit noticed ‘Non/short levy of Anti-Dumping Duty (ADD) on imports made through four Commissionerates²⁰ in six cases involving revenue of ₹1.38 crore. The Ministry/Department accepted observations in all six cases and reported recovery of ₹0.95 crore in five cases. Out of six cases reported, two cases involving revenue of ₹0.78 crore are discussed in the succeeding paragraphs and remaining four cases are listed in **Annexure 40**.

4.7.1 Non-levy of Anti Dumping Duty on import of Poly Vinyl Chloride (PVC)

Import of Homopolymer of Vinyl Chloride Monomer (PVC) (suspension grade), classifiable under Customs Tariff Heading (CTH) 3904, originating in or exported from China PR, attract anti-dumping duty at prescribed rates (Notification No. 32/2019-Customs (ADD) dated 10 August, 2019.

M/s. ‘AQ’ Industries Pvt Ltd, Kolkata and one other²¹ imported (April/ December 2021) two consignments of ‘PVC Resin Grade SG5’ from China through Kolkata Sea Port. The imports were classified under CTH 3094 but cleared without imposition of anti-dumping duty. This had resulted in non- levy of duty amounting to ₹41.21 lakh.

On being pointed out (August 2022), the Department reported (December 2022), recovery of entire short levy of ₹41.21 lakh.

4.7.2 Non-levy of Anti-Dumping Duty on import of PU coated fabric’

“Polyurethane Leather which includes any kind of textile coated one sided or both sided with Polyurethane (PU)” classifiable under CTH 5603 94 90 or 5903 20 90 originating in or exported from China attract ADD at the prescribed rate (Customs Notification no. 14/2022 (ADD), dated 20 May 2022).

M/s. ‘AS’ Marketing Pvt. Ltd. and eight others imported (May to December 2022) 10 consignments of “PU coated fabric” from China. The imported goods were classified under CTH 59032090 but cleared without levying prescribed ADD. This resulted in non-levy of ADD duty amounting to ₹36.96 lakh.

On being pointed out (May 2023), the Department reported (December 2023) recovery of ₹ 5.45 lakh which included interest from two importers (M/s. ‘AT’ India PVT Ltd. and M/s. ‘AU’ Exim). Reply in respect of remaining importers is awaited (May 2025).

²⁰ JNCH-Mumbai, ICD-Tughlakabad, Delhi, Kolkata (Sea) and Custom House (AP &SEZ)- Mundra

²¹ M/s. ‘AR’ industries (India) Ltd.

4.7.3 Non-levy of Countervailing Duty (CVD) on import of Copper Tubes

As per Section 9 of the Customs Tariff Act, 1975, Countervailing duty (CVD) is a tariff imposed on imported goods to offset the negative impact of subsidies given by the exporting country. The Central Government may, by a notification, impose CVD on imported goods if a country or territory provides subsidies on their manufacture, production, or export.

Imports of “Copper Tubes and Pipes” classifiable under CTH 74111000, 74112100, 74112200, and 74112900, originating in or exported from Malaysia, Thailand and Vietnam attract CVD at prescribed rates (Notification No. 2/2022-Customs (CVD) dated 28 April 2022).

M/s. ‘AV’ Metals and ten others imported (April to July 2022) 18 consignments of “Copper Tubes” through ICD Tughlakabad, New Delhi. The imported items were correctly classified under CTH 74111000 but cleared without levying the prescribed CVD under aforesaid notification. This resulted in short levy of duty amounting to ₹81.64 lakh.

On being pointed out (November 2022), the Department reported (January 2024) recovery of ₹40.15 lakh including interest from six importers and issuance of Pre Notice Consultation to other five importers. Further progress is awaited (May 2025).

New Delhi
Dated: 08 October 2025


(Smita Gopal)
Principal Director (Indirect Taxes)

Countersigned

New Delhi
Dated: 10 October 2025


(K. Sanjay Murthy)
Comptroller and Auditor General of India

ANNEXURE

Annexure 1

Fact Sheet on Special Economic Zones

As on 1 April 2023

(Refer para 1.9)

Number of Formal approvals (As on 31 March 2023)		424	
Number of notified SEZs (As on 31 March 2023)	376 plus 7 Central Govt. plus 12 State/Pvt. SEZs		
Operational SEZs	275		
Units approved in SEZs (As on 31 March 2023)	5,675		
Investment			
	Investment (As on February 2006)	Incremental Investment	Total Investment (As on 1 April 2023)
Central Government SEZs	₹2,279.20 Cr.	₹21,953.64 Cr.	₹24,232.84 Cr.
State/Pvt. SEZs set up before 2006	₹1,756.73 Cr.	₹11,718.61 Cr.	₹13,474.92 Cr.
SEZs notified under the Act	-	₹6,22,476.18 Cr.	₹6,22,476.18 Cr.
Total	₹4,035.93 Cr.	₹6,56,148.43 Cr.	₹6,60,183.94 Cr.
Employment			
	Employment (As on February 2006)	Incremental Employment	Total Employment (As on 1 April 2023)
Central Government SEZs	1,22,236 persons	71,579 persons	1,93,815 persons
State/Pvt. SEZs set up before 2006	12,468 persons	96,222 persons	1,08,690 persons
SEZs notified under the Act	-	25,93,107 persons	25,93,107 persons
Total	1,34,704 persons	27,60,908 persons	28,95,612 persons
Export performance			
Year	Exports (₹ in crore)		Growth percentage
FY 19	7,01,179		21
FY 20	7,96,669		14
FY 21	7,59,524		(-)5
FY 22	9,90,747		30
FY 23	12,63,578		28

Total Investment (₹ in crore)	FY 19	FY 20	FY 21	FY 22	FY 23
Central Government SEZs	18,677	20,557	21,505	23,113	24,233
State/Pvt. SEZs set up before 2006	13,274	13,534	15,194	14,153	13,475
SEZs notified under the Act	4,75,693	5,37,644	5,80,800	6,12,439	6,22,476
Total	5,07,644	5,71,735	6,17,499	6,49,705	6,60,184
Employment (in person)	FY 19	FY 20	FY 21	FY 22	FY 23
Central Government SEZs	2,28,037	1,97,777	1,87,879	1,95,967	1,93,815
State/Pvt. SEZs set up before 2006	1,03,052	1,09,124	1,06,553	1,09,905	1,08,690
SEZs notified under the Act	17,29,966	19,31,404	20,63,704	23,90,308	25,93,107
Total	20,61,055	22,38,305	23,58,136	26,96,180	28,95,612

Source: Ministry of Commerce & Industry letter no. K-43015(18)/2019-SEZ dated 11.05.2025

Annexure 2

Duty evasion cases detected by DRI (Scheme-wise)

(Refer para 1.13.1)

Sl. No	Scheme	FY 19	FY 20	FY 21	FY 22	FY 23
		No. of cases	No. of cases	No. of cases	No. of cases	No. of cases
		Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)
1	Misuse of End-Use & Other Notification conditions.	60	17	39	46	59
		539.47	117.90	691.29	765.94	200.95
2	Misuse of EPCG	32	77	45	28	25
		72.90	389.42	161.60	113.11	47.42
3	Undervaluation	80	45	34	37	47
		301.01	106.85	201.33	139.32	547.19
4	Mis-declaration	211	179	425	205	201
		791.89	349.45	1,419.30	1,626.02	1,497.20
5	Misuse of Drawback Scheme	21	83	53	47	13
		6.87	257.71	66.64	23.85	18.28
6	Misuse of EOU/EPZ/SEZ	3	2	5	3	4
		4.95	1.57	7.05	4.83	32.75
7	Misuse of DEEC/ Advance licence	178	70	34	26	29
		3433.40	335.73	220.28	434.12	102.10
8	Others	167	288	170	213	204
		1077.70	624.80	720.69	1,497.04	1,810.29
	Total	752	761	805	605	582
		6,228.19	2,183.43	3,488.19	4,604.24	4,256.19

Source: Ministry of Finance letter no. F.No.307/46/2022-(PAC-CUS) dated 07.03.2025 for FY 23

**Annexure 3: Implementation of previous recommendations made under
Performance Audit of MEIS/ SEIS – Audit Report No. 5 of 2020
(Refer Paragraph 3.6)**

No.	Recommendation	Action taken by the MoC/ DGFT	Audit Comments
1	<p>Given the Government's endeavour to shift to e-governance and the vast experience gained by DGFT in automation, it must be ensured that entire system of administration of Foreign Trade Promotion schemes is automated by rolling out fool proof system, duly mapped to Scheme provisions and also leveraging information already available in linked / base systems such as ICES, SEZ online etc., so that it becomes Single Source of Truth.</p>	<p>The MEIS Scheme has been discontinued with effect from 01.01.2021. For issuing scrips for the past period, necessary changes are being made in the new IT system being developed. Similarly, SEIS Scheme was not continued from FY 2020-21 onwards. It was further stated (September 2023) that the system-based approval is now under a robust Risk Management System with a provision of post issue audit. Accordingly, processing of SEIS applications are being done in offline mode.</p>	<p>The automation of system for administration of Foreign Trade Promotion schemes was partially complied for SEIS scheme. Although both the schemes have since been discontinued, but MEIS/ SEIS scrips issued subsequently, related to the claims of past period (MEIS scrips- 3,17,724; SEIS scrips- 14,352) involving duty credit of ₹36,417 crore and ₹9,494 crore respectively issued during FY21 to FY 23 have violations, despite the department assurance of having in place a fool-proof mechanism for approval of scrips</p> <p>These cases are discussed in Paras 3.7.1. to 3.7.3 of this report. Accordingly, recommendation is reiterated.</p>
2	<p>DGFT should review the procedure of granting MEIS/SEIS scrips and lay down appropriate checklist for grant of scrips both electronically and in manual environment.</p>	<p>A regular monitoring of pending SEIS claims was done at HQrs & RA level to expedite processing claims and was considered a better instrument than issuing a comprehensive checklist which could have become a legal challenge for denying SEIS claims.</p> <p>As a new change made in validity period of new scrips issued after 16/09/2021. It was kept as 12 months.</p>	<p>Department reply is not acceptable, rather checklist provide a transparent structured framework for procedures aimed at the applicant and the scrips issuing authority to ensure that all necessary steps in a process are followed, reducing the risk of omissions or errors and improve efficiency.</p> <p>Instances noticed in follow up Audit, are highlighted in the Report.</p> <p>Recommendation is reiterated.</p>
3	<p>Risk Management System (RMS) be strengthened by plugging the loopholes and leakages in the automated system on issuing of scrips. Appropriate policy framework and system alerts need to be put in place making it mandatory for exporters to declare Commission, Insurance</p>	<p>Feedback from RAs indicate that no system-based discrepancy for grant of excess incentives has been noticed and further improvements in the IT module have been done from time-to-time. Revised new instructions in the new online facilitation have been</p>	<p>Copy of the instructions/circular regarding strengthening the RMS by plugging the loopholes and leakages in the automated system on issuing of scrips of MEIS has not been provided to Audit.</p> <p>Despite the DFGT's assurances, persistence failure to curtail the grant of excess incentives</p>

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No.	Recommendation	Action taken by the MoC/ DGFT	Audit Comments
	and Freight (CIF) and for DGFT to check the correctness of self-declaration of exporter/applicant in select cases earmarked by the system.	conveyed to all RAs. The examination of SEIS applications is manual and not automatic.	indicating weaknesses in the system were noticed during the follow-up audit. The cases are highlighted in this Report. Recommendation is reiterated.
4	The audit findings on excess grant of incentives reported in chapter 3 were based on test check done on sampled cases, in view of the prevalent manual verification. There is every likelihood that such errors of omission and commission might exist in many more cases. Department may check all the remaining transactions also on the lines of audit findings reported in Chapter 3.	Department stated (July 2023) that MEIS and SEIS incentives were granted based on computations which were done in an online IT Module.	The department checked only those licenses which were interjected by the RMS module but failed to check the remaining transactions on the lines of audit findings reported in chapter 3 of the Audit Report.
5	To prevent scope of misclassification of power loom products under Handloom category, the distinction between power loom and handloom process may be clearly specified.	Tariff Unit of the Department of Revenue furnished the list of HS codes pertaining to the handloom sector created and presently existing in the Tariff.	Audit has no further comments. Nevertheless, instances of misclassification were noticed wherein higher rates were claimed/granted for export of power loom manufactured goods as brought out in Para 3.7.2 of this report.
6	To avoid ambiguity and to bring in more clarity on eligible services, DGFT may consider insisting for CA certificate on exact classification of service with Central Product Classification (CPC) code and the Mode under which it falls, rather than simply stating the serial number of the list of eligible service. Suitable clarity regarding the codes and the modes available for scheme benefits and penal provisions on the shortcomings found in applicant's declarations and CA certificates may be brought in the system. Responsibility of CAs must also be clearly defined and failure on their part be reported to appropriate authority.	Applications are processed by the RAs and they being licensing Authorities have necessary powers under the FT (D&R) Act. In cases of mis-declaration, necessary action as mandated in law may be taken by the RAs, wherever required. Further, regarding penalizing CAs for mis-declaration, no instructions need to be given by the DGFT HQrs for taking action in such scenario. The RAs, in their discretion keeping in mind the offence/offender and the gravity of the case are independent authorities to pursue penal actions, wherever deemed fit as per the legal framework envisaged for	In the absence of any instructions, despite the Ministry's assurance that the RAs are empowered to act upon mis-declaration by the exporter, instances have been noticed where duty credit scrips were issued based on mis-declaration by the applicant/CA. These instances are highlighted in Paras 3.7.2 of this Report.

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No.	Recommendation	Action taken by the MoC/ DGFT	Audit Comments
		carrying out their responsibilities.	
8	DGFT may issue clear instructions to RAs about basic checks required before issuing SEIS scrip. Invoking penal provisions may be made mandatory on shortcomings found in applicant's declarations and CA certificates.	DGFT, while accepting, stated (March 2020) that Aayat Niryat Form (ANF) 3B, would be modified to add an entry wherein the CA would be able to certify that the services claimed under SEIS would fall under Mode 1 and Mode 2 specifically for each category of service claimed. Further, it was stated that the SEIS has been discontinued.	Audit could not ascertain whether the recommendation is implemented or not as no reply has been furnished to provide modified ANF 3B. Instances have been noticed where the duty credit scrip was issued based on mis-declaration by the applicant/CA which are highlighted in this Report.
9	DGFT may devise mechanism in respect of port services so that the intention of granting rewards to actual service providers are protected against claims of aggregator of services and the conditions of exemption in Customs Notification may be drawn in sync with the provisions of the SEIS scheme.	Department of Legal Affairs has given the opinion that notification amendment will only have a prospective effect. As the SEIS had already ended in the year 2020, a prospective amendment at this stage in 2023 will not serve any purpose.	Audit agreed that a prospective amendment will not serve any purpose. However, fact remains that the ambiguity in the notification still exists. Instances of irregular duty credit availed by the Service providers of Port Services have been noticed where charges like Royalty, Terminal Handling charges were allowed, which are highlighted in this report.
10	The classification of services by various agencies (DGFT, Reserve Bank of India (RBI), Customs etc.) needs to be aligned to the Central Product Classification (CPC) code of United Nations Statistics Division (UNSD) to avoid any misuse of incentives which is based on CPC codes.	The Department stated (June 2023) that the SEIS was since discontinued w.e.f 01.04.2020.	Instances involving misuse of incentive under SEIS by classifying the services under different CPC codes for DGFT and Banks have been noticed and highlighted in this Report. Audit recommendation is reiterated.
11	A mechanism must be put in place to ensure that Jurisdictional Development Commissioners verify the validity of classification of service being reported by the service providers to different authorities (DGFT, RBI, Customs etc.) for the same exports.	SEIS has been discontinued w.e.f. 01.04.2020 and no new scheme for services exports has been notified in the FTP 2023.	Audit's recommendation was with reference to develop a mechanism to ensure uniformity in classification reported to various agencies which may serve as road map for monitoring of export incentives for any upcoming arrangements. Instances of irregular duty credit availed by the service provider due to non-adoption jurisdictional discipline is highlighted under

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No.	Recommendation	Action taken by the MoC/ DGFT	Audit Comments
			<p>Paras 3.7.2 and 3.7.3 of this report.</p> <p>Audit recommendation is reiterated.</p>
12	<p>RAs should insist for SOFTEX forms, which was a mandatory declaration under Foreign Exchange Management (Export of Goods and Services) Regulations 2000 for supply of services through data links, in cases where the services were classified/ declared under Mode-1 category.</p>	<p>SEIS has been discontinued w.e.f. 01.04.2020 and no new scheme for services exports has been notified in the FTP 2023.</p>	<p>The reply is not acceptable as SOFTEX form is already a mandatory requirement under FEMA for Mode 1 type of services rendered through data link. So as to ensure that all software exports are accounted for and that the foreign exchange inflows are tracked and regulated.</p> <p>Instances are noticed and commented in this report against Para 3.7.3, wherein SEIS benefits were irregularly claimed for ineligible services.</p>
13	<p>For ease of doing business, it was recommended that the DGFT may consider an inbuilt system for grievance redressal. The analysis of the same can be used as feedback mechanism for improving the scheme. Monitoring of the schemes on such Parameters viz. time taken to process claims, RMS scrutiny etc. could be done to assess the performance of RAs in implementing the scheme.</p>	<p>A monitoring system is already in place in the new IT system through the Back Office portal for both MEIS/SEIS scheme, where information regarding the approved/rejected/pending application under both the schemes are captured.</p>	<p>Efficacy of the new IT system will be examined during IT audit of DGFT EDI system.</p> <p>However, Audit noticed several instances wherein non-implementation of system based validation checks in the modules and lack of proper monitoring by the RAs led to excess duty credit under MEIS and SEIS which are highlighted under Paras 3.7.1 to 3.7.3 of this report.</p>
14	<p>DGFT may consider commissioning a mid-term evaluation study of the achievements of any such schemes introduced vis-à-vis the main objectives of the scheme.</p>	<p>Both the Schemes (MEIS/SEIS) have been discontinued, therefore a mid-term evaluation study may not be desirable. However, the suggestion of Audit has been noted and provision of Mid-Term evaluation of new Schemes will be suitably incorporated.</p>	<p>Department reply is not tenable as mid-term or periodic evaluation of any scheme is paramount to understand the outlays and outcomes of a scheme and to take midcourse corrective actions in case of deficiencies.</p>

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Annexure 4: Delay in issue of MEIS scrips		
Refer Paragraph 3.7.1 (A)		
Sl. No.	Name of RA/SEZ	No. of cases
1	Bengaluru	216
2	Pune	116
3	SEEPZ - Mumbai	40
4	Mumbai	124
5	Delhi	119
6	Visakhapatnam	15
7	Ahmedabad	63
8	Hyderabad	155
9	KASEZ Kandla	46
10	Vadodara	95
11	DC-VSEZ	49
12	Ludhiana	49
13	Coimbatore	19
14	Jaipur	36
15	Panipat	50
16	Chennai	92
17	MEPZ-Chennai	48
18	Varanasi	29
19	CSEZ-Kochi	32
20	Indore	28
21	Kolkata	48
22	Kanpur	38
23	Noida SEZ	13
24	Guwahati	99
25	Kochi	20
26	Falta SEZ	15
27	Bhopal	2
	Total	1656

Annexure 5 : Delay in issue of SEIS scrips		
Refer Paragraph 3.7.1 (B)		
Sl. No.	Name of RA/SEZ	No. of Cases
1	Jaipur	19
2	Mumbai	19
3	Bengaluru	20
4	Visakhapatnam	46
5	Ludhiana	22
6	Indore	8
7	Hyderabad	24
8	Delhi	50
9	Pune	17
10	Ahmedabad	14
11	Panipat	4
12	Kandla	4
13	Vadodara	16
14	SEEPZ - Mumbai	10

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Annexure 5 : Delay in issue of SEIS scrips		
Refer Paragraph 3.7.1 (B)		
Sl. No.	Name of RA/SEZ	No. of Cases
15	MEPZ-Chennai	18
16	Coimbatore	12
17	Chennai	18
18	VSEZ	13
19	DC, Falta SEZ	2
20	Varanasi	2
21	Guwahati	1
22	Kolkata	18
	Total	357

Annexure 6 : MEIS Scrips issued to firms in the Denied Entity List			
Refer Paragraph 3.7.1 (C)			
Sl. No.	Name of RA/SEZ	No. of cases	Duty credit (₹ in lakh)
1	Ahmedabad	84	3221.84
2	Bengaluru	31	270.00
3	Coimbatore	8	75.65
4	Hyderabad	25	726.57
5	KANPUR	25	748.93
6	Ludhiana	59	1071.49
7	Mumbai	16	893.21
8	New Delhi	23	363.01
9	Panipat	1	29.64
10	Pune	22	316.82
11	Vadodara	57	511.30
12	Visakhapatnam	12	57.07
13	DC SEEPZ Mumbai	7	392.09
14	KASEZ Kandla	3	38.13
15	MEPZ-Chennai	5	64.37
16	VSEZ- Visakhapatnam	10	343.28
	Total	388	9123.39

Annexure 7: MEIS scrips issued to Penalised IEC holders			
<i>Refer Paragraph 3.7.1 (D)</i>			
Sl. No.	RA Name	No. of cases	Scrip Value (₹in lakh)
1	Coimbatore	9	69.32
2	Ludhiana	10	41.92
3	Panipat	14	77.97
4	Mumbai	1	5.22
5	Pune	4	34.82
	Total	38	229.24

Annexure 8: SEIS scrips issued to Penalised IEC holders			
<i>Refer Paragraph 3.7.1 (D)</i>			
Sl. No.	RA Name	No. of cases	Scrip Value (₹in lakh)
1	Mumbai	3	30.00

Annexure 9: Discrepancies between MEIS scrip value and actual entitlement as per shipping bills			
<i>Refer Paragraph 3.7.1 (E)</i>			
Sl. No.	Name of the RA/SEZ	No. of cases	Excess scrip value (₹ in lakh)
1	Ahmedabad	2	0.28
2	CSEZ-Kochi	1	0.56
3	Delhi	1	1.04
4	Falta SEZ	1	0.07
5	Hyderabad	3	30.59
6	KASEZ Kandla	3	0.24
7	Mumbai	1	0.25
8	Pune	1	0.09
	Total	13	33.12

Annexure 10: Mismatch in the name of scrip holder vis-a-vis as in the Importer Exporter Code			
<i>Refer Paragraph 3.7.1 (F)</i>			
Sl. No.	Name of R/SEZ	No. of cases	Duty Credit (₹ in lakh)
1	Bengaluru	21	365.80
2	Delhi	9	167.44
3	KASEZ Kandla	12	183.21
4	Kolkata	13	529.37
5	Panipat	28	NA
6	Vadodara	7	31.10
	Total	90	1,276.92

Annexure 11: Utilisation of same shipping bill in two active license and in two separate files									
Refer Paragraph 3.7.1 (G)									
Sl. No.	Name of the RA/SEZ	Scenario 1				Scenario 2			
		No. of files	No. of Scrips	No. of SBs	Reward amount (₹ in lakh)	No. of files	No. of Scrips	No. of SBs	Reward amount (₹ in lakh)
1	Bengaluru	9	7	74	39.81	10	8	74	39.81
2	Indore	1	1	10	4.83	1	1	10	4.46
3	Mumbai	5	6	38	27.07	5	6	38	34.50
Sl. No.	Name of the RA/SEZ	Scenario 1				Scenario 2			
		No. of files	No. of Scrips	No. of SBs	Reward amount (₹ in lakh)	No. of files	No. of Scrips	No. of SBs	Reward amount (₹ in lakh)
4	Pune	5	5	52	27.32	10	10	52	26.57
5	DC SEEPZ Mumbai	1	1	14	4.51	1	1	14	12.44
	Total	21	20	188	103.53	27	26	188	117.78

Annexure 12 : SB found in Both schemes i.e. MEIS and RoSCTL					
Refer Paragraph 3.7.1 (H)					
SL. No.	Name of the RA/SEZ	No. of IEC holder	No. of scrips	No. of SBs	Scrip amount (₹ in lakh)
1	Ahmedabad	1	37	626	410.37
2	Bengaluru	6	79	2291	539.20
3	Bhopal	1	3	5	4.44
4	Chennai	4	35	730	391.66
5	Coimbatore	61	102	1,055	449.16
6	Delhi	56	145	1,936	893.41
7	Falta SEZ	1	1	2	2.78
8	Hyderabad	1	3	54	42.53
9	Indore	1	2	89	21.51
10	Jaipur	40	45	208	746.60
11	KANPUR	7	38	284	119.23
12	Kolkata	5	36	188	110.34
13	Ludhiana	14	31	282	170.68
14	Mumbai	20	23	329	300.37
15	Panipat	23	47	252	162.83
16	Pune	5	5	14	13.51
17	Vadodara	4	4	8	2.26
18	Varanasi	6	10	8	8.50
19	Visakhapatnam	5	10	40	40.72
	Total	261	656	8,401	4,430.11

Annexure 13: Shipping bills used in MEIS instead of RoSCTL Schemes					
<i>Refer Paragraph 3.7.1 (H)</i>					
Sl. No.	Name of the RA/SEZ	No. of IEC holder	No. of scrips	No. of SBs	Scrip amount (₹ in lakh)
1	MEPZ-SEZ Chennai	12	30	407	476.88
2	Indore	2	37	304	346.89
3	BHOPAL	4	8	35	17.57
4	SEZ, Indore	4	13	137	154.70
	Total	22	88	883	996.04

Annexure 14: Incorrect levy of late Cut (MEIS)								
<i>Refer Paragraph 3.7.1 (I)</i>								
Sl. No.	Name of RA/SEZ	No. of application	No. of scrips	No. of SBs	Zero per cent levied instead of 2/5/10 per cent	two per cent levied instead of 5/10 per cent	five per cent levied instead of 10 per cent	Excess reward (₹ in lakh)
1	Ahmedabad	3	3	11	4	7	0	0.12
2	Bengaluru	8	8	25	11	11	3	3.32
3	Bhopal	45	45	324	274	47	3	19.08
4	Chennai	180	180	614	520	13	81	11.71
5	DC SEEPZ Mumbai	2	2	51	48	3	0	0.68
6	Falta SEZ	9	9	378	378	0	0	1.29
7	Indore	28	29	207	166	30	11	14.41
8	KASEZ Kandla	2	2	2	2	0	0	0.03
9	MEPZ Chennai	3	3	31	15	15	1	1.21
10	Mumbai	8	8	25	17	7	1	5.65
11	NSEZ Noida	55	6	176	176	0	0	2.67
12	Pune	4	4	10	4	0	6	0.10
13	SEZ, Indore	2	2	57	57	0	0	12.40
14	Vadodara	4	4	22	14	1	7	0.18
15	Varanasi	55	55	349	328	1	20	8.17
16	Visakhapatnam	62	62	523	493	26	4	36.18
17	VSEZ Visakhapatnam	7	7	41	41	0	0	3.71
	Total	477	429	2,846	2,548	161	137	120.91

Annexure 15: SEIS scrips issued due to incorrect levy of Late cut					
<i>Refer Paragraph 3.7.1 (I)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of Scrip	No. of IEC holder	Excess scrip amount (₹ in lakh)
1	Ahmedabad	1	60	1	239.26
2	Jaipur	1	1	1	1.04
3	Bengaluru	1	3	1	0.45
4	Ludhiana	1	1	1	0.12
5	Delhi	1	1	1	1.42
6	Kolkata	2	38	2	149.46
7	Pune	1	1	1	1.73
8	Mumbai	1	1	1	0.65
	Total	9	106	9	394.12

Annexure 16: Time barred shipping bills				
<i>Refer Paragraph 3.7.1 (J)</i>				
Sl. No.	Name of the RA/SEZ	No. of scrips	No. of SBs	Scrip value (₹ in lakh)
1	Ahmedabad	2	6	0.37
2	Bhopal	5	16	35.47
3	Chennai	33	140	479.23
4	Coimbatore	2	65	21.94
5	CSEZ	1	1	2.15
6	DC SEEPZ Mumbai	3	88	33.09
7	Delhi	14	53	41.98
8	Hyderabad	6	40	7.95
9	Indore	3	5	3.80
10	Jaipur	3	3	111.40
11	KANPUR	19	58	38.92
12	Kolkata	5	63	28.85
13	NSEZ NOIDA	2	24	6.23
14	Pune	2	26	25.46
15	SEZ Indore	5	25	79.08
16	Vadodara	2	33	93.43
17	Varanasi	4	4	7.28
18	Visakhapatnam	4	6	17.49
	Total	115	656	1,034.10

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Annexure 17: Scrips issued for the export proceeds received in INR				
<i>Refer Paragraph 3.7.2 (A)</i>				
Sl. No.	Name of the RA	No. of scrips	No. of SBs	Scrip credit value (₹ in lakh)
1	Kolkata	2	9	1.89
2	Pune	1	1	13.29
3	Bengaluru	5	17	2.79
	Total	8	27	17.97

Annexure 18: Grant of MEIS scrip to ineligible export categories/sectors						
<i>Refer Paragraph 3.7.2 (B)</i>						
Sl. No.	Name of RA/SEZ	No. of IEC holder	No. of SBs	No. of Scrips	Ineligible items	Value of scrips (₹ in lakh)
1	CSEZ-Kochi	1	14	5	Marigold meal in pellet	116.67
2	Chennai	10	192	61	Indian Mackerels	52.83
3	Chennai	22	72	27	Onion	32.63
4	Chennai	15	237	24	DGFT PN No.12/2015-20 dated 10-07-2020 and PN 17/2015-20 dated 22 -09-2020	23.30
5	Chennai	7	24	12	Milk Products	12.54
6	Coimbatore	2	30	3	Milk products	5.12
	Total	57	569	132	Total	243.09

Annexure 19: Excess grant of MEIS reward due to misclassification				
<i>Refer Paragraph 3.7.2 (C)</i>				
Sl. No.	Name of RA/SEZ	No. of application	No. of Scrips	Excess amount (₹ in lakh)
1	Ahmedabad	10	10	3.29
2	Chennai	13	13	37.29
3	Coimbatore	82	80	99.56
4	CSEZ- Kochi	23	23	210.55
5	Delhi	6	6	0.43
6	Kochi	36	36	15.28
7	Ludhiana	1	1	0.47
8	Mumbai	3	3	10.19
9	Pune	2	2	17.37
10	Vadodara	5	4	14.76
	Total	181	178	409.19

Annexure 20: Incorrect application of higher MEIS incentive rates				
<i>Refer Paragraph 3.7.2 (D)</i>				
Sl. No.	Name of RA/SEZ	No. of application	No. of Scrips	Excess amount (₹ in lakh)
1	Ahmedabad	1	1	1.36
2	Jaipur	5	5	0.01
3	KANPUR	32	32	176.64
4	Kochi	19	19	1.83
5	Ludhiana	35	36	205.71
6	Mumbai	13	13	2,524.06
7	NSEZ Noida	1	1	18.53
8	Panipat	50	50	169.14
9	Pune	1	1	8.41
10	Varanasi	25	26	8.93
11	Vadodara	3	3	13.32
	Total	185	187	3,127.94

Annexure 21: Issue of MEIS scrip by non-Jurisdictional authorities				
<i>Refer Paragraph 3.7.2 (E)</i>				
Sl. No.	Name of the RA/SEZ	No. of applications	No. of scrips	Scrip amount (₹ in lakh)
1	Bengaluru	55	55	793.46
2	Visakhapatnam	71	71	1,626.58
3	Hyderabad	144	144	2,561.82
4	Kanpur	5	5	24.70
5	Varanasi	22	22	382.35
6	NSEZ-Noida	46	46	808.55
	Total	343	343	6,197.46

Annexure 22: SEZ units issued MEIS scripts outside the jurisdiction				
<i>Refer Paragraph 3.7.2 (F)</i>				
Sl. No.	Name of RA/SEZ	No. of Application	No. of Scrips	Reward amount (₹ in lakh)
1	Jaipur	20	20	922.94
2	Bengaluru	41	41	1,008.66
3	Chennai	66	66	305.63
4	MEPZ-Chennai	4	4	84.22
5	Ludhiana	1	1	8.32
6	Delhi	38	38	541.54
7	NSEZ NOIDA	40	40	356.96
	Total	210	210	3,228.27

Annexure 23: RMS Cases					
<i>Refer Paragraph 3.7.2 (G)</i>					
Sl. No.	Name of the RA/SEZ	No. of applications	No. of scrips	No. of IEC holders	Entitlement amount (₹ in lakh)
1	Chennai	10	10	8	1,370.69
2	Coimbatore	22	22	20	785.42
3	MEPZ CHENNAI	2	2	2	7.47
4	Bengaluru	34	34	17	1,373.55
5	ADGFT-Kolkata	23	23		121.24
6	JDGFT-Guwahati				
7	DC-Falta SEZ				
	Total	91	91	47	3,658.38

Annexure 24: SEIS licence incorrectly granted to the services not specified in appendix- 3D					
<i>Refer Paragraph 3.7.3 (A)</i>					
Sl. No.	Name of the RA/SEZ	No. of applications	No. of Scrips	No. of IEC holder	Excess amount (₹ in lakh)
1	CSEZ	12	58	4	13,765.67
2	KOCHI	1	1	1	0.73
3	Kolkata	2	2	1	41.16
4	Pune	3	124	2	7,576.15
5	Mumbai	9	105	7	4,500.15
6	Delhi	4	4	3	99.84
	Total	31	294	18	25,983.69

Annexure 25: SEIS License incorrectly issued to services falling under Mode-3/Mode -4					
<i>Refer Paragraph 3.7.3 (B)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of Scrips	No. of IEC holders	Ineligible amount (₹ in lakh)
1	Ahmedabad	2	2	2	662.66
2	Vadodara	6	6	3	32.55
3	Bengaluru	2	2	2	201.22
4	Ludhiana	1	1	1	0.25
5	Panipat	1	1	1	1.87
6	Chennai	3	3	1	66.35
7	Coimbatore	5	5	3	211.88
	Total	20	20	13	1,176.78

Annexure 26: Incorrect grant of incentives to Information Technology/ Information Technology Enabled Services (IT/ITES) <i>Refer Paragraph 3.7.3 (C)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of Scrips	No. of IEC holder	Scrip amount (₹ in lakh)
1	Ahmedabad	1	2	1	7.39
2	Jaipur	3	3	1	30.47
3	CSEZ	8	8	4	1,743.23
4	DC, Falta SEZ	2	2	1	758.46
	Total	14	15	7	2,539.55

Annexure 27: SEIS licence issued to ineligible services on account of misclassification <i>Refer Paragraph 3.7.3 (D)</i>					
Sl. No.	Name of the RA/SEZ	No. of Application	No. of Scrips	No. of IEC holder	Excess reward (₹ in lakh)
1	Ahmedabad	7	7	5	578.63
2	Chennai	1	12	1	11.00
3	Coimbatore	6	8	3	63.01
4	CSEZ	3	3	2	642.38
5	DC VSEZ	1	1	1	1.11
6	Hyderabad	4	4	4	936.44
7	JDGFT KOCHI	1	1	1	39.67
8	Kandla FT	5	4	3	2,598.06
	Total	28	40	20	4,870.31

Annexure 28: SEIS claims against incorrect self-declarations and CA certificate <i>Refer Paragraph 3.7.3 (E)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of scrips	No. of IEC holder	Excess amount (₹ in lakh)
1	Kandla SEZ	1	1	1	260.13
2	Jaipur	5	5	4	2.73
3	Bengaluru	2	2	2	24.11
4	Coimbatore	1	1	1	46.02
	Total	9	9	8	332.99

Annexure 29: SEIS scrips issued without RCMC/active IEC					
<i>Refer Paragraph 3.7.3 (F)</i>					
Sl. No.	Name of the RA	No. of application	No. of scrips	No. of IEC holder	Reward amount (₹ in lakh)
1	Bengaluru	3	3	2	767.01
2	Ludhiana	3	3	2	124.21
3	Pune	7	7	7	1,548.07
4	Mumbai	3	3	3	510.13
	Total	16	16	14	2,949.41

Annexure 30: SEIS scrips issued for exports prior to notification of the Scheme				
<i>Refer Paragraph 3.7.3 (G)</i>				
Sl. No.	Name of RA	No. of IEC holder	No. of applications	Excess entitlement (₹ in lakh)
1	Chennai	2	3	21.83
2	Mumbai	1	1	9.98
	Total	3	4	31.81

Annexure 31: SEIS scrips for services rendered in a different financial year					
<i>Refer Paragraph 3.7.3 (G)</i>					
Sl. No.	Name of RA	No. of IEC holder	No. of Scrips	Year of services	Excess amount (₹ in lakh)
1	Ahmedabad	5	5	2017-18, 2018-19	101.31

Annexure 32: Excess SEIS duty credit due to incorrect remittances					
<i>Refer Paragraph 3.7.3 (H)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of scrips	No. of IEC holder	Excess amount (₹ in lakh)
1	BENGALURU	2	2	2	5.09
2	DC, MEPZ	1	1	1	128.13
3	Coimbatore	2	2	1	9.93
4	Kolkata	4	9	2	302.47
	Total	9	14	6	445.62

Annexure 33: Excess grant of SEIS scrips due to incorrect computation of Net Foreign Exchange					
<i>Refer Paragraph 3.7.3 (I)</i>					
Sl. No.	Name of the RA/SEZ	No. of application	No. of scrips	No. of IEC holder	Excess amount (₹ in lakh)
1	Bengaluru	6	23	4	96.08
2	KOCHI	5	5	5	105.40
3	Delhi	6	52	6	24.29
4	VSEZ Hyderabad	1	1	2	3.64
5	Kolkata	1	1	1	9.16
6	Guwahati	1	1	1	9.11
7	Mumbai	5	70	4	874.89
8	SEEPZ Mumbai	2	12	2	16.54
	Total	27	165	25	1,139.12

Annexure 34: Excess SEIS duty credit due to incorrect adoption of exchange rate					
<i>Refer Paragraph 3.7.3 (J)</i>					
Sl. No.	Name of RA	No. of application	No. of Scrips	No. of IEC holder	Excess amount (₹ in Lakh)
1	Kolkata	1	1	1	11.65

Annexure 35: Excess issue of scrip due to non-exclusion of Government taxes					
<i>Refer Paragraph 3.7.3 (K)</i>					
Sl. No.	Name of the RA	No. of IEC holder	No. of application	No. of scrips	Excess scrip credit (₹ in lakh)
1	Ahmedabad	1	1	1	2.77
2	Bengaluru	1	1	1	2.04
3	Kolkata	1	2	2	0.22
4	Pune	1	1	1	0.42
	Total	4	5	5	5.45

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Annexure 36: Non maintenance of jurisdiction discipline				
<i>Refer Paragraph 3.7.3 (L)</i>				
Sl. NO.	Name of RA/SEZ	No. of Application	No. of Scrips	Reward amount (in lakh)
1	SEEPZ Mumbai	1	1	1,100.70

Annexure 37: Misclassification of imports							
<i>Refer Paragraph 4.4</i>							
Sl. No.	DAP No.	Subject	Amount Objected	Amount Accepted	Amount Recovered	Commissionerate	Commodity
			(₹ in lakh)				
1	7	Short levy of duty due to grant misclassification	11.09	11.09	12.60	ICD-Tughlakabad-Import, New Delhi	Olive Pomace Oil
2	14	Short levy of duty on High Speed Diesel	10.29	10.29	10.82	Custom House, Port Blair	High Speed diesel oil (HSD)
3	31	Short levy of duty due to misclassification	10.31	10.31	Nil	ICD Khodiyar, Ahmedabad	Chlorinated polyvinyl chloride Compound
4	32	Short levy of BCD due to misclassification	14.11	14.11	8.65	ACC Import, New Delhi	Other Static Convertors
5	34	Short levy of duty due to misclassification	28.79	28.79	Nil	ICD Tughlakabad, New Delhi	PVC wall panels/WPC panels
6	35	Short/Non levy of duty due to misclassification	14.76	14.76	17.51	ICD Patparganj, New Delhi	Flow controller, Flow regulator
7	38	Short levy of duty due to misclassification	14.57	8.08	1.58	ACC Import, New Delhi	Other fabrics of synthetic fibres/artificial fibres
8	40	Short levy of duty due to misclassification	12.17	12.17	Nil	ICD Tughlakabad, New Delhi	Dryers for food processing machines
9	47	Short levy of duty due to misclassification	15.06	12.67	0.19	ICD Tughlakabad, New Delhi	Pumice stone brushes
Total			131.15	122.27	51.35		

Annexure 38: Incorrect application of IGST notification							
<i>Refer Paragraph 4.5</i>							
Sl. No.	DAP No.	Subject	Amount Objected	Amount Accepted	Amount Recovered	Commissionerate	Commodity
			(₹ in lakh)				
1	6	Non-levy of IGST on re-imported goods	15.84	15.84	18.76	Cochin (Sea)	Turmeric Oleoresin
2	8	Short levy of IGST	13.56	13.56	16.68	ICD Tughlakabad, New Delhi	Battery Separators
3	12	Short levy of duty due to incorrect application of IGST rate	23.06	20.49	24.48	ACC Import, New Delhi	Batteries other than Lithium ion battery
4	15	Short levy of IGST due to incorrect application of rate	19.44	19.44	Nil	JNCH, Mumbai	Fabric disinfectants
5	17	Short levy of IGST due to incorrect application of IGST rate	10.32	10.32	10.96	ICD Talegaon, Pune	Parts and accessories of Motor Vehicles
6	22	Non-levy of IGST	12.57	12.57	14.30	ICD Tughlakabad, New Delhi	Enamel Powder
7	27	Short levy of duty due to incorrect application of IGST rate	10.24	10.24	10.84	ICD Tughlakabad, New Delhi	Inductor, Transformer
8	42	Short levy of duty due to incorrect application of IGST rate	16.64	3.85	1.85	ACC, New Custom House, New Delhi	Various items of plastics
9	49	Short levy of duty due to incorrect application of IGST rate	13.95	13.95	3.27	ICD Tughlakabad, New Delhi	Automobiles parts
Total			135.62	120.26	101.14		

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Annexure 39: Incorrect application of exemption notification							
<i>Refer Paragraph 4.5</i>							
Sl. No.	DAP No.	Subject	Amount Objected	Amount Accepted	Amount Recovered	Commissionerate	Commodity
			(₹ in lakh)				
1	1	Short levy of duty due to irregular availment of notification benefit	12.63	12.63	9.23	Mundra	Liquorice roots
2	9	Short levy of duty due to incorrect grant of notification benefit	13.97	13.97	12.97	ICD, Patparganj, New Delhi	Electric motors suitable for automotive use
3	36	Short levy of duty due to incorrect grant of notification benefit	14.44	14.44	15.19	ICD Tughlakabad (Import), Delhi	Wireless-Multiple loudspeakers,
4	50	Short levy of duty due to incorrect grant of notification benefit	15.04	15.04	Nil	ICD, Tughlakabad, New Delhi	Lithium Ion Battery
Total			56.08	56.08	37.39		

Annexure 40: Other Irregularities							
<i>Refer Paragraph 4.7</i>							
Sl. No.	DAP No.	Subject	Amount Objected	Amount Accepted	Amount Recovered	Commissionerate	Commodity
			(₹ in lakh)				
1	4	Non levy of Anti-Dumping Duty	13.87	13.87	16.62	Kolkata (Sea)	Flexible Slab Stock Polyol
2	10	Non imposition of anti-dumping	11.89	11.89	15.75	Kolkata (Sea)	DVD-Recordable
3	25	Non levy of Anti-Dumping Duty	20.76	20.76	Nil	Custom House, (AP&SEZ), Mundra	Aluminium foil having thickness of 80 micron and below
4	37	Non-levy of Anti-dumping duty	13.64	13.64	16.11	ICD Tughlakabad, New Delhi	Aluminium Foil of 80 micron and below
Total			60.16	60.16	48.48		

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