



SUPREME AUDIT INSTITUTION OF INDIA
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**Report of the
Comptroller and Auditor General of India
on
Duty Drawback Scheme**

**Union Government
Department of Revenue (Indirect Taxes -Customs)
Report No. 33 of 2025
(Performance Audit – Civil)**

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Comptroller and Auditor General of India
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(Laid on the table of Lok Sabha/Rajya Sabha on)

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Preface

This Report 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 Performance Audit on 'Duty Drawback Scheme'.

The instances mentioned in this Report are those which came to notice in the course of test audit conducted during the period 2023-24, and covering transactions of the period April 2018 to March 2023.

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

Audit acknowledges the cooperation received from Ministry of Finance (MoF), Department of Revenue (DoR), Department of Commerce (DoC) and their field formations at each stage of the audit process.

Executive Summary

About this Performance Audit

Duty Drawback scheme is a duty neutralization scheme designed to promote exports and is administered by the Central Board of Indirect Taxes and Customs (CBIC), wherein refund of duties and taxes paid on importation of goods upon their subsequent export, or rebate of duty chargeable on imported materials or excisable materials used in the manufacture of goods to be exported, is allowed.

Duty Drawback on 'Deemed Exports' is governed under Chapter 7 of the Foreign Trade Policy 2015-2020 (extended till March 2023) and related notifications, circulars, clarifications and instructions issued by DGFT/CBIC. 'Deemed Exports' refers to those transactions wherein goods supplied do not leave the country and payment for such supplies are received either in Indian rupees or in free foreign exchange.

Performance Audit (PA) of this scheme was conducted to ascertain whether Drawback sanctioned by the Customs, DGFT and Development Commissioners are in compliance with the extant provisions; the Electronic Data Interchange System facilitates monitoring of drawback claims and the internal control measures are sufficient to minimize the risks of revenue loss, misuse, etc. Audit test checked drawback related records/reports from fixation of drawback, claims preferred and sanctioned files maintained by the respective offices.

Drawback is allowed under the following categories:

- All Industry Rates (AIR) - Section 75 of the Customs Act;
- Brand Rate & Special Brand Rate - Section 75 of the Customs Act;
- Drawback on re-export of imported goods - Section 74 of the Customs Act; and
- Duty Drawback on Deemed Export (Chapter 7 of FTP)

This audit was carried out between May 2023 and December 2023. The period covered in the PA was from 2018-19 to 2022-23 wherein representative sample from the each of the categories specified ibid (6,640 out of 16.64 lakh AIR cases; 1,167 out of 7,827 Brand Rate cases under Section 75 of the Customs Act; 393 out of 3,873 re-export cases under Section 74; and 435 cases out of 3,780 Deemed Export cases were selected for detailed scrutiny, by our Field Audit Offices (FAOs) from 23 out of 32 Customs Commissionerates (CBIC) and 19 out of 28 Regional Authorities/Special Economic Zones (Department of Commerce).

Out of the total 8,635 selected cases, 211 files (183 brand rate cases, 26 re-export cases and two deemed export cases) involving drawback amount of

₹132.04 crores pertaining to 10 Commissionerates/DC (mainly ACC/ICD Bengaluru, CC Lucknow and CC Mundra) were not produced for audit, despite repeated requests/reminders issued, in this regard.

Structure of the Report

This report contains 66 audit observations and 19 recommendations. The performance audit has revenue implication of ₹701.69 crore. Responses received from CBIC and DGFT have been considered and appropriately included in this report. This report is divided into seven chapters. Chapter 1 presents an overview of Duty Drawback Scheme along with audit objectives, scope, sample, audit criteria and audit methodology used to conduct this Performance Audit. Chapters 2 to 7 cover the audit findings, conclusions and recommendations related working of Drawback Division in the Ministry, specified categories of drawback viz., AIR, Brand/Special Brand Rates, Re-export of Imported goods, Deemed Exports and Monitoring & Internal Control.

Summary of Audit Findings

Chapter II: Working of Drawback Division

In this chapter, Audit reviewed the scheme formulation/implementation records, constitution of Drawback Committee, procedure of fixation of AIRs, monitoring/evaluation done at Ministry level. A total of five systematic audit observations with No Monetary Value (NMV) and two recommendations are included in this chapter.

The absence of Drawback Committee during 2021 and 2022 impeded timely revision of drawback rates in response to duty changes brought in the annual budget. Timely constitution of the Committee would have ensured regular updates to rates and inclusion of new entries would have better neutralized tax burdens, thereby enhancing export competitiveness and enabling market differentiation.

(Para 2.1)

Audit observed that considerable time was taken in formation of the Committee in the other three years. Timely constitution immediately after or before the budget would allow adequate time to analyze trade data and make necessary adjustments in AIR. Audit opines that an exclusive SOP for Drawback Committee, would ensure consistent standardized approach for achieving enhanced quality by reducing redundancies.

(Para 2.2.1 & 2.2.2)

Chapter III: All Industry Rates (AIR) of Duty Drawback

In this Chapter, Audit test checked 6,640 AIR Shipping Bills (SBs) in the selected 23 Customs Commissionerates to ensure whether the AIR drawbacks were paid in accordance with the applicable rules. A total of seven audit observations with duty effect of ₹229.41 crore and four recommendations are included in this chapter.

Pendency reflected in realization of export proceeds in Indian Customs EDI System (ICES) due to non-updation of already realized amounts indicates a critical flaw. This incorrect reporting hampers the Department's ability to accurately identify genuine cases of non-realization thereby defeating the very intent of integrating Export Data Processing and Monitoring System (EDPMS) with the ICES module. It also highlights the absence of an effective monitoring mechanism within the ICES system for tracking export proceeds realization.

(Para 3.1)

The significant delays in processing claims (70.69 *per cent* in the selected 23 Commissionerates and 78.70 *per cent* for pan-India cases) with 543 cases and 51,252 cases respectively delayed for more than six months indicates lack of supervision and internal control affecting Department's endeavour of achieving the objective of simplification of procedures, trade facilitation and ease of doing business.

(Para 3.6)

The incomplete data capturing in the ICES system and sanction and payment of duty drawback without verification of relevant details of the shipping bills indicates an inadequate monitoring mechanism in drawback disbursement.

(Para 3.7)

Chapter IV: Brand/Special Brand Rate of Duty Drawback

In this Chapter, Audit selected sample of 1,167 Brand Rate/Special Brand Rate cases in 22 Customs Commissionerates, out of which 984 were produced and examined on various parameters to check whether Brand rate was paid in accordance with the applicable rules. A total of 16 audit observations with duty effect of ₹410.77 crore and five recommendations are included in this chapter.

Audit observed that incorrect attribution of the Drawback identifier distorts the classification of drawback payments under Rule 6 and Rule 7. This incorrect representation undermines the reliability of data crucial for reporting, policy formulation and strategic planning. Further, since the processing is carried out manually and necessary rectifications are not effected in the ICES, the risk of persistent inaccuracies and systemic inefficiencies remains unaddressed.

(Para 4.1.3 to 4.1.5)

Internal Audit of Brand Rate cases needs to be undertaken to enhance the overall functioning of the Commissionerates and to prevent potential revenue leakage. Timely and effective implementation will contribute to a more streamlined Brand Rate fixation process and reinforce the Board's overarching governance framework.

(Para 4.2.6)

Chapter V: Re-export of Imported Goods

In this chapter, Audit selected 393 sample cases of re-export in 16 Commissionerates, out of which 367 cases were produced and reviewed on various parameters to check whether Duty Drawback on Re-export was paid in accordance with the applicable rules. A total of 11 audit observations with duty effect of ₹12.42 crore and two recommendations are included in this chapter.

Audit observed inadequacies in the ICES, which fails to accurately reflect the real-time status of export proceeds realization. Even in cases where proceeds have been timely and fully realized, the system continues to display nil realization, thereby compelling unnecessary manual verification of physical e-BRCs. This not only leads to operational inefficiencies but also raises concerns about the reliability and effectiveness of the system in supporting informed monitoring and compliance efforts.

(Para 5.1)

Divergent practices were being followed by Customs field formations in allowing or rejecting Section 74 drawback claims filed from Domestic Tariff Area for re-export of goods to SEZ, owing to lacunae in the extant provisions as supply of Goods from SEZ to DTA is not clearly defined as "Imports" neither under Section 2(o) of the SEZ Act, 2005 nor under Section 2 (23) of the Customs Act, 1962.

(Para 5.8)

Chapter VI: Duty Drawback on Deemed Exports

In this chapter, Audit selected 435 cases in 19 Regional Authorities/SEZs out of which 433 cases were produced and reviewed to check whether the Deemed Drawback was disbursed in accordance with the applicable rules. A total of 20 audit observations with duty effect of ₹49.09 crore and three recommendations are included in this chapter.

Audit observed that old applications wherein reply to deficiency memo was not received within prescribed time period of 90 days were not rejected by Regional Authorities resulting in undue delay ranging between 68 days to 2,371 days.

This made these applications liable to late cuts and in some cases time barred too.

(Para 6.1 & 6.2)

The control environment for monitoring and processing of Deemed Exports Drawback cases was deficient and requires review by DoC/DGFT in view of findings viz., irregular sanction of time-barred claims, double payment of drawback on same invoice, delay in processing of claims and non-payment of interest on delayed disbursements, ineligible sanction of drawback against supply of services and on additional duties of excise on fuels, imported capital goods, etc.

(Para 6.3 to 6.8)

The scheme allows deemed drawback based on the invoice or Shipping Bill value, with the primary objective of promoting foreign exchange earnings and therefore delays, shortfalls in remittances as reflected in eBRCs and the lack of effective monitoring by DGFT needs to be reviewed.

(Para 6.13)

Chapter VII: Monitoring and Internal Control

Audit verified criteria's such as adherence to the prescribed procedures, digitization efforts across various Customs Commissionerates, Internal/Special audits, system of data management, accounting and internal reporting procedures to assess the effectiveness of monitoring and internal controls. A total of seven systematic audit observations with No Monetary Value (NMV) and three recommendations are included in this chapter.

Audit observed inconsistencies in the issuance of Deficiency Memos across various Commissionerates. Adoption of a prescribed, uniform format would ensure consistency, enable comprehensive identification of deficiencies in a single communication, and facilitate timely processing and finalization of claims.

(Para 7.1)

Despite CBIC's ongoing digital transformation efforts, digitization in duty drawback claims remains incomplete, particularly for Brand Rate, Special Brand Rate, and Supplementary Claims, which are still processed manually. This impedes the objectives of trade facilitation and ease of doing business and CBIC need to leverage its existing digital platforms for comprehensive automation.

(Para 7.2)

Audit observed that the identification and tracking of converted Shipping Bills were not adequately supported in the ICES 1.5 system, resulting in monitoring gaps related to duty drawback claims. Further, several Commissionerates were

unable to provide data on such converted shipping bills, highlighting the need for improved record-keeping practices and better integration within the system infrastructure.

(Para 7.4)

Audit observed deficiencies in the integration of Customs EDI with SEZ, GSTN, and DGFT EDI systems, leading to challenges in data reconciliation and transparency. Proper integration of these systems would lead to seamless flow of data across departments with enhanced tracking, monitoring, and accuracy in the duty drawback disbursement process.

(Para 7.6)

Acute staff shortages in some of Customs Commissionerates, particularly in the Duty Drawback wing, was found to be adversely impacting the ability of the department in ensuring effective and timely processing of Duty Drawback claims of exporters.

(Para 7.7)

Recommendations

- 1. CBIC may establish a comprehensive Standard Operating Procedure (SOP) for the timely constitution and functioning of the Drawback Committee, with clearly defined criteria for member selection, quorum requirements, and strict timelines for submission of reports, while ensuring systematic record-keeping and optimal use of data analytics from diverse sources to facilitate consistency, efficiency, and timely notification of drawback rates.**
- 2. CBIC should establish a comprehensive and accurate database to manage and track brand rate disbursements effectively, ensuring timely updates and reviews. They should also implement regular reviews and analysis of Commodity Tariff Headings (CTHs) with increasing Brand Rate disbursements, enabling the Drawback Committee to make informed decisions on setting appropriate AIR rates, wherever required.**
- 3. CBIC needs to strengthen data integration of EDPMS in ICES to track pending export proceeds, flag such cases by instituting system alerts and initiate action for timely recovery of ineligible drawback payments or deduct from the future entitlements of the exporters.**
- 4. CBIC needs to institutionalize a control mechanism for ensuring adherence and compliance to Rule 7(1) for preventing further fixation of Brand Rate when AIR was already claimed under Rule 3(1).**
- 5. CBIC may ensure that prescribed timelines for sanction of drawback are strictly complied with by establishing a robust monitoring mechanism.**
- 6. CBIC's ICES system may be reviewed for capturing of essential parameters, alert system for inconsistencies, cross-verification of available datasets, viz., local and Custodian EGM for streamlining the automated process of drawback disbursements.**
- 7. CBIC may adopt a uniform stand for granting drawback under Section 75 by re-crediting the scrip instead of disbursing via cash or bank transfer when the Customs Duty on imports was paid by debiting of scrips, in line with the requirement under Section 74.**
- 8. The BRC module of ICES should be synchronized with the EDPMS module of RBI to accurately reflect foreign exchange realization on real time basis so as to instill an effective monitoring mechanism on pending forex realization and obviating the need for issuing avoidable demand notices when foreign exchange has already been fully realized.**

9. ***CBIC may address the technical glitches in the extant ICES so as to have unique identifiers and have accurate MIS reporting distinctly for specific types of drawback.***
10. ***CBIC may ensure streamlining ICES so as to facilitate necessary cross-verification and restrict the minimum and maximum threshold prescribed under the extant provisions.***
11. ***CBIC may streamline and expedite verification of claims and fixation processes of brand rate applications, thereby ensuring prompt disposal of drawback claims.***
12. ***CBIC needs to clarify the legal provisions regarding DTA sales by SEZs, ensuring consistent treatment of such transactions for drawback claims and issue guidelines to avoid discrepancies in sanctioning drawback under Section 74.***
13. ***CBIC should establish a more efficient mechanism to ensure timely availability of required documents for audit purposes. Regular follow-ups and strict adherence to timelines will enhance cooperation with audit teams and improve accountability.***
14. ***DoC should establish a robust compliance monitoring system to ensure timely processing and adherence to the late cut and Time Barred claims provisions under Paragraphs 2.05, 7.07 and 9.02 of the Foreign Trade Policy Handbook. This system will minimize non-compliance risks and prevent financial losses resulting from excess grants of drawback.***
15. ***DoC should ensure prompt processing of applications within the 90-day period to uphold fairness and efficiency. Additionally, duty drawback refunds should be disbursed within the prescribed 30 days of RA approval to mitigate interest charges, promoting financial prudence and timely benefits to eligible claimants.***
16. ***DoC should ensure timely formation of internal audit teams and conduct regular audits of drawback refunds as stipulated in Paragraphs 7.10 of the FTP and 7.11 of the HBP. This will enhance oversight, enable early detection of erroneous or ineligible payments, and ensure recovery with applicable interest, thus improving compliance and financial accountability.***
17. ***CBIC should leverage its existing platforms like E-Sanchit and SWIFT for comprehensive automation beyond AIR drawback cases to include all types of claims such as Brand Rate, Special Brand Rate and Supplementary claims.***
18. ***CBIC may ensure consistent and thorough implementation of TBA for Export Shipping Bills by imparting training to the TBA audit teams, allocating***

appropriate resources and conducting regular reviews to monitor effectiveness.

19. CBIC may develop a robust system by integrating ICES (Indian Customs EDI System) with SEZ online System, GSTN and DGFT EDI Systems so that reconciliation of data may be done with accuracy and transactions may be tracked and managed ensuring transparency in duty drawback processes.

Glossary of Terms and Abbreviations

Abbreviation	Expanded Form
AA	Advance Authorization
ACC	Air Cargo Complex
ADGFT	Additional Directorate General of Foreign Trade
AIR	All Industry Rate
ANF	Aayat Niryat Form
BCD	Basic Customs Duty
BsE	Bills of Entry
BMRCL	Bangalore Metro Rail Corporation Limited
BRC	Bank Realization Certificate
BTP	Biotechnology Park
CA	Chartered Accountant
CAG	Comptroller and Auditor General
CBIC	Central Board of Indirect Taxes and Customs
CC	Commissioner of Customs
CENVAT	Central Value Added Tax
CHA	Customs House Agency
CLA	Central Licensing Authority
CGST	Central Goods and Services Tax
CTH	Customs Tariff Heading
DBK	Drawback
DC	Development Commissioner
DFIA	Duty Free Import Authorization
DGFT	Directorate General of Foreign Trade
DL	Deficiency Letter
DM	Deficiency Memo
DoC	Department of Commerce
DoR	Department of Revenue
DTA	Domestic Tariff Area
EDF	Export Declaration Form
EDI	Electronic Data Interchange
EDPMS	Export Data Processing and Monitoring System
EGM	Export General Manifest
EHTP	Electronics Hardware Technology Park
EOU	Export Oriented Unit
EPC	Export Promotion Council
EPCG	Export Promotion Capital Goods
FAO	Field Audit Office
FEMA	Foreign Exchange Management Act
FER	Foreign Exchange Realization
FOB	Free on Board
FTP	Foreign Trade Policy
GST	Goods and Services Tax

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Abbreviation	Expanded Form
HBP	Handbook of Procedures
HCSD	High Carbon Steel Duty
HSD	High-Speed Diesel
ICD	Inland Container Depot
ICEGATE	Indian Customs Electronic Gateway
ICES	Indian Customs EDI System
IEC	Importer Exporter Code
IGST	Integrated Goods and Services Tax
JNCH	Jawaharlal Nehru Custom House
Jt. DGFT	Joint Directorate General of Foreign Trade
LEO	Let Export Order
M/SEIS	Merchandise/Services Exports from India Scheme
MOCI	Ministry of Commerce and Industry
MOF	Ministry of Finance
NCH	New Customs House
NCLT	National Company Law Tribunal
NOC	No Objection Certificate
NPGCPL	National Power Grid Corporation Private Limited
NTFAP	National Trade Facilitation Action Plan
PAC	Public Accounts Committee
PFMS	Public Financial Management System
PMV	Present Market Value
RA/RLA	Regional Authority/Regional Licensing Authority
RBI	Reserve Bank of India
SB	Shipping Bill
SEEPZ	Santacruz Electronics Export Processing Zone
SEZ	Special Economic Zone
STP	Software Technology Park
SWIFT	Single Window Interface for Trade Facilitation
SWS	Social Welfare Surcharge
TBA	Transaction-Based Audit
TED	Terminal Excise Duty
WTO	World Trade Organization

CHAPTER I Overview of Duty Drawback Scheme

1.1 Introduction

The Duty Drawback Scheme, introduced in the year 1962 under the provisions of the Customs Act, 1962, constitutes one of the earliest export promotion schemes presently in force. Duty Drawback scheme is a duty neutralization scheme designed to promote exports and is administered by the Central Board of Indirect Taxes and Customs (CBIC), whereby refund of duties and taxes paid on importation of goods, when such goods are subsequently exported, or rebate of duty chargeable on imported materials or excisable materials used in the manufacture of goods to be exported, is allowed. Duty Drawback provides relief to exporters from the incidence of duties and taxes levied at the time of import of raw materials and other inputs used in the manufacture of articles exported. Besides providing rebates on the incidence of Customs and Central Excise duties, chargeable on imported and excisable material respectively when used as inputs for goods to be exported, this World Trade Organization (WTO) compliant scheme ensures that exports are zero-rated and do not carry the burden of the specified taxes.

The Duty Drawback Scheme entails the following four categories:

- i. Duty drawback on re-export of imported goods (Section 74);
- ii. All Industry Rate (AIR) of Duty Drawback (Section 75);
- iii. Brand Rate/Special Brand Rate of Duty Drawback (Section 75);
- iv. Duty Drawback on 'Deemed Export' (Para 7 of FTP).

1.2 Duty Drawback on re-export of imported goods

Section 74 of the Customs Act, 1962 provides for grant of drawback at the rate upto 98 *per cent* of the Customs duties paid at the time of importation, if the goods are re-exported by the importer, subject to certain conditions. The re-export is to be made within a maximum period of two years from the date of payment of duty on importation and goods have to be identified with the earlier import documents and duty payment to the satisfaction of the Assistant/Deputy Commissioner of Customs at the time of export. If such goods are used after importation, Drawback is granted on a proportionate basis ranging from 95 *per cent* for re-exports made within three months of imports to nil rate if such goods are re-exported after more than 18 months of import.

Re-export of imported goods may be necessitated when the import goods are found defective after Customs clearance or are not found as per specifications

or requirements or are brought in for trade fairs/exhibitions, etc. Re-exports can be made by sea, air, baggage or post.

Further, no Drawback of the import duty paid is permissible for specific categories of goods, after use, such as wearing apparel, tea chests, exposed cinematographic films passed by Film Censor Board, unexposed photographic films, paper and plates and x-ray films. Also, in respect of motor vehicles imported for personal and private use, the Drawback is calculated by reducing the import duty paid according to the laid down percentage for use for each quarter or part thereof, but up to maximum of four years.

Consequent to introduction of Goods and Service Tax (GST) with effect from 01.07.2017, Re-export of imported Goods (Drawback of Customs Duties) Rules 1995 was amended to Re-export of imported Goods (Drawback of Customs Duties) Rules 2017. Section 26A of the Customs Act, 1962 allows refund of import duty if the imported goods are found defective or otherwise not in conformity with the specifications agreed upon between the importer and the supplier of goods. One of the conditions for claiming refund is that the goods should not have been worked, repaired or used after the importation except where such use was indispensable to discover the defects or non-conformity with the specifications. No refund shall be available in respect of perishable goods and goods which have exceeded their shelf life or their recommended storage-before-use period.

1.3 Duty drawback on export of manufactured goods

Duty Drawback provisions are made to grant rebate of duty or tax chargeable on any imported / excisable materials and input services used in the manufacture of export goods. Drawback in relation to any goods manufactured in India and exported, means the rebate of duty excluding integrated tax leviable under sub-section (7) and compensation cess leviable under sub-section (9) respectively of section 3 of the Customs Tariff Act, 1975 (51 of 1975) chargeable on any imported materials or excisable materials used in the manufacture of such goods. Duty Drawback is of two types: (i) All Industry Rate and (ii) Brand Rate.

1.3.1 All Industry Rate (AIR) of Duty Drawback

AIR of Duty Drawback is governed by Section 75 of the Customs Act, 1962, and Customs and Central Excise Duties Drawback Rules, 2017, and notifications, circulars and instructions issued thereunder.

Under this facility duty drawback is allowed up to a prescribed percentage of Free on Board (FOB) value of export product or at specific rate per unit of export goods as mentioned against the respective tariff items specified in the Drawback Schedule. The AIRs are notified by the Government of India in the

Drawback Schedule based on the average quantity and value of inputs and duties borne by each class of material, from which export goods are manufactured. The AIRs are recommended by a Drawback Committee set up by the Central Government.

The claims of duty drawback under this facility are required to be filed with reference to the tariff items and description of goods given in the Drawback Schedule. The triplicate copy of shipping bill, in case of manual export, and the electronic shipping bill filed at the time of export, are treated as a claim for drawback and are required to be accompanied by the prescribed documents.

The rate of drawback specified in the Drawback Schedule shall not be applicable to export of a commodity or product if such commodity or product is:

- i. Manufactured partly or wholly in a warehouse under Section 65 of the Customs Act, 1962;
- ii. Manufactured or exported in discharge of export obligation against an Advance Authorization or Duty-Free Import Authorization issued under the duty exemption scheme of the relevant Foreign Trade Policy;
- iii. Manufactured or exported by a unit licensed as hundred per cent Export Oriented Unit in terms of the provisions of the relevant Foreign Trade Policy;
- iv. Manufactured or exported by any of the units situated in Free Trade Zones or Export Processing Zones or Special Economic Zones;
- v. Manufactured or exported availing the benefits of the Customs Notification No. 32/1997 dated 01-04-1997.

1.3.2 Brand Rate of Duty Drawback

Brand Rate of Duty Drawback is governed by Section 75 of the Customs Act, 1962, and Customs and Central Excise Duties Drawback Rules, 2017, and notifications, circulars and instructions issued thereunder.

Under this facility, duty drawback is allowed on the actual duty incidence on the export goods. The exporters can apply for determination of the rate of drawback either under Rule 6 or under Rule 7 of the Customs and Central Excise Duties Drawback Rules, 2017.

The application for determination of drawback under Rule 6 can be filed by an exporter where no amount or rate of drawback has been determined in respect of any goods. The rate so fixed is known as the Brand Rate of Duty Drawback.

The application for determination of drawback under Rule 7 can be filed by an exporter where, in respect of any goods, the exporter finds that the amount or rate of drawback determined for the class of goods is less than eighty per cent of the duties paid on the materials or components used in the production or manufacture of the said goods. The rate so fixed is known as the Special Brand Rate.

In both cases, the application is to be made to the jurisdictional Principal Commissioner or Commissioner of Customs from where export of the subject goods is affected, stating all relevant information in respect of the proportion of materials and components used in the production or manufacture of export goods and the duties paid on such materials and components. The exporters have the option of claiming the Brand Rate of Customs duties and remnant Central Excise duties (in respect of goods given in Fourth Schedule to Central Excise Act, 1944).

Consequent to introduction of Goods and Service Tax (GST) with effect from 01.07.2017, necessary changes have been made in the Drawback provisions in consonance with the GST provisions. The input tax incidence of taxes covered in GST regime are neutralized through the refund mechanism provided under GST Laws. As far as drawback is concerned, Drawback Rules, 1995 are now replaced by a new set of rules called 'Customs and Central Excise Duties Drawback Rules, 2017' (hereinafter referred to as 'Drawback Rules, 2017') which came into effect from 1st October 2017. The definition of drawback as per Rule 2(a) of Drawback Rules, 2017 provides for drawback of Customs and Central Excise Duties, excluding Integrated Tax and compensation Cess leviable under sub-section (7) and (9) of Section 3 of the Customs Tariff Act, 1975, chargeable on any imported materials or excisable materials used in the production or manufacture of goods exported. References to Service Tax and input services have been omitted. As a result, the drawback is limited to incidence of duties of Customs on inputs used and Central Excise Duties on specified petroleum products used for generation of captive power for manufacture of processing of export goods.

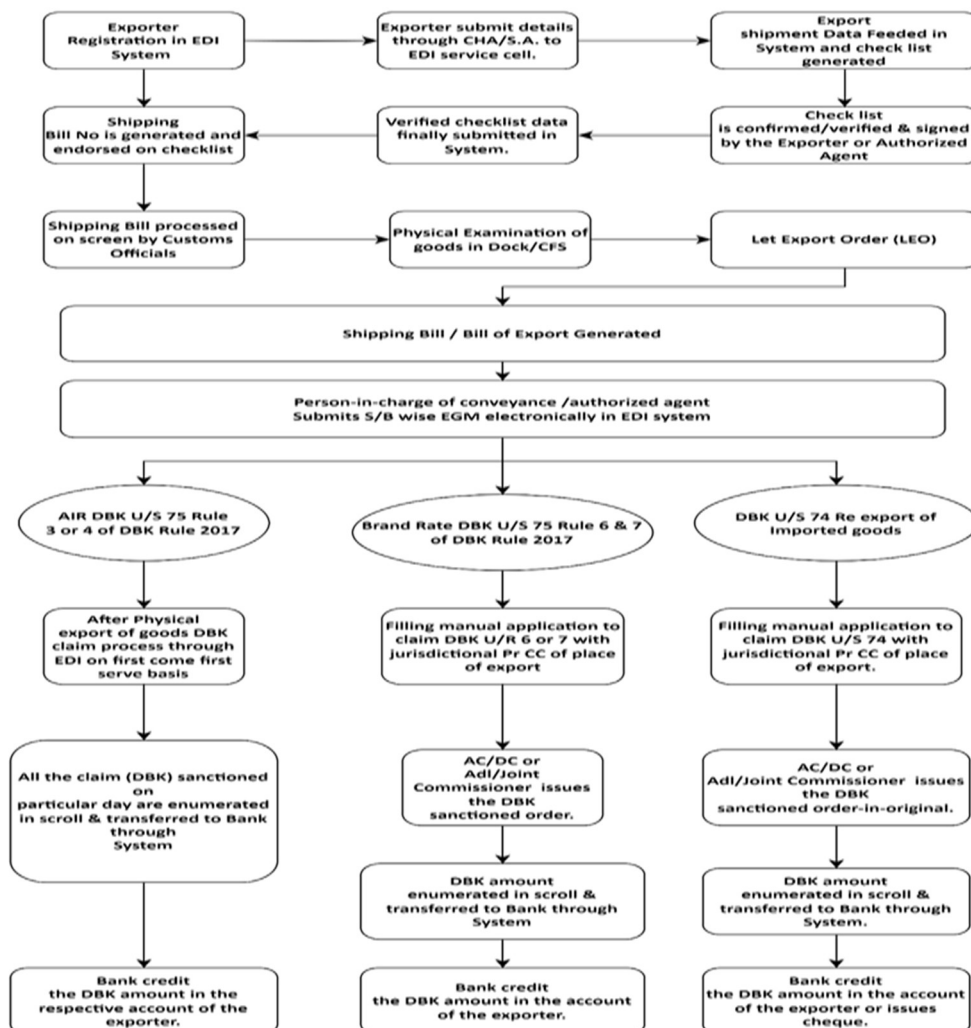
Two major changes brought in post GST era were,

i) Brand rate drawback sanctioning authority was Principal Commissioner of Central Excise or Commissioner of Central Excise or Principal Commissioner or Commissioner of Customs and Central Excise as the case may be having Jurisdiction over the Manufacturing Unit. Under the amended provisions, the brand rate duty drawback sanctioning power was given to Principal Commissioner of Customs or Commissioner of Customs having Jurisdiction over the place of Export.

ii) Earlier, when the exporter initially claimed drawback under Rule 3 at the All Industry Rate, he was not barred from making an application under Rule 7 for determination of the Brand Rate of drawback and claiming the differential amount, provided the All Industry Rate notified under Rule 3 and granted to the exporter, was less than 4/5th (80 per cent) of the duties or taxes paid on the materials or components (inputs) or input services used in the production or manufacture of the exported goods. Now the new Drawback Rule 2017 imposes a prohibition in seeking determination of the Brand Rate of drawback under Rule 7, when drawback at All Industry Rate has been claimed and granted under Rule 3. The exporter has to decide at the time of the export of the goods whether he wants to claim drawback at the notified rate under Rule 3, or at the Brand Rate under Rule 7. Once he chooses to claim drawback under Rule 3, he thereafter cannot make a claim for the determination of the Brand Rate of drawback under Rule 7.

1.3.3 Process Flow Chart of the Duty Drawback Scheme:

Chart No. 1: Process flowchart of Duty Drawback scheme



1.4 Duty Drawback on Deemed Exports

Duty Drawback on 'Deemed Exports' is governed by Chapter 7 of the Foreign Trade Policy 2015-2020 (extended till March 2023) and related notifications, circulars, clarifications and instructions issued in this regard either by the DGFT or the CBIC.

'Deemed Exports' refer to those transactions in which goods supplied do not leave the country and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply of goods against Advance Authorization/ Advance Authorization for annual requirement/ Duty Free Import Authorization, supply of capital goods against Export Promotion Capital Goods (EPCG), Authorization and supply of goods to Export Oriented Undertaking/ Software Technology Park/ Electronics Hardware Technology Park/ Biotechnology Park, by a manufacturer, shall be regarded as 'deemed exports' provided goods are manufactured in India.

Further, supply of goods to various projects as mentioned under paragraph 7.02 (B) of FTP 2015-2020 are also regarded as 'Deemed Exports'.

Supply of precious and semi-precious stones, synthetic stones and processed pearls from DTA to EOUs are not treated as 'deemed exports' for purpose of any deemed export benefits.

Under this facility, manufacture and supply of goods, qualifying as 'deemed exports' shall be eligible for deemed export drawback in the form of Basic Customs Duty of the inputs used in manufacture and supply under the said category on brand rate basis upon submission of documents evidencing actual payments of basic customs duties and subject to the terms and conditions given in Handbook of Procedures of the FTP and ANF-7A.

1.4.1 Procedure for claiming Benefits as per Chapter 7 of Handbook of procedure (HBP)

To qualify for deemed export benefits, the application process involves online filing through the DGFT website using Form ANF 7A, generating a file number, and addressing deficiency letters online. Claimants, either from a DTA unit (Domestic Tariff Area) or an EOU/SEZ unit, can seek benefits from the respective Regional Authority or Development Commissioner. Suppliers have the option to apply for AA/DFIA for duty-free inputs or claim duty drawback on BCD paid for manufacturing. Additionally, suppliers can apply for Terminal Excise Duty (TED) refund for excisable goods specified in Schedule IV of the Central Excise Act, 1944.

1.4.2 Deemed Export Benefit Application and Claim Process

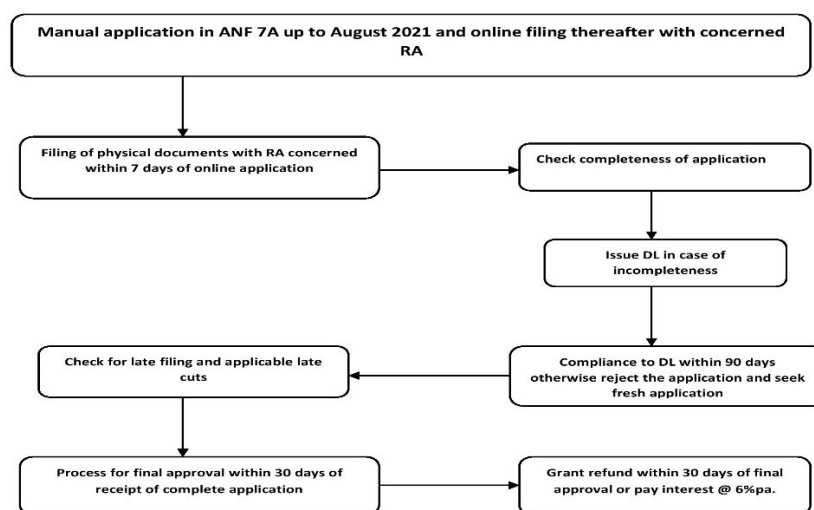
To avail deemed export benefits, applicants must have an IEC number, and eligibility extends to both suppliers and recipients of goods. When asserting drawback claims, a necessary disclaimer is required from the supplier if the recipient claims drawback, and vice versa. Claims can only be filed after full payment is received for the supplied goods. Payments must be through the normal banking channel, verified by an e-BRC, and a payment certificate from the Project Authority (Appendix 7D) is essential for project supplies. Short payments, as per eBRC/payment certificate, result in a proportionate reduction in the drawback claim. Sub-contractors are eligible for claims if their name is endorsed in the Project Authority Certificate/Contract before supplying goods.

1.4.3 Procedure for claiming TED / Drawback

Deemed export benefits, as per FTP, encompasses the refund of TED on High-Speed Diesel (HSD) supplies from PSU depots to EOUs/STP/EHTP/BTP, with certification in Annexure IV. Applications for supplies under Para 7.02 (a to d) must be filed within 12 months of full payment realization, and for Para 7.02(e to h), within 12 months from the project receipt or payment date, proportionate to payment. Brand rate fixation for duty drawback on inputs is sought through ANF-7A and Appendix 7E. Late claims, governed by specified rules, are considered. Applicable customs and excise rules and the payment of interest at 6% per annum by RA if payment is delayed are outlined, with interest claims to be made within 30 days of principal receipt if not granted with specified procedures.

1.4.4 Process Flow chart of Deemed Export Drawback

Chart No. 2 : Process flowchart of Deemed Export Drawback



1.5 Amount of duty drawback sanctioned

During the period from 2018-19 to 2022-23, a total duty drawback of ₹108,247.38 crore was sanctioned under Duty Drawback Scheme. The breakup of drawback sanctioned as per the data furnished by DG Systems is summarized in Table 1.1. Data pertaining to Re-export of imported Goods (by CBIC) and deemed exports (by MOCI), was not produced to Audit.

Table 1.1: All India figures of Drawback sanctioned

(Amount in ₹ crore)

Financial Year	All Industry Rate (AIR) Sanctioned		Brand Rate (BR) Sanctioned		Special Brand Rate (SBR) Sanctioned		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2018-19	44,62,903	16,566.48	4,810	64.6	42,502	975.37	45,10,215	17,606.45
2019-20	45,37,985	16,994.33	4,702	93.41	51,147	1,348.07	45,93,834	18,435.81
2020-21	42,65,799	17,054.41	7,245	126.96	54,297	1,173.81	43,27,341	18,355.18
2021-22	51,07,284	24,098.23	3,833	119.2	91,265	2,057.23	52,02,382	26,274.66
2022-23	49,04,746	24,704.61	1,885	118	1,16,548	2,752.67	50,23,179	27,575.28
Total	2,32,78,717	99,418.06	22,475	522.17	3,55,759	8,307.15	2,36,56,951	108,247.38

(Data source: DG Systems)

1.6 Duty Drawback vis-à-vis exports and customs receipts

Comparison of Duty Drawback sanctioned vis-à-vis Customs revenue received and exports effected for the corresponding period is tabulated hereunder:

Table 1.2: Customs receipts and duty drawback

(Amount in ₹ crore)

Year	Duty Drawback*	Exports effected#	Customs revenue receipt@	Drawback as %age of	
				Exports	Customs receipts
2018-19	17,606.45	23,07,726	1,17,813	0.76	14.94
2019-20	18,435.81	22,19,854	1,09,282	0.83	16.87
2020-21	18,355.18	21,59,043	1,34,750	0.85	13.62
2021-22	26,274.66	31,47,021	1,99,728	0.83	13.16
2022-23	27,575.28	36,21,550	2,13,372	0.76	12.92
Total	1,08,247.38	1,34,55,194	7,74,945	0.80	13.97

(Data source: DG Systems*/MOCI Dashboard#/Receipt Budget 2025-26@)

It can be seen that customs revenue declined in 2019-20 (₹1,09,282 crore) from ₹1,17,813 crore in 2018-19. Post-2020-21, customs revenue increased significantly, reaching ₹2,13,372 crore in 2022-23. Exports increased by 57.00 per cent from ₹23,07,726 crore in 2018-19 to ₹36,21,550 crore in 2022-23

with corresponding increase (56.62 *per cent*) in Duty Drawback from ₹17,606 crore in 2018-19 to ₹27,575 crore in 2022-23.

1.7 Earlier report of CAG on Duty Drawback Scheme

A Performance Audit on the Duty Drawback Scheme was earlier conducted and findings/recommendations featured in C&AG's Audit Report No. 15 of 2011-12 (Indirect Taxes- Service Tax and Customs). This report was subsequently taken up for discussion by the Honourable Public Accounts Committee (PAC) during September 2013.

The report highlighted not framing of supplementary rules under Section 74(3) of the Customs Act, 1962 for establishing identification of re-exported goods, determining whether the goods were "used" or not, market verification of the declared price, inadequate documentation on fixation of All Industry Rates (AIR); besides, instances of non-compliance to rules and provisions on processing of time barred claims, delay in fixation of brand rates, sanction of drawback on products not specified in brand rate letters and excess payment of drawback due to mis-classification, etc.

1.8 Audit Objectives

The Performance Audit aims to seek an assurance on whether:

- I. Drawback sanctioned by the Customs, DGFT and Development Commissioners was in compliance with the extant provisions;
- II. the EDI System facilitates monitoring of drawback claims;
- III. the internal control measures are sufficient to minimize the risks of revenue loss, misuse, etc.

1.9 Audit Scope and Methodology

During this PA, Audit scrutinised the drawback sanctioned by the Customs authorities under Sections 74 and 75 of the Customs Act, 1962, which inter alia includes fixation & payment of AIR by Drawback division, fixation & payment of brand/special brand rate by Customs Commissionerates and 'deemed export' drawback sanctioned by the regional DGFT (Directorate General of Foreign Trade), the Development Commissioners and the Specified Officers, during the period from 2018-19 to 2022-23.

The audit methodology entailed test check of drawback related records/reports from fixation of drawback, claim preferred and sanctioned files maintained by the jurisdictional Commissionerate of Customs, the regional DGFT, the Development Commissioner and the Specified Officer and also analysis of EDI shipping bill data facilitated by DG/Systems (CBIC).

The objective, scope and audit methodology for the Performance Audit were discussed in an Entry Conference held on 4 August 2023 and Exit Conference held on 23 May 2025 with officials from Department of Revenue, Department of Commerce and DGFT.

1.10 Audit Sample

The sample of 6,640 AIR cases, 1,167 Brand Rate cases and 393 re-export cases was selected by our nine Field Audit Offices (FAOs) from 23 out of 32 Customs Commissionerates and 435 Deemed Drawback cases from 19 out of 28 RAs/SEZs for the period (2018-19 to 2022-23) selected for the review as detailed in **(Appendix I & II)** and summarized below:

Table 1.3: Details of selected Sample

Sr. No.	Name of Field Office	AIR cases		Brand Rate cases		Re-export cases		Deemed Drawback	
		Audit Universe	Sample selected	Audit Universe	Sample selected	Audit Universe	Sample selected	Audit Universe	Sample selected
1	Ahmedabad	2,60,633	647	919	132	145	50	491	53
2	Bengaluru	1,08,314	400	161	100	440	50	468	50
3	Chandigarh	35,386	400	91	91	0	0	26	26
4	Chennai	2,67,874	880	1,907	200	982	111	497	100
5	Hyderabad	31,740	455	311	100	34	25	3	3
6	Kolkata	69,440	1,801	788	78	87	35	242	47
7	Lucknow	90,612	844	437	200	17	17	3	3
8	Mumbai	5,35,857	798	2,926	166	1,990	55	1,558	103
9	New Delhi	2,63,978	415	287	100	178	50	492	50
Total Sample		16,63,834	6,640	7,827	1,167	3,873	393	3,780	435

1.11 Audit Criteria

Audit findings are benchmarked against criteria comprising of the existing legislations, prescribed manuals and rules, government notifications, public notices and circulars. The primary sources for criteria are as follows:

- Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995
- Customs and Central Excise Duties Drawback Rules, 2017
- Drawback Schedules issued for the FYs 2018-19 to 2022-23
- Customs/ GST Notifications and Circulars on Duty Drawback Scheme
- Foreign Trade Policy (FTP) & Handbook of Procedures (HBP) as amended from time to time
- Public Notice/ Circulars issued by the DGFT

Additionally, the Performance Audit was conducted as guided by the CAG's Auditing Standards, Performance Audit Guidelines, Audit Quality Management Framework and the Code of Ethics.

1.12 Acknowledgement

Audit acknowledges the cooperation extended by the Ministry of Commerce and Industry (MOCI) and Ministry of Finance (MOF) along with their field formations in providing necessary information and records during of the conduct of audit.

CHAPTER II

Working of Drawback Division

Duty drawback scheme, administered by the Drawback Division of Department of Revenue, has two primary components which are All Industry Rates (AIR) and Brand Rates (BR) of duty drawback. AIRs are notified by the government in the form of a drawback schedule based on the average quantity and value of inputs and duties (both Customs & Central Excise) borne by export products. AIRs are usually announced on June 1 or three months after the budget. If the product is not mentioned in the AIR schedule or the exporter claims it to be inadequate, the exporter can claim duty drawback by applying for Brand Rate fixation.

The AIR is fixed as a percentage of Free on Board (FOB) price of export products or as specific rates. FOB is used to indicate whether the seller or the buyer is liable for goods that are damaged or destroyed during shipping. All claims of duty drawback are filed with reference to the tariff items and description of goods given in the schedule.

To effectively hear all interested stakeholders, work transparently and provide credibility to the determination of All Industries Rates (AIRs), from year 2005 onwards, the Government has been appointing a Drawback Committee to determine the amount and rates of duty drawback and to recommend to the Government the AIRs of duty drawback on an annual basis after the Union Budget.

The Committee consults with all the concerned ministries, trade unions, export promotion councils and other stakeholders; draw up methodology for calculation of AIRs and suggests rates of duty drawback in line with annual budget.

The Government examines the report of the Committee and upon its approval, notifies the AIRs of Duty Drawback based on representation from trade and industry.

Audit reviewed working of the Drawback Division, scheme formulation & Policy implementation records, constitution of Drawback Committee, procedure of fixation of AIRs, monitoring/evaluation done. The major findings are enumerated in the succeeding paragraphs.

2.1 Non-constitution of Drawback Committee for the year 2021 and 2022

The Drawback Committee is an expert body appointed by the Ministry of Finance (DoR) to periodically examine and recommend the rates and structure of duty drawback for exported goods. The Committee includes representatives from government ministries (especially Finance and

Commerce), technical experts, and sometimes industry representatives. The Joint Secretary (Drawback), DoR, also acts as Secretary to the Drawback Committee.

Its constitution and terms of reference are notified by the Central Government through official orders. Administrative functions include data compilation, policy study, industry consultations, and preparation of recommendations for notified drawback rates.

Since 2005, the Government has annually constituted a Drawback Committee to recommend AIR of duty drawback after the Union Budget. These rates, based on duty incidence relative to export values, consider factors like input costs, duty rates, and import-indigenous ratios¹. To comply with international commitments, AIRs are periodically revised under the Customs Act, 1962, and Drawback Rules, 2017.

It was observed that no committee was constituted for 2021 and 2022, despite the fact that budgetary changes in the form of exemptions and duty reductions were brought in FY 2021-22 and FY 2022-23.

During 2018-19 and 2019-20, the committee revised drawback rates for 1910 and 2011 customs tariff heads respectively, however, drawback rates for FY 2021-22 and FY 2022-23 remained unchanged owing to non-constitution of the Committee.

The absence of Drawback Committee impeded timely revision of drawback rates in response to duty changes brought in the annual budget. Timely constitution of the Committee would have ensured regular updates to rates and inclusion of new entries would have better neutralized tax burdens, thereby enhancing export competitiveness and enabling market differentiation.

2.2 No pre-defined rules for Constitution and functioning of Drawback Committee

Duty Drawback Scheme is a WTO compliant scheme² which provides for the neutralization of incidence of Customs and Central Excise duties suffered on the inputs used in the manufacture of export goods.

¹ Import indigenous ratio refers to the proportion between imported inputs and domestically sourced (indigenous) inputs used in the production of goods or services.

² A WTO compliant scheme is a trade-related policy or program that adheres to the rules and agreements established by WTO to ensure fair and non-discriminatory international trade. The Agreement on Subsidies and Countervailing Measures (SCM Agreement) of WTO allows duty drawback schemes because they involve the remission or refund of duties already paid on imported inputs that are subsequently exported. This is not considered a subsidy but a refund of taxes that would otherwise be a cost to exporters.

2.2.1 Absence of SOP for the Drawback Committee

Audit observed that there were no formal rules or Standard Operating Procedures (SOPs) for the committee since its inception. No clear procedures were established for the committee's functions regarding data sourcing, collection, and analysis for setting Drawback Rates, nor for recording meetings with Export Promotion Councils and stakeholders. The Drawback Division did not maintain a data bank of historical data on AIR finalization, and data requirements were requested only after the committee's formation. The DG systems did not keep industry-specific or region-specific data useful for determining AIR rates.

2.2.2 Absence of fixed timeline for constitution of Committee and its reports

The Drawback Committee, formed annually to recommend AIR rates, lacks a fixed timeline for its constitution after the budget announcement.

A comparative analysis of various intermediate stages from date of issuing orders for constitution of committee, due date for submitting report, actual date of submission to the date of notification of AIR Duty Drawback revealed considerable delay in formation of the Committee in the other three years as detailed in Table 2.1.

Table 2.1: Analysis of timelines of various stages of Drawback Committee

Year	Date of Budget	Date of Issuing order for constitution of Committee	Due Date for submission of Report as per order of the Committee	Actual Date of Submission of Report	Date of Notification of AIRs of Duty Drawback	Time taken in notification of AIR rates after budget announcement
2018-19	01-02-2018	11-04-2018	30-09-2018	01-11-2018	06-12-2018	10 months
2019-20	01-02-2019	27-09-2019	15-11-2019	26-12-2019	28-01-2020	12 months
2020-21	01-02-2020	18-05-2020	31-05-2020	28-05-2020	13-07-2020	4 months
2021-22	01-02-2021	No Committee has been constituted for this period				
2022-23	01-02-2022					

(Data Source : Drawback Division, DoR)

Further, it was observed that no statutory deadline for the committee to submit its report, causing 4–12 month delays in AIR rate notifications and shortening their applicability. For example, the 2019-20 rates, notified on 28-01-2020, were valid for only six months until the 2020-21 rates were issued on 13-07-2020.

Timely constitution immediately after or before the budget would allow adequate time to analyze trade data and make necessary adjustments in AIR.

2.2.3 Absence of selection criteria & quorum requirement of Committee Members

Audit observed that the Drawback Committee's size and selection criteria, including members' expertise, were not predetermined. The committee size varied over the years, and members' tenure was not fixed, with some continuing in subsequent committees. Audit further found that committee orders did not specify a minimum quorum, allowing meetings to be held with just one of three members.

The absence of predefined selection criteria, tenure and quorum for members of the Drawback Committee raises concerns about consistency and transparency in its constitution.

Recommendation No. 1

CBIC may establish a comprehensive Standard Operating Procedure (SOP) for the timely constitution and functioning of the Drawback Committee, with clearly defined criteria for member selection, quorum requirements, and strict timelines for submission of reports, while ensuring systematic record-keeping and optimal use of data analytics from diverse sources to facilitate consistency, efficiency, and timely notification of drawback rates.

CBIC stated (May 2025) that it has always been an endeavour to constitute Drawback committee on a regular periodic basis, however for 2021 & 2022, the committee could not be constituted because of unprecedented public health emergency (COVID 2019). Further, it stated that every change in duty rate does not necessarily result in revision of AIRs, however, the suggestion is noted for future exercise. Further, the time taken in submission of the report depends on the various factors like submission of data from trade, consultation with the stakeholders, study of manufacturing processes of different sectors and field visits. The recommendation of rates without these formalities will not be truly representative and inclusive. Hence binding the Committee in a prescribed time line is neither feasible nor practical.

2.3 No periodical review/impact analysis of Duty Drawback Scheme

The Government annually forms a high-powered Drawback Committee to consult industries and ministries on AIR drawback schedules based on Budget changes. The Drawback Division aids in rate computation under Section 75 of the Customs Act, 1962, with its Joint Secretary serving as the Committee Secretary. It also oversees scheme implementation and monitoring.

When ascertained about reviews or analysis conducted by the committee on brand rate and special brand rate, their frequency, reasons for not conducting such reviews, and why AIR rates were not fixed for specific customs tariff

headings, no response was given. Since its inception, the Drawback scheme's objective has been duty neutralization to boost exports.

Audit observed that no mid-term reviews or impact analyses of the scheme have been conducted. The Drawback Committee also never assessed the impact of not fixing AIR rates on drawback payments under Brand rate.

The Drawback Committee, mandated by the department, analyses historic data on Drawback disbursement to finalize rates for the upcoming year. However, no proper data repository was being maintained by the Committee which led to redundancies in fetching historical data every year.

Recommendation No. 2

CBIC should establish a comprehensive and accurate database to manage and track brand rate disbursements effectively, ensuring timely updates and reviews. They should also implement regular reviews and analysis of Commodity Tariff Headings (CTHs) with increasing Brand Rate disbursements, enabling the Drawback Committee to make informed decisions on setting appropriate AIR rates, wherever required.

CBIC stated (May 2025) that Drawback Committee works out AIR on the basis of several factors such as changes in taxes/duties, import indigenous ratio, manufacturing process and trends of brand rate disbursements. The AIR is average rate, and therefore option is available to exporters for AIR or Brand rate as per their requirements; hence, the existence of both the schemes is equally important.

While acknowledging the efforts made by Drawback Committee, Audit recommended for having the comprehensive data repository for aid in computing the appropriate AIRs for most items and thereby optimally utilizing its existing (limited) administrative resources for finalizing the brand rates under Rule 6 or Rule 7, which requires manual intervention.

2.4 Conclusion:

The absence of Drawback Committee for two years impeded timely revision of drawback rates in response to duty changes brought in the annual budget. Timely constitution of the Committee would have ensured regular updates to rates and inclusion of new entries would have better neutralized tax burdens, thereby enhancing export competitiveness and enabling market differentiation.

Audit observed that considerable time was taken in formation of the Committee in other years. Timely constitution immediately after or before the budget would allow adequate time to analyse trade data and make necessary adjustments in AIR. Audit opines that an exclusive SOP for Drawback Committee, which is being constituted annually, would ensure consistent

standardized approach for achieving enhanced quality by reducing redundancies.

Audit observed that no mid-term reviews or impact analyses of the scheme have been conducted. The Drawback Committee also never assessed the impact of not fixing AIR rates on drawback payments under Brand rate. Further, no proper data repository was being maintained by the Committee, leading to redundancies in fetching historical data every year.

CHAPTER III
All Industry Rates (AIR) of Duty Drawback

All Industry Rates (AIRs) are notified by the government in the form of a drawback schedule based on the average quantity and value of inputs and duties (both Customs & Central Excise) borne by export products. These AIRs are recommended by a Drawback Committee, which is covered in Chapter II. In this Chapter, Audit test checked 6,640 SBs out of the total 16.64 lakh AIR Shipping Bills (SBs) in the selected 23 Customs Commissionerates ([Appendix-I](#)) to ensure whether the AIR drawback were paid in accordance with the applicable rules. The major findings are detailed in the succeeding paragraphs.

3.1 Non-recovery of Duty Drawback with interest on unrealised/partially realised export proceeds

Rule 18(1) of Drawback Rules, 2017 stipulates recovery of drawback sanctioned along with interest, if the exports proceeds have not been realized within the period allowed (including extensions) under the Foreign Exchange Management Act (FEMA), 1999 (Act No. 42 of 1999).

A. Audit observed in 1,587 AIR SBs out of the selected 6,240 SBs in 22 Commissionerates³, that the exports proceeds were not/partially realized even after expiry of the period specified under FEMA of the expected date of FOB realization. In the remaining selected sample, this deviation was not observed.

Further, it could not be ascertained from Indian Customs EDI Systems (ICES), whether the department was duly monitoring the pendency of realization in export proceeds and has initiated any action for recovering the drawback sanctioned on such exports.

In reply, six commissionerates⁴ stated that export proceeds in respect of 201 SBs have actually been received in full and within stipulated time limit under the FEMA, 1999.

³(i) ACC, Bengaluru (60 Not Realised (NR), 6 Partially Realised (PR)), (ii) ACC, NCH (Export), New Delhi (42 NR, 3 PR), (iii) CC Chennai IV (48 NR, 6 PR), (iv) CC Chennai VII (31 NR, 3 PR), (v) CC, Preventive, Cochin (11 NR), (vi) CC, Preventive, West Bengal (248 NR, 9 PR), (vii) CC Preventive, Amritsar (107 NR, 2 PR), (viii) CC, Mundra (20 NR, 7 PR), (ix) CC, Ahmedabad (14 NR, 4 PR), (x) CC, Hyderabad (9 NR, 1 PR), (xi) CC, Jodhpur (35 NR, 6 PR), (xii) CC, Cochin (116 NR), (xiii) CC, Ludhiana (68 NR, 3 PR), (xiv) CC, Port, Kolkata (151 NR, 28 PR), (xv) CC, Preventive, Bhubaneshwar (4 NR, 1 PR), (xvi) ICD Tughlakabad (Exports) (86 NR, 3 PR), (xvii) ICD, Bengaluru (68 NR, 1 PR), (xviii) JNCH, Nhava Sheva, Mumbai (58 NR, 6 PR), (xix) CC Lucknow (16 NR, 6 PR), (xx) NCH, Mumbai (34 NR, 2 PR) (xxi) CC Noida (63 PR) & (xxii) NCH Mangaluru (23 NR)

⁴ (i) ACC, NCH (Export), New Delhi (1 case), (ii) CC, Ahmedabad (7 cases), (iii) CC, Jodhpur (47 cases), (iv) JNCH, Nhava Sheva, Mumbai (73 cases), (v) NCH, Mangaluru (23 cases), (vi) NCH, Mumbai (50 cases).

In the remaining 1,386 Shipping Bills, exports proceeds were not realized in respect of 1,226 SBs (*Annexure 3.1a*), while partial realization was made in 160 SBs (*Annexure 3.1b*) resulting in ineligible drawback benefit to the exporter amounting to ₹ 193.05 crore, which needs to be recovered along with interest.

In reply, Customs Commissionerate, Preventive, West Bengal stated (January 2024) that due to data integration problems with the ICEGATE module, BRC realization details are not transferred to ICEGATE system.

The reply that the pendency in realization of export proceeds in ICES was due to non-updation of already realized amounts indicates a critical flaw. This incorrect reporting hampers the Department's ability to accurately identify genuine cases of non-realization thereby defeating the very intent of integrating EDPMS with the ICES module. It also highlights the absence of an effective monitoring mechanism within the ICES system for tracking export proceeds realization.

Recommendation No. 3

CBIC needs to strengthen data integration of EDPMS in ICES to track pending export proceeds, flag such cases by instituting system alerts and initiate action for timely recovery of ineligible drawback payments or deduct from the future entitlements of the exporters.

CBIC stated (May 2025) that instructions were issued (2015) for system alerts in the new BRC module. Further, Advait⁵ report on foreign remittances is available even at Port level. ICES is in process of updating Foreign Exchange Realization (FER) records for monitoring. The discussions with RBI for migrating to an API based data exchange module have entered an advanced stage.

The status of implementation of the new system and progress made in this regard, would be reviewed in subsequent audits.

3.2 Irregular Brand Rate payment for SBs claimed under Rule 7

Rule 7(1) of the Drawback Rules, 2017 stipulates that exporters are entitled to claim a refund of duties paid on inputs based on actual costs if the refund calculated under Rule 3 and 4 (AIR) is less than eighty *per cent* of the actual duties paid.

The exporters are required to make an application to the Principal Commissioner of Customs or Commissioner of Customs within three months from the date relevant for the applicability of the amount or rate of drawback

⁵ ADVAIT (Advanced Analytics in Indirect Taxes), rolled out in 2021, is a flagship analytics project for Indirect Taxes, by Central Board for Indirect Taxes and Customs (CBIC) for optimizing the capabilities of big data and Artificial Intelligence.

in terms of sub-rule (3) of Rule 5, except where a claim for drawback under Rule 3 or Rule 4 has been made.

A. Audit observed that in eight claims in two Commissionerates⁶, even though claims were originally filed by the exporters under Rule 3 or 4 (AIR), they had subsequently applied for Brand Rate under Rule 7(1) and the same was accepted by Customs Department in contravention to Rule 7(1). This resulted in incorrect payment of Duty Drawback of ₹1.60 crore. In the remaining selected sample, this deviation was not observed.

JNCH, Nhava Sheva, Mumbai while accepting (May 2024) the observation have initiated recovery proceedings in respect of seven claims. Reply from ACC NCH (Exports), New Delhi is awaited (June 2025).

B. Similar scrutiny on pan-India data of originally filed claims under Rule 3 or 4 (AIR) revealed that in 1,116 instances in six Commissionerates⁷, the exporters further applied for Brand Rate under Rule 7(1) resulting in incorrect payment of Duty Drawback of ₹29.92 crore (*Annexure 3.2*). In the remaining selected sample, this deviation was not observed.

JNCH, Nhava Sheva, Mumbai accepted (May 2024) the observations in 419 claims and informed that a recovery of drawback of ₹58.07 lakh has been made in 15 claims. Recovery proceedings for the remaining 404 claims have been initiated.

ACC Bengaluru, NCH Mangaluru, and ICD Bengaluru (August 2024) stated that Rule 7 DRAWBACK is correctly determined by deducting amounts paid under Rule 3 or 4 and that missing the '9807' prefix doesn't affect the claim if suffix 'B' is present.

The reply may be viewed in light of the fact that the amendment should be made to the Shipping Bills to '9807CTH'B' before sanctioning the drawback, to make the claim valid.

Recommendation No. 4

CBIC needs to institutionalize a control mechanism for ensuring adherence and compliance to Rule 7(1) for preventing further fixation of Brand Rate when AIR was already claimed under Rule 3(1).

CBIC stated (May 2025) that field formations have been sensitized again (March 2025), on this matter.

⁶ (i) JNCH, Nhava Sheva, Mumbai (07 cases), (ii) ACC NCH(Exports), New Delhi (01 case)

⁷ (i) JNCH, Nhava Sheva, Mumbai (419 cases), (ii) CC Hyderabad (105 cases), (iii) ACC Bengaluru (404 cases), (iv) ICD Bengaluru (130 cases), (v) NCH Mangluru (49 cases), (vi) ACC NCH(Exports), New Delhi (09 cases)

3.3 Incorrect AIR drawback paid due to misclassification of export goods.

AIR drawback is allowed up to a prescribed percentage of Free on Board (FOB) value of export product or at specific rate per unit of export goods as notified against the respective tariff items specified in the Drawback Schedule.

A. Audit observed excess payment of drawback amounting to ₹0.86 crore (**Annexure 3.3a**) in 75 Shipping Bills in seven Commissionerates⁸ and short payment of drawback amounting to ₹0.58 crore in respect of four SBs in two Commissionerates⁹. In the remaining selected sample, this deviation was not observed.

One illustrative case each involving excess as well as short payment of drawback is detailed hereunder:

1. M/s. A1 Private Limited exported vehicles from NCH, Mumbai under drawback serial no. 870307B/870308B with 4 per cent/4.7 per cent drawback rate. However, the vehicle was correctly classifiable under drawback serial no. 870305B/870306B with 3 per cent /3.7 per cent drawback rate. This misclassification resulted in excess payment of drawback of ₹5.71 lakh.

2. M/s. A2 Private Limited, exported 24,900 mobile phones from ACC Bengaluru under Drawback Serial No. 851799B with 1 per cent Drawback rate. The mobile phones were correctly classifiable under drawback serial no. 851701B with 4 per cent Drawback rate. This misclassification has resulted in short payment of drawback of ₹29.16 lakh.

In reply to these cases of excess payment, five Commissionerates¹⁰ accepted the observation and stated that recovery proceedings have been initiated.

In February 2024, ACC Bengaluru and NCH Mangaluru stated that the items were correctly classified under DRAWBACK Sl.No. 620503B (man-made fibre) and the misclassification couldn't be verified due to system-assessed (RMS) shipping bills.

However, the reply may be viewed in light of the fact that linen is a natural fabric, and the bills were available in the drawback queue for correction, as confirmed in ICES 1.5.

⁸ (i) NCH, Mumbai (15 cases), (ii) CC, Port, Kolkata (6 cases), (iii) CC, Preventive, West Bengal (6 cases), (iv) CC Chennai IV (25 cases), (v) CC Chennai VII (20 cases), (vi) ACC, Bengaluru (1 case), (vii) NCH, Mangaluru (2 cases).

⁹ (i) ACC, Bengaluru (2 cases), (ii) NCH, Mangaluru (2 cases).

¹⁰ (i) NCH, Mumbai (15 cases), (ii) CC, Port, Kolkata (6 cases), (iii) CC, Preventive, West Bengal (6 cases), (iv) CC Chennai IV (25 cases), (v) CC Chennai VII (20 cases).

B. Similar scrutiny in respect of 5,45,869 pan-India AIR SBs revealed misclassification in 466 instances in six Commissionerates¹¹ leading to excess payment of drawback of ₹1.37 crore (*Annexure 3.3b*).

A case is highlighted hereunder:

M/s. A3 Ltd. exported Heparin Sodium Injections and Enoxaparin Sodium Injections from NCH, Delhi, in three Shipping Bills under drawback Sl. No. 3004B with drawback rates of either 1.5 *per cent*/1.3 *per cent*. The items were correctly classifiable under drawback Sl. No. 3001B with 'nil' duty drawback thereby resulting in incorrect duty drawback payment of ₹0.56 lakh.

CBIC in respect of cases commented above, stated (May 2025) that CC Port Kolkata recovered ₹1.82 crore in respect of M/s. A4 Ltd. & M/s. A5 Ltd., and initiated recovery actions for others. Similar action was initiated by NCH (Exports), New Delhi, Chennai IV, and NCH Zone I, Mumbai for other cases.

3.4 Irregular sanction of Supplementary Claim of Duty Drawback

Para 3.1 of Chapter 22 of Customs Manual 2018 stipulates sanction of AIR or Brand Rate of Drawback on Shipping Bill/Bill of Export filed, provided the requisite information is filled and documents prescribed in Drawback rules 2017 are accompanied. If the requisite documents are not furnished, or there is any deficiency, the claim may be returned for the submission of the requisite information/documents. However, the export shipment will not be stopped for this reason.

Rule 16 of Duty Drawback Rules, 2017 further stipulates preferring of supplementary claim in Annexure II within three months if an exporter finds that the amount of drawback paid is less than his entitlements.

M/s. A6 Private Limited under Customs (Preventive) Bhubaneswar, filed (May 2021) non-drawback Shipping Bill. The exporter later applied for a supplementary scroll to include duty drawback at the rate of one percent of the FOB value and the Department irregularly allowed duty drawback amounting to ₹93.37 lakh even though the supplementary claim was not in conformity with Rule 16 and the exporter did not submit the revised Shipping Bill for the supplementary claim of drawback.

CBIC stated (May 2025) that the exporter was negligent while filing the SB and therefore requested to file supplementary DRAWBACK Claim for the said Shipping Bill as EGM was closed and amendments to the Shipping Bill was not

¹¹ (i) NCH, Mumbai (46 cases), (ii) ACC NCH(Exports), New Delhi (37 cases), (iii) CC Chennai IV (219 cases), (iv) CC Chennai VII (65 cases), (v) CC, Preventive, West Bengal (88 cases), (vi) CC, Port, Kolkata (11 cases)

possible post clearance of EGM. Hence, the supplementary DRAWBACK was allowed and processed against the said Shipping Bill.

The reply is not tenable as the payment of drawback was in contravention of the Rule 16 (1). Further, the exporter did not prefer the supplementary claim in the required form (Annexure-II).

3.5 Irregular sanction without confirming description of goods

Rule 13(1)(a) of Duty Drawback Rules, 2017 stipulates that exporters must specify essential details on the shipping bill or bill of export to determine entitlement and rates of drawback for goods. The AIR Drawback Schedule of 2020-21 included 93 entries for 'fabrics' with varying rates from 1.3 per cent to 8.6 per cent.

A. Scrutiny of selected 900 AIR SBs revealed that in 12 cases in Customs, Preventive, West Bengal, drawback rates ranging from 1.30 per cent to 8.20 per cent were sanctioned without confirming the actual nature of goods, owing to the absence of detailed descriptions in the Shipping Bills or commercial invoices. This resulted in an irregular sanction of AIR drawback of ₹10.90 lakh.

B. Similar analysis of 27,825 AIR cases of Customs, Preventive, West Bengal, as received from DG Systems, revealed that drawback was sanctioned in 339 cases without confirming the actual nature of goods resulting in irregular sanction of AIR drawback of ₹98.04 lakh.

CBIC stated (May 2025) that irregular drawback was sanctioned and verification is under process regarding the actual nature of the goods exported.

3.6 Delays in claims processing under Rule 3 AIR

CBIC issued (September 2018) a comprehensive action plan for streamlining the implementation of the Duty Drawback scheme. Further, Circular (December 2020) reduced the disposal time for settling drawback claims from seven to three days.

A. Scrutiny of selected sample in 23 Commissionerates revealed delay in payment of drawback in 4,694 out of 6,640 AIR SBs (70.69 per cent) (Annexure 3.4a) as detailed below:

Table No.3.1: Delay in payment of drawback

Delay Range	No of AIR SBs
Upto 30 days	2,765
31-90 days	1,065
91-180 days	321
More than 6 months	543
Total AIR SBs	4,694

In reply, 15 Commissionerates¹² accepted the audit observation and stated that the delay was due to technical error/glitches in EDI, covid pandemic, shortage of staff, late reply to the queries from the exporter, etc. Further, it was stated that all officers are being regularly sensitized to adhere to the timeline of disbursement of drawback.

B. Similar analysis of pan-India data on AIR drawback cases received from DG Systems revealed delay in the payment of AIR drawback in 13,09,413 out of 16,63,834 SBs (78.70 per cent) (Annexure 3.4b) as detailed below:

Table No. 3.2: Delay in the payment of AIR drawback

Delay Range	No of AIR SBs
Upto 30 days	9,20,751
31-90 days	2,86,458
91-180 days	50,952
More than 6 months	51,252
Total AIR SBs	13,09,413

NS II, JNCH, Mumbai, while accepting the observation (April 2024) replied that generally, delay arises from factors such as EGM errors, exporter query response time, PFMS errors, suspended Shipping Bills or IECs, time taken for NOCs from partner agencies for the removal of alerts and suspensions, and COVID-related processing delays. However, attributing most of these processing delays solely to the department is inaccurate, as other stakeholders such as exporters and PFMS are also integral to the claim processing. To address these delayed processing issues, the department has taken various measures such as Public Notices for awareness, special drives, and processing drawback on holidays etc.

The delay in significant number (70.69 per cent in the selected 23 Commissionerates and 78.70 per cent for pan-India cases) with 543 cases and 51,252 cases respectively of more than six months indicates lack of supervision and internal control affecting Department's endeavour of achieving the objective of simplification of procedures, trade facilitation and ease of doing business.

¹² (i) ACC, Bengaluru (138 cases), (ii) ACC, NCH (Export), New Delhi (161 cases), (iii) CC Chennai VII (159 cases), (iv) CC Preventive Cochin (44 cases), (v) CC, Preventive, West Bengal (786 cases), (vi) CC Preventive, Amritsar (186 cases), (vii) CC, Hyderabad (164 cases), (viii) CC, Jodhpur (210 cases), (ix) CC Cochin (208 cases), (x) CC, Ludhiana (166 cases), (xi) ICD Tughlakabad (Exports) (110 cases), (xii) ICD, Bengaluru (124 cases), (xiii) JNCH, Nhava Sheva, Mumbai (291 cases), (xiv) NCH, Mangaluru (42 cases), (xv) NCH, Mumbai (255 cases).

Recommendation No. 5

CBIC may ensure that prescribed timelines for sanction of drawback are strictly complied with by establishing a robust monitoring mechanism.

CBIC stated (May 2025) that instructions were issued (December 2020) for time bound processing of drawback claims and field formations have been sensitized again (March 2025).

3.7 Insufficient data capturing in respect of AIR drawback Shipping Bills in ICES system.

The AIR Duty Drawback is governed by Section 75 of the Customs Act, 1962, Drawback Rules, 2017, and various notifications, circulars, and instructions issued under these regulations.

The steps involved filing of SBs in the ICES for export of goods under a claim for drawback (using the specified AIR identifier), electronic transfer of Export General Manifest (EGM), which confirms the physical export of goods and system would process the claim by automatically moving the SBs to Drawback Queue for sanction. It enables auto-generation of scroll and intimation to the nominated bank to credit the exporter's account.

Scrutiny of AIR SBs in three Commissionerates¹³ revealed that essential details like EGM Number, the EGM Date or both were not captured by the ICES in 350 out of 842 SBs. In the remaining selected sample, this deviation was not observed.

The incomplete data capturing in the ICES, sanction and payment of duty drawback without verification of relevant details of the Shipping Bills indicates inadequate monitoring mechanism in drawback disbursement.

NCH Commissionerate, Mumbai (April 2024) stated that the drawback is being sanctioned based on local EGM submitted by the Custodian. Further, the Gateway EGM is being filed by the Shipping agent after the actual export of the cargo from Gateway port. It was also stated that letters have been forwarded to the Custodian for necessary action.

The reply may be viewed in light of the fact that Gateway EGM is required to be filed electronically in ICES at gateway port. However, EGM number was not captured in ICES which shows that it was not filed electronically.

Recommendation No. 6

CBIC's ICES system may be reviewed for capturing of essential parameters, alert system for inconsistencies, cross-verification of available datasets, viz.,

¹³ (i) NCH, Mumbai (170 cases) (ii) CC Lucknow (121 cases) (iii) CC Noida (59 cases)

local and Custodian EGM for streamlining the automated process of drawback disbursements.

CBIC stated (May 2025) that submission of EGM is the key for sanction of duty drawback and it was seen that EGM details existed for 342 SBs out of the commented 350 SBs and NIC has been requested to verify the remaining 8 SBs. The response did not address the larger issues highlighted in the recommendation.

3.8 Conclusion

Pendency reflected in realization of export proceeds in ICES due to non-updation of already realized amounts indicates a critical flaw. This incorrect reporting hampers the Department's ability to accurately identify genuine cases of non-realization thereby defeating the very intent of integrating EDPMS with the ICES module. It also highlights the absence of an effective monitoring mechanism within the ICES system for tracking export proceeds realization.

The significant delay in processing claims (70.69 *per cent* in the selected 23 Commissionerates and 78.70 *per cent* for pan-India cases) with 543 cases and 51,252 cases respectively delayed for more than six months indicates lack of supervision and internal control affecting Department's endeavour of achieving the objective of simplification of procedures, trade facilitation and ease of doing business.

The incomplete data capturing in the ICES, sanction and payment of duty drawback without verification of relevant details of the Shipping Bills indicates inadequate monitoring mechanism in drawback disbursement.

CHAPTER IV

Brand/Special Brand Rate of Duty Drawback

Brand Rate of Duty Drawback is governed by Section 75 of the Customs Act, 1962, wherein duty drawback is allowed on the actual duty incidence on the export goods.

The application for determination of drawback under Rule 6 can be filed by an exporter where no amount or rate of drawback has been determined in respect of any goods. The rate so fixed is known as the Brand Rate of Duty Drawback.

The application for determination of drawback under Rule 7 can be filed by an exporter where, in respect of any goods, the exporter finds that the amount or rate of drawback determined for the class of goods is less than eighty per cent of the duties paid on the materials or components used in the production or manufacture of the said goods. The rate so fixed is known as the Special Brand Rate.

In both the cases, the application is to be made to any one of the jurisdictional Principal Commissioner or Commissioner of Customs from where export of the subject goods is effected, stating all relevant information in respect of the proportion of materials and components used in the production or manufacture of export goods and the duties paid on such materials and components.

Audit selected sample of 1,167 Brand Rate/Special Brand Rate cases in 22 Customs Commissionerates ([Appendix-I](#)), out of which 984 were produced and examined on various parameters to check whether Brand rate was paid in accordance with the applicable rules and the major findings are reported in the succeeding paragraphs.

4.1 Extent of compliance to rules and regulations while processing Drawback claims

4.1.1 Payment of Duty Drawback in cash / bank transfer instead of re-credit of scrip

Proviso (ii) under Para 3 of the Drawback Rule, 2017 issued (September 2017) vide Notification No. 88/2017 stipulates that no drawback shall be allowed if the said export goods are produced or manufactured, using imported materials or excisable materials in respect of which duties have not been paid.

Further, Customs Notification No. 24 of 2015 empowers the Central Government to grant exemption from Customs Duty when imported into India against the Merchandise Exports from India Scheme (MEIS)¹⁴ duty credit scrip.

The above Notification grants exemption from payment of duties and it is not to be construed as requiring the importer to "pay duty through debit". Debiting of duty through the MEIS scrip is an administrative method to confirm availing of exemption and certainly it is not a method of payment of duty. The quantum of Basic Customs Duties that have been foregone by the Customs Authorities is not forming the part of Government of India's revenue and therefore it cannot be considered that Basic Customs Duties have been paid by the importer.

Scrutiny of Brand Rate Drawback cases under selected Commissionerates revealed that in 66 cases pertaining to six Commissionerates¹⁵, drawback of ₹272.79 crore was allowed in cash/ bank transfer which was inclusive of duty debited through MEIS scrips (**Annexure- 4.1**). In the remaining selected sample, this deviation was not observed.

As debiting of duty through the MEIS scrip is an administrative procedure, in such cases duty drawback was required to be allowed by re-crediting the MEIS scrip instead of allowing the drawback in cash/bank transfer.

An illustrative case is discussed below:

M/s. B1 Limited claimed brand rate duty drawback for customs duty paid on imported goods. Audit observed that although the Customs duty of ₹10.92 crore was debited from the duty credit scrip of MEIS, the entire drawback of ₹10.92 crore was paid in cash/ bank transfer.

JNCH Commissionerate, Mumbai stated that no restrictions are laid down under any Notification/Circular relating to cash/bank transfer of drawback claimed under Section 75 of Customs Act 1962 (May 2024).

The reply may be viewed in light of the fact that duty paid through scrip is not regarded as actual payment of duty, and Rule 3(c)(ii) of the Drawback Rules prohibits grant of drawback on inputs where no duties have been paid. Accordingly, the Department may consider allowing payment of drawback through re-crediting of the scrip.

¹⁴ MEIS, introduced in the Foreign Trade Policy (FTP) 2015-2020 was as an incentive scheme for the export of goods wherein the rewards were given by way of duty credit scrips to exporters. The MEIS is notified by the DGFT and implemented by MOCI.

¹⁵ (i) NCH, Mumbai (8 cases), (ii) JNCH, Nhava Sheva Mumbai (27 cases), (iii) CC, Ahmedabad (23 cases), (iv) CC, Mundra (5 cases), (v) CC, Ludhiana (1 case) (vi) NCH Mangaluru (2 cases)

Recommendation No. 7

CBIC may adopt a uniform stand for granting drawback under Section 75 by re-crediting the scrip instead of disbursing via cash or bank transfer when the Customs Duty on imports was paid by debiting of scrips, in line with the requirement under Section 74.

CBIC stated (May 2025) that post 2021, MEIS/SEIS schemes are shifted under Budgetary provisions and duty paid under the scrips are considered revenue earned and there is no bar on issuance of drawback. Further, Circular 45/2011 is limited to re-export of imported goods u/s 74 and not applicable on AIR drawback u/s 75.

Rule 3(c)(ii) of the Drawback Rules expressly prohibits grant of drawback on inputs where no duties have been paid. In this context, the contention that duty debited through MEIS scrip constitutes revenue earned may be viewed in the light of the fact that Customs Notification No. 24/2015 grants exemption from payment of duties, which cannot be construed as requiring the importer to “pay duty through debit.”

4.1.2 Non-recovery of drawback sanctioned despite non/partial realization of export proceeds

Rule 18(1) of Drawback Rules, 2017 stipulates recovery of drawback sanctioned along with interest, if the exports proceeds have not been realized within the period allowed (including extensions) under the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999).

Audit observed 36 Brand Rate cases pertaining to eight Commissionerates¹⁶, out of the selected 984 Brand rate cases wherein the exports proceeds were not/partially realized even after the expiry of period specified under FEMA of the expected date of FOB realization and thus Brand Rate drawback amount already paid against these Shipping Bills was recoverable. In the remaining selected sample, this deviation was not observed.

However, it was noted that the drawback amount paid has not been recovered, which has resulted in an ineligible drawback benefit to the exporters amounting to ₹66.58 crore ([Annexure-4.2](#)).

An illustrative case is discussed below:

¹⁶ (i) JNCH, Nhava Sheva, Mumbai (5 cases) (ii) NCH, Mumbai (3 cases) (iii) CC, Ahmedabad (10 cases) (iv) CC, Mundra (6 cases) (v) CC, Port, Kolkata (7 cases) (vi) CC Preventive, Cochin (2 cases), (vii) ACC, Bengaluru (2 cases) (viii) ICD, Bengaluru (1 case).

M/s. B2 Pvt Ltd has pending realization of exports proceeds of ₹9.41 crore beyond the period permitted under FEMA. However, no action was initiated to recover the ineligible drawback amounting to ₹28.81 lakh.

NCH Commissionerate, Mumbai stated (April 2024) that ICES was showing zero amount of realization of export proceeds, however, export proceeds were found fully realized within the stipulated time. Further, physical copies of e-BRCs have to be verified for confirming the realization of export proceeds, which increases the unnecessary workload on the part of officer and exporter.

Department's reply indicates the insufficiency of ICES in monitoring of the realization of export proceeds on a real time basis. Despite the timely and complete realization of proceeds, the system inaccurately shows zero amounts, leading to unnecessary verification of physical copies of e-BRCs.

Recommendation No. 8

The BRC module of ICES should be synchronized with the Export Data Processing and Monitoring System (EDPMS) module of RBI to accurately reflect foreign exchange realization on real time basis so as to instil an effective monitoring mechanism on pending forex realization and obviating the need for issuing avoidable demand notices when foreign exchange has already been fully realized.

CBIC stated (May 2025) that instructions were issued (2015) for system alerts in the new BRC module. Further, Advait report on foreign remittances is available even at Port level. ICES is in process of updating FER records for monitoring. The discussions with RBI for migrating to an API based data exchange module have entered an advanced stage.

The status of implementation of the new system and progress made in this regard, would be reviewed in subsequent Audits.

4.1.3 Incorrect payment of Brand Rate claims under Rule 7(1)

Rule 7(1) of the Drawback Rules, 2017 stipulates that exporters are entitled to claim a refund of duties paid on inputs based on actual costs if the refund calculated under Rule 3 and 4 (AIR) is less than eighty *per cent* of the actual duties paid.

The exporters are required to make an application to the Principal Commissioner of Customs or Commissioner of Customs within three months from the date relevant for the applicability of the amount or rate of drawback in terms of sub-rule (3) of Rule 5, except where a claim for drawback under Rule 3 or Rule 4 has been made.

Further, Para 'c' of Customs Circular No. 38 / 2017 dated 22 September 2017 stipulates that, for claiming general AIR duty drawback, the relevant tariff

item number of goods must be suffixed with 'B' in shipping bill. Whereas para 2 of Annexure-1 attached to Circular No. 29/2015-Customs dated 16 November 2015, recommends that, the exporter opting for claim of brand rate under Rule 7 of Drawback Rule 1995 shall declare the figure 9807 as identifier along with tariff item number of goods followed by character 'B' in shipping bill under drawback details.

Scrutiny of Brand rate cases revealed 20 cases pertaining to three Commissionerates¹⁷, wherein application for fixation of Special Brand Rate under Rule 7(1) of Drawback Rules, 2017 was made even though the exporters initially claimed drawback under Rule 3 ibid. Department accepted the claims and sanctioned drawback amounting to ₹32.83 crore ([Annexure- 4.3](#)).

An illustrative case is discussed below:

M/s. B3 Ltd. submitted (9 August 2021) application for fixation of Brand Rate which was approved (26 April 2022) by JNCH Mumbai for duty drawback amounting to ₹5.75 crore. However, it was observed that the exporter had initially filed (29 May 2021) the duty drawback claim for AIR in accordance with Rule 3 of the Drawback Rules; thus, both the filing of claim and approval of the duty drawback under Rule 7(1) was irregular.

CBIC stated (May 2025) that non mention of identifier 9807 was due to technical mistake and Drawback amount of ₹13.98 lakh has been recovered along with interest from M/s. B3A Ltd. Recovery proceedings are being initiated against other exporters for recovery of the Drawback paid.

4.1.4 Drawback, claimed under Rule 6 in SB, sanctioned under Rule 7

Rule 6 of the Drawback Rules, 2017 covers those cases where amount or rate of drawback has not been determined. Further, as per para 1 of Annexure-1 attached to Circular No. 29/2015, the exporter opting for claim of Brand Rate under Rule 6 ibid shall declare the figure 9801 as identifier under the drawback details in the Shipping Bills filed.

Similarly, exporters opting for claim of Brand Rate under Rule 7 shall declare the figure 9807 as identifier along with tariff item number of goods followed by character 'B' in Shipping Bill under drawback details.

Audit observed that in 29 instances in three Commissionerates¹⁸, Shipping Bills were filed under Rule 6 of Drawback Rules, 2017 with identifier 9801. The exporters further filed manual application for fixation of Brand Rate under Rule 7 of Drawback Rules, 2017 which was allowed by the department,

¹⁷ (i) JNCH, Mumbai (16 cases), (ii) CC Chennai VII (1 case) (iii) CC, Ahmedabad (3 cases)

¹⁸ (i) JNCH, Mumbai (11 cases), (ii) CC, Tughlakabad (1 case), (iii) CC, Ludhiana (17 cases)

resulting in irregular payment of Duty Drawback of ₹5.85 crore ([Annexure 4.4](#)). In the remaining selected sample, this deviation was not observed.

An illustrative case is detailed below:

M/s. B4 Ltd. submitted (June 2020) for Brand Rate with identifier as 9801. Subsequently, the exporter made manual application under Rule 7 and claimed drawback of ₹35.25 lakh, which was approved by JNCH Mumbai Zone II. The firm declared drawback schedule of 8422 for export product “Second Hand Renovated Filling Machine Tetra Pak A3”, for which All Industry Rate (AIR) at the rate 1.8 *per cent* of FOB value, already existed.

The drawback rate for the export product had already been determined, hence filing of Shipping Bill for fixation of brand rate under Rule 7 was contradictory to the provisions of Drawback Rules, 2017.

CBIC stated (May 2025) that the exporter inadvertently filed the Shipping Bills under Drawback Serial No. 9801 under Rule 6 instead of claiming AIR under Rule 3 and Brand rate of Drawback under Rule 7. Further, there is no loss of revenue. Drawback Serial Nos. are now being checked thoroughly to ensure that Brand Rate of Drawback is sanctioned under correct Rule.

The reply of the Department may be viewed in light of the fact that the incorrect attribution of the Drawback identifier distorts the classification of drawback payments under Rule 6 and Rule 7. This misrepresentation undermines the reliability of data crucial for reporting, policy formulation, and strategic planning. Further, since the processing is carried out manually and necessary rectifications are not effected in the ICES, the risk of persistent inaccuracies and systemic inefficiencies remain unaddressed.

4.1.5 Drawback, claimed under Rule 6 in Shipping Bill, despite availability of AIR under Rule 3

Rule 6 of the Drawback Rules, 2017 covers those cases where amount or rate of drawback has not been determined. Further, as per para 1 of Annexure-1 attached to Circular No. 29/2015, the exporter opting for claim of Brand Rate under Rule 6 *ibid* shall declare the figure 9801 as identifier under the drawback details in the Shipping Bills filed.

A. Audit found 17 cases in three Commissionerates¹⁹ where Shipping Bills were filed under Rule 6 of Drawback Rules, 2017 with identifier 9801. In all these cases, AIR drawback was available and as such, the exporters were required to claim the drawback either under Rule 3 or 4 (AIR) or under Rule 7

¹⁹ (i) JNCH, Nhava Sheva, Mumbai (2 cases), (ii) CC, Ahmedabad (14 cases), (iii) CC, Mundra (1 case)

(Special Brand Rate). However, the exporters incorrectly claimed the drawback under Rule 6 resulting in incorrect payment of duty drawback of ₹5.09 crore. [\(Annexure 4.5a\)](#).

An illustrative case is discussed below:

M/s. B5 Limited submitted (02.12.2019) application for Brand Rate dated in JNCH, Zone II, Mumbai for 257 SBs. In 205 SBs, the exporter had declared drawback identifier as 9801 and in 41 SBs as 9807. Further, the exporter had made the manual application for fixation of Brand Rate under Rule 7 declaring serial number of drawback schedule as 2005/2106/2103 for export product "Ready to eat processed food" etc having All Industry Rate (AIR) @ 0.15 per cent of FOB value.

The drawback rate for the export product had already been determined. Hence, filing of Shipping Bill for fixation of brand rate under Rule 6 by declaring drawback identifier as 9801, in respect of 205 shipping bills is in contravention with Rule 6 of Customs and Central Excise Duties Drawback Rules, 2017.

JNCH Commissionerate, Mumbai stated that the exporter has filed all shipments under Drawback cum Advance License with identifier code 9807 but due to drawback scheme code 41 which is for Duty Free Import Authorisation (DFIA) Advance license, system by default picks up drawback identifier code 9801. System does not allow drawback identifier code 9807 for Shipping Bill filed under Drawback cum Advance License.

The reply of the Department indicates that the matter be taken up with CBIC to rectify the technical shortcomings in the ICES. Due to this technical issue, reporting of drawback paid under Special Brand Rate under Rule 7 and Drawback under Rule 6 leads to incorrect reporting for all purposes like reporting, decision making and planning etc. The processing is being done manually and no rectifications made in the ICES.

B. Similar scrutiny of pan-India data on Brand Rate drawback revealed 1,428 out of 4,962 SBs in two Commissionerates (1,348 cases in JNCH Zone II Mumbai & 80 cases in ACC Bengaluru) were filed under Rule 6 of Drawback Rules, 2017 with identifier 9801 even though AIR drawback was available in all these cases. Consequently, the exporters were required to claim the drawback either under Rule 3 or 4 (AIR) as the case may be, or under Rule 7 (Special Brand Rate). However, the exporters incorrectly claimed the drawback under Rule 6 resulting in incorrect payment of duty drawback of ₹8.94 crore [\(Annexure 4.5b\)](#).

Further scrutiny revealed that in another 3,534 SBs in JNCH Zone II, Mumbai, all the exported goods were having predetermined drawback rates in the AIR

Schedule. This has resulted in the inaccurate reporting of drawback figures to the CBIC.

In reply, JNCH Commissionerate, Mumbai accepted the observation and stated (May 2024) that the Department would consult the technical issue with CBIC/ICES.

ACC, Bengaluru replied that the Shipping Bills contain goods exported in discharge of export obligation against an Advance Authorisation or DFIA. Hence, the All-Industry Rate mentioned in the notification is not applicable to these goods, and the rate of drawback is fixed based on the application filed under Rule 6(1)(a) of the Drawback Rules 2017. However, in instances where the export product utilizes duty-free inputs and the drawback rates have already been determined under the AIR Schedule, ICES should feature a distinct identifier for the same.

Recommendation No. 9

CBIC may address the technical glitches in the extant ICES so as to have unique identifiers and have accurate MIS reporting distinctly for specific types of drawback.

CBIC stated (May 2025) that AIR schedules are not applicable to exports made under exports promotion schemes viz., Advance Authorisation/EOUs/SEZs & DFIA and ICES by default picks identifier Code 9801 and disallows 9807.

The reply of the Department may be viewed in light of the fact that the incorrect attribution of the Drawback identifier distorts the classification of drawback payments under Rule 6 and Rule 7. This incorrect representation undermines the reliability of data crucial for reporting, policy formulation and strategic planning. Further, since the processing is carried out manually and necessary rectifications are not effected in the ICES, the risk of persistent inaccuracies and systemic inefficiencies remains unaddressed.

4.1.6 Sanctioning Brand Rate claims from non-jurisdictional Commissionerate

Para 7(1)(i) of Drawback Rules, 2017 provides that in case an exporter is exporting the goods from more than one place of export, he shall apply to the Principal Commissioner or Commissioner of Customs, having jurisdiction over any one of the said places of export.

Audit observed in respect of two Brand Rate cases (M/s. B6 Ltd.) pertaining to JNCH, Mumbai, that the commodities exported from JNCH were totally different from the goods exported from other ports for which drawback under Rule 7(1) of Duty Drawback Rules 2017 was claimed.

In another instance (M/s. B7 Ltd.) no export was effected for the enlisted Shipping Bills under the Brand Rate claim from the place of export having jurisdiction of JNCH, Mumbai. However, Department accepted these three claims and sanctioned drawback amount of ₹4.91 crore.

CBIC stated (May 2025) that Rule 7 does not seek to reject such claims and there is no loss of revenue. However, audit objection has been accepted and now, such type of claims is being transferred to the jurisdictional Custom office. Exporters are also being advised to file claim at the relevant office/port.

4.1.7 Processing Brand Rate over and above 1/3rd of Market Price

Rule 9 of Customs and Central Excise Duties Drawback Rules, 2017 provides that the drawback amount or rate shall not exceed 1/3rd of the market price of the export product.

Audit observed that the drawback amount exceeded 1/3rd of the market price of the exported items in three instances in JNCH, Mumbai, resulting in excess payment of duty drawback of ₹18.11 lakh.

JNCH Mumbai while accepting (May 2024) the audit observation issued demand letter to the exporter for excess drawback sanctioned.

Recommendation No. 10

CBIC may ensure streamlining ICE System so as to facilitate necessary cross-verification and restrict the minimum and maximum threshold prescribed under the extant provisions.

CBIC stated (May 2025) that the upper limit of one-third applies to drawback determined under Rule 3 (AIR) and not to exports under claim of Brand Rate.

The reply of the department may be viewed in light of Rule 9 of Drawback Rules read with Para 3.3 of Annexure 1 of Customs Circular No. 29 of 2015 wherein the maximum threshold of the Drawback amount or rate to be allowed is prescribed. Further, CBIC itself has replied that the recovery proceedings in cases commented, has been initiated.

4.1.8 Payment of Drawback on exempted imports

Rule 6 and 7 of the Drawback Rules, 2017 provides for Brand Rate of Duty Drawback, when the export product is not specified in the All-Industry Rate (AIR) schedules or when the AIR neutralizes less than eighty *per cent* of the actual duties paid.

Further, Chapter 25 of Customs Manual, 2023, specifies that 100% Export Oriented Units (EOUs) are permitted to import raw materials/capital goods duty-free (including exemption from IGST and Compensation cess up to

31.03.2021) and procure excisable goods without payment of duty domestically.

Audit observed that M/s. B8 Limited was granted (June 2019) Special Brand Rate under Rule 7(1) for ₹10.08 lakh, even though the exporter claimed BCD exemptions of ₹1.68 lakh under Notification 52/2023 on imported raw materials in two Bills of Entry (BEs), resulting in irregular granting of drawback to the extent of ₹1.68 lakh.

CBIC stated (May 2025) that recovery proceedings have been initiated against the exporter.

4.2 Extent of control management/monitoring in the payment of duty drawback

4.2.1 Delay in Drawback payment after stipulated period of one month from filing of claim

Section 75A of the Custom Act stipulates payment of interest at 6 per cent under Section 27A, if the drawback payable to a claimant under Section 74 or Section 75 is not paid within a period of one month from the date of filing a claim application.

Review of selected 984 Brand rate cases revealed delay in payment of Brand Rate drawback ranging from one to 4,247 days (Annexure 4.6a), in 507 cases pertaining to 17 Commissionerates²⁰.

Further, it was observed that no interest was paid by the Department for such delay in payment of drawback in 397 cases pertaining to 15 Commissionerates²¹. The significant delays in finalising the Brand Rate cases was against the spirit of quick disposal of Brand Rate claims to facilitate exporters and created interest liability of ₹10.37 crore on the exchequer (Annexure 4.6b).

²⁰(i) JNCH, Nhava Sheva, Mumbai (92 cases), (ii) NCH, Mumbai (18 cases), (iii) CC, Ahmedabad (29 cases), (iv) CC, Mundra - (19 cases), (v) ACC, NCH (Export), New Delhi (35 cases), (vi) CC, Jodhpur (31 cases), (vii) CC, Port, Kolkata (9 cases), (viii) CC, Chennai IV (27 cases), (ix) CC Chennai VII (36 cases), (x) CC, Cochin (67 Cases), (xi) CC, Ludhiana (50 cases), (xii) CC, Hyderabad (33 cases), (xiii) CC, Preventive, Bhubaneshwar (26 cases), (xiv) ACC, Bengaluru (08 cases), (xv) ICD, Bengaluru (07 cases), (xvi) NCH, Mangaluru (17 cases) (xvii) CC, Preventive, Cochin (03 cases)

²¹ (i) CC, Ahmedabad (29 cases), (ii) CC, Mundra (19 cases), (iii) ACC, NCH (Export), New Delhi (35 cases), (iv) CC, Jodhpur (31 cases), (v) CC, Port, Kolkata (9 cases), (vi) CC Chennai IV (27 cases), (vii) CC Chennai VII (36 cases), (viii) CC, Cochin(67 cases), (ix) CC, Ludhiana (50 cases), (x) CC, Hyderabad (33 cases), (xi) CC, Preventive, Bhubaneshwar (26 cases), (xii) ACC, Bengaluru (08 cases), (xiii) ICD, Bengaluru (07 cases), (xiv) NCH, Mangaluru (17 cases) (xv) CC, Preventive, Cochin (03 cases)

CBIC while accepting the audit observation, stated (May 2025) that Brand Rate fixation work is complex and time consuming in nature and interest has not been claimed by any applicant so far.

The response may be reviewed in view of the fact that the very intent of timely disbursement of drawback and interest liability for delayed disbursements gets defeated with delays ranging upto 4,247 days.

4.2.2 Time barred drawback claims

Rule 7 of Drawback Rules, 2017 prescribes the timelines for preferring claim for drawback within three months from the date of Let Export Order. The timelines may be extended by three months by the AC/DC and by another six months by the Commissioner.

The aforesaid extensions may be granted on the basis of an application and after making such enquiry as they think fit along with applicable fees. Board owing to Covid-19, further relaxed the time period falling due period from 20th March 2020 to 31st December 2020.

Audit observed that claims for brand rate fixation were preferred after the expiry of due date in respect of 17 cases (14 cases in CC Jodhpur & three cases in CC Ludhiana) out of the selected 984 cases. These claims were time-barred, however, the department admitted the claims and paid the drawback claim of ₹3.02 crore to the exporters ([Annexure 4.7](#)).

CBIC stated (May 2025) that the cases are being examined and the factual position would be intimated in due course.

4.2.3 Delay in issue of Deficiency Memo to the exporter

Rule 14(3)(a) of Drawback Rules 2017 stipulates issuing of Deficiency Memo in the form prescribed by the Principal Commissioner of Customs, within 10 days, if the claim for drawback is incomplete in any material particulars or is without documents specified in sub-rule (2) and such claim shall be deemed not to have been filed for the purpose of section 75A.

Audit observed delay ranging from eight days to 669 days in issuing the “Deficiency Memo” to the applicant, owing to which, the drawback payable to the exporters got delayed in 23 cases pertaining to seven Commissionerates²², out of the selected 984 cases. ([Annexure 4.8](#)).

An illustrative case is highlighted hereunder:

²² (i) CC Mundra (2 cases), (ii) CC, Ahmedabad (3 cases) (iii) CC, Port, Kolkata (9 cases), (iv) CC Chennai IV (4 cases), (v) CC, Hyderabad (2 cases), (vi) NCH Manguluru (2 cases) (vii) ACC Bengaluru (1 case)

M/s. B9 applied (December 2017) for brand rate fixation in CC Mundra. The claim was found deficient and clarifications and documents were sought from the exporter. The Deficiency Memo was, however, issued on 16 May 2019 with a delay of 517 days.

CBIC stated (May 2025) that delay is admitted, which is owing to a high volume of documentation, shortage of officers and the time required for thorough verification to ensure accuracy and compliance with regulatory requirements. Additionally, operational constraints and administrative workload have further impacted the processing timeline. However, the department is actively working to streamline procedures, optimize resource allocation and expedite the issuance of Deficiency Memos wherever necessary.

4.2.4 Inordinate delay in replying to the Deficiency Memo

Rule 14(3)(b) of Drawback Rules 2017 states that where the exporter resubmits the claim for drawback after complying with the requirements specified in the Deficiency Memo, the same will be treated as a claim filed under sub-rule (1) for the purpose of section 75A.

Audit observed in three cases pertaining to CC Mundra (two cases) and CC Mangaluru (one case), wherein delay in compliance to the Deficiency Memos ranged from 367 days to 505 days. The drawback amount involved in these three cases was ₹18.89 lakh. In the remaining selected sample, this deviation was not observed.

CC, Mangaluru accepted the audit observation and stated that the point is noted for future compliance.

Response from CBIC, is however, awaited (May 2025).

4.2.5 Delay in payment of AIR component in SBs processed under Brand Rate claims

The Board issued (September 2018) a comprehensive action plan for streamlining the implementation of the scheme. CBIC Circular 21/2020 (December 2020) reduced the disposal time for settling drawback claims from seven to three days. Para 3 of Notification No. 110/2015 read with Circular 50/2016 states that AIR rate is to be immediately paid on provisional basis.

Audit observed that in 59 instances (9 in NCH, Mumbai & 50 in JNCH, Mumbai), the payment of AIR component was delayed in 172 Shipping Bills (SBs), with delay ranging from 1 to 806 days. The reason for delay in payment of AIR drawback could not be ascertained from the ICES ([Annexure 4.9](#)). In the remaining selected sample, this deviation was not observed.

CBIC stated (May 2025) that delay in payment of AIR Drawback was due to various reasons like COVID, EGM error, PFMS error and exporter query

response time. Further, it was stated that the department is taking every possible step for timely payment of Drawback and scroll generation is being done on daily basis, even on holidays also.

The response may be reviewed in light of the fact that the very intent of timely disbursement of drawback gets defeated with delays ranging upto 806 days.

4.2.6 Absence of Internal audit in Brand Rate Claims

Circular 14 of 2003 (March 2003) provides for post-audit by Internal Audit Unit of the Commissionerate for all cases of Brand Rate involving drawback amount of more than ₹1 lakh. Copies of all Brand Rate letters are required to be endorsed to Internal Audit Unit and requisite follow-up action may be taken to review at appropriate level and, if necessary, to amend/revoke the Brand Rates, in case the audit objection is found to be sustainable.

Audit observed that in 527 cases pertaining to 12 Commissionerates²³, Brand Rate fixation letters involving drawback amount of more than ₹ 1 lakh were regularly issued and drawback was granted by the Commissionerates. However, no post audit by Internal Audit Unit was conducted, despite clear instructions issued by the Board (**Annexure 4.10**). In the remaining selected sample, this deviation was not observed.

CBIC stated (May 2025) that officers have been sensitized for conducting post audit by Internal Audit Unit of the Commissionerate of all Brand Rate letters involving drawback amount more than ₹ 1 lakh and 20 per cent of the cases involving drawback amount less than ₹ 1 lakh on random basis.

Internal Audit of Brand Rate cases needs to be undertaken to enhance the overall functioning of the Commissionerates and to prevent potential revenue leakage. Timely and effective implementation will contribute to a more streamlined Brand Rate fixation process and reinforce the Board's overarching governance framework.

4.2.7 Delay in verification of Brand Rate Claims

Customs Circular 23/2017 read with Circular 14/2003, prescribes that verification of data given in the Brand Rate applications shall be done by jurisdictional Customs authorities within 15 days of the receipt of such application and the Brand Rates are to be fixed maximum within a period of ten days from the date of receipt of the verification reports.

²³ (i) JNCH, Nhava Sheva, Mumbai (97 cases), (ii) NCH, Mumbai (18 cases), (iii) CC, Chennai IV (50 cases), (iv) CC, Chennai VII (34 cases), (v) ICD, Bengaluru (06 cases), (vi) CC, Ahmedabad (45 cases), (vii) CC, Mundra (28 cases), (viii) CC, Preventive, West Bengal (21 cases), (ix) CC, Jodhpur (32 cases), (x) CC, Ludhiana (71 cases), (xi) CC, Noida (32 cases), (xii) CC, Patna (93 cases)

(a) Audit observed that in 179 cases pertaining to five Commissionerates²⁴, the verification of data and documents was not done by the Concerned Customs formation/Export Promotion Circles within 15 days of receipt of the Brand Rate application, resulting in delay ranging from one day to 2,683 days ([Annexure 4.11](#)). In the remaining selected sample, this deviation was not observed.

An illustrative case is discussed below:

M/s. B10 Limited applied (May 2019) for fixation of Brand Rate in CC, Ahmedabad. The application was sent for verification on 30 May 2019 and the verification report was received in the Commissionerate on 23 January 2020, resulting in delay in sanctioning of Brand Rate Drawback by 223 days.

(b) Further, in 18 cases in CC (Preventive), Bhubaneswar, the fixation of brand rates was not done within 10 days of the receipt of verification reports with delays ranging from five to 53 days.

CBIC stated (May 2025) that letters have been issued to all EPCs/Ports to provide verification reports within the stipulated time period in future for quick disposal of drawback claims.

Recommendation No. 11

CBIC may streamline and expedite verification of claims and fixation processes of brand rate applications, thereby ensuring prompt disposal of drawback claims.

CBIC stated (May 2025) that field formations have been sensitized (March 2025) again, on this matter.

4.2.8 Non-production of Brand Rate cases

Audit selected 1,167 Brand Rate cases from 22 Commissionerates, out of which 984 cases were produced to Audit. However, 183 cases involving drawback amount of ₹124.64 crore, pertaining to eight Commissionerates²⁵ were not made available to audit, despite several requests/reminders ([Annexure 4.12](#)).

CBIC stated (May 2025) that few Brand Rate case files were untraceable and efforts are being made to recreate the files. Further, a few files were quite voluminous and therefore could not be produced to Audit and the same could

²⁴ (i) CC, Ahmedabad (41 cases), (ii) CC, Mundra (22 cases), (iii) CC, Ludhiana (91 cases), (iv) CC (Preventive), Bhubaneswar (05 cases), (v) CC, Noida (20 cases)

²⁵(i) NCH, Mumbai (2 cases), (ii) CC, Ahmedabad (3 cases), (iii) CC, Mundra (21 cases), (iv) ACC, NCH (Export), New Delhi (27 cases), (v) ACC, Bengaluru (26 cases), (vi) ICD, Bengaluru (36 cases), (vii) CC, Noida (18 cases) and (viii) CC, Lucknow (50 cases)

be produced in next audit. The observation has been noted for future compliance.

The subject specific scrutiny is being carried out in a Performance Audit on a pan-India basis to enable comparative analysis and to obtain assurance on the overall functioning of the Board. However, the exercise was undermined by the non-production of these records having material pecuniary impact, despite the fact that established modalities involved in the PA are duly communicated in advance to both the Board and the field formations.

4.3 Conclusion

Audit observed that incorrect attribution of the Drawback identifier distorts the classification of drawback payments under Rule 6 and Rule 7. This incorrect representation undermines the reliability of data crucial for reporting, policy formulation, and strategic planning. Further, since the processing is carried out manually and necessary rectifications are not effected in the ICES, the risk of persistent inaccuracies and systemic inefficiencies remains unaddressed.

Internal Audit of Brand Rate cases needs to be undertaken to enhance the overall functioning of the Commissionerates and to prevent potential revenue leakage. Timely and effective implementation will contribute to a more streamlined Brand Rate fixation process and reinforce the Board's overarching governance framework.

Subject specific scrutiny is being carried out in a Performance Audit on a pan-India basis to enable comparative analysis and to obtain assurance on the overall functioning of the Board. However, the exercise was undermined by the non-production these records having material pecuniary impact, despite the fact that established modalities involved in the PA are duly communicated in advance to both the Board and the field formations.

CHAPTER V
Re-export of Imported Goods

Section 74 of the Customs Act, 1962 provides for grant of drawback at the rate upto 98 *percent* of the Customs duties paid at the time of importation, if the goods are re-exported by the importer, subject to certain conditions. The re-export is to be made within a maximum period of two years from the date of payment of duty on importation and goods have to be identified with the earlier import documents and duty payment to the satisfaction of the Assistant/Deputy Commissioner of Customs at the time of export. If such goods are used after importation, Drawback is granted on a proportionate basis ranging from 95 *per cent* for re-exports made within three months of imports to nil rate if such goods are re-exported after more than 18 months of import.

Audit selected 393 sample cases of re-export ([Appendix-I](#)) in 16 Commissionerates, out of which 367 cases were produced and reviewed on various parameters to check whether Duty Drawback on Re-export was paid in accordance with the rules applicable. The major findings are highlighted in the succeeding paragraphs.

5.1 Non-realization of exports proceeds in respect of SBs pertaining to drawback claims under Section 74

Rule 18(1) of Drawback Rules, 2017 stipulates recovery of drawback sanctioned along with interest, if the exports proceeds have not been realized within the period allowed (including extensions) under the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999).

Further, RBI Master Circular 14/2015 on Export of Goods and Services states that Authorised Dealer Category-I banks may consider waiver of Export Declaration Form (EDF) from exporters for export of goods free of cost. Such waiver of EDF is required from RBI in case of export of goods not involving any foreign exchange transaction.

Audit observed 15 instances in two Commissionerates (14 in CC Kolkata & one in NCH Mumbai) wherein neither the details of realisation of foreign currency were available nor the claims have the requisite EDF waiver from the RBI/ AD Category-I bank. Despite non-realisation of foreign currency and non-submission of the requisite waiver, the Department sanctioned the drawback of ₹6.34 crore. In the remaining selected sample, this deviation was not observed.

Further, from the claim files as well as the ICES, no evidence was found of any recovery proceedings initiated by the department of drawback amount

already paid.

CBIC in respect of NCH Mumbai, stated (May 2025) that export proceeds of the all the Shipping Bills filed by Exporter M/s. C1 Pvt Ltd. have been fully realized within the stipulated time period under the Foreign Exchange Management Act, 1999. Reply in respect of CC Port Kolkata is awaited.

The reply underscores a critical shortcoming in the ICES, which fails to accurately reflect the real-time status of export proceeds realization. Even in cases where proceeds have been timely and fully realized, the system continues to display nil realization, thereby compelling unnecessary manual verification of physical e-BRCs. This not only leads to operational inefficiencies but also raises concerns about the reliability and effectiveness of the system in supporting informed monitoring and compliance efforts.

5.2 Grant of duty drawback over and above Present Market Value (PMV)

Sub-section 1(b) of Section 76 of the Customs Act, 1962 states that duty drawback shall not be granted for goods if their market price is less than the corresponding drawback amount.

Audit observed four cases in three Commissionerates²⁶, where the Drawback amount sanctioned was greater than the Present Market Value (PMV) declared by the exporter in the SB. Thus, the Drawback amount disbursed of ₹3.19 crore needs to be recovered with applicable interest (**Annexure 5.1**). In the remaining selected sample, this deviation was not observed.

CBIC in respect of JNCH Mumbai, stated (May 2024) recovery proceedings have been initiated against the exporter. For NCH, Mumbai, it was stated that system doesn't allow payment of drawback more than FOB, hence manual cheques were issued. Suggestions have already been forwarded to CBIC under NTFAP 2024-26 (National Trade Facilitation Action Plan) in order to add the functionality wherein the system may allow to process drawback claims where the drawback amount is more than FOB value of the goods.

The reply may be reviewed in light of the fact that the provisions of Section 76(1) of the Customs Act, 1962 are applicable to cases governed by Section 74. Further, disparate practices were observed in field formations as seen from above, where CBIC accepted the audit observation and initiated recovery proceedings in JNCH, Mumbai.

5.3 Incorrect payment of Drawback on imports duty debited through scrips

Para 5(v) of Customs Circular 45/2011 provides for issuing of re-credit Certificate, at the time of allowing the re-export, specifying the particulars of

²⁶ (i) ICD Bengaluru (2 cases) (ii) JNCH Mumbai (1 case) (iii) NCH Mumbai (1 case)

scrip used, date of import of re-exported goods and amount debited while importing such goods.

Audit observed 15 instances in three Commissionerates²⁷, where the importer debited import duty (BCD) through Duty Credit Scrips and Social Welfare Surcharge (SWS) was paid in cash. As such, the Drawback was required to be granted proportionately by way of re-credit to these scrips (for BCD portion) and only the remaining Drawback (proportionate to SWS paid in cash) was required to be granted in cash. However, it was noticed that the entire DRAWBACK amounting to ₹0.59 crore was incorrectly granted in cash (Annexure 5.2).

CBIC response is awaited (May 2025).

5.4 Grant of duty Drawback on re-export after stipulated period of 2 years

Section 74(1b) of the Customs Act, 1962 permits Drawback on re-export of duty-paid goods, provided the goods are entered for export within two years from the date of payment of duty on their importation.

Audit observed that M/s. C2 under JNCH Mumbai paid import duty of ₹55.01 lakh (BCD) through TR-6 challan²⁸ on 27.11.2019, with the due date for re-exportation set at 26.11.2021. However, the goods were re-exported on 22.09.2022 (LEO date 22.09.2022), after a lapse of 10 months from due date for re-exportation and JNCH sanctioned drawback amounting to ₹51.70 lakh (98 per cent of ₹52.75 lakh) to the exporter, in contravention of the aforementioned provision. In the remaining selected sample, this deviation was not observed.

JNCH Mumbai accepted (May 2024) the audit observation and intimated that recovery proceedings have been initiated against the exporter.

5.5 Excess sanction of Drawback due to inadequate checks

Re-export of Imported Goods (Drawback of Customs Duties) Rules, 2017 read with Customs Notification 23/2008, prescribes the rates at which drawback for import duty shall be allowed for goods that have been used after an importation. The period between the date of clearance for home consumption and the date when the goods are placed under Customs Control for Export are reckoned for calculating drawback (as specified percent of import duty levied at the time of importation).

Audit observed excess payment of drawback amounting to ₹0.09 crore in five cases in two Commissionerates (four cases in CC Cochin and one in ICD

²⁷ (i) CC, Ahmedabad (11 cases), (ii) ICD Bengaluru (3 cases), (iii) CC, Mundra (1 case)

²⁸ TR-6 (Treasury Receipt) Challan evidences payment of customs duties, service tax, etc.

Bengaluru) due to inadequate check of the claim before making payment (Annexure 5.3). In the remaining selected sample, this deviation was not observed.

CBIC stated (May 2025) that recovery of ₹0.33 lakh has been made in respect of four cases in CC Cochin and response is awaited in respect of ICD Bengaluru.

5.6 Non-conduct of Internal Audit (pre & post audit)

Board Circular No. 22/2008, stipulates that all applications involving a refund of duty and/or interest of above ₹5 lakh needs to be pre-audited (100 per cent) by Internal Audit Department (IAD). For amounts between ₹50,000 and ₹5 lakh to be post-audited (100 per cent), and 25 per cent post-audit to be randomly selected for cases below ₹50,000.

Audit observed that in 27 cases pertaining to four Commissionerates²⁹, even though the claim amount being more than ₹5 lakh, the drawback claims were not pre-audited by the Assistant/Deputy Commissioner (Internal Audit). In the remaining selected sample, this deviation was not observed.

Further, in two cases of ICD Tughlakabad having drawback sanctioned amount between ₹50,000 to ₹5 lakh, details of conducting post audit could not be ascertained from the available records.

CBIC stated (May 2025) that audit observation has been noted for future compliance.

5.7 Non issuance of speaking orders

Para 3.1 of Board's Circular No. 46/2011 read with Para 2 of Circular No. 35/2013, stipulates passing of speaking order following the principles of natural justice, giving detailed reasons with regard to establishing the identity or otherwise of the goods under re-export, and determination of use, if any, while sanctioning Duty Drawback under Section 74.

Audit observed seven cases in two³⁰ Commissionerates, wherein Drawback was sanctioned without issuing speaking orders, in contravention of extant provisions. In the remaining selected sample, this deviation was not observed.

CBIC stated (May 2025) that the audit observation is admitted and speaking orders would be issued in future cases.

5.8 Lacuna in the provisions of SEZ Act/Customs Act in respect of DTA Sales

Imports as per Section 2(o) of SEZ Act entails bringing of goods/services in SEZ (by Developer/Unit) from a place outside India and also includes Inter/Intra SEZ/Unit transfers.

²⁹(i) CC, Noida (11 cases), (ii) CC, Ahmedabad (1 case), (iii) CC, Port, Kolkata (4 cases), (iv) ACC Bengaluru (11 cases)

³⁰ (i) CC, Port, Kolkata (6 cases), (ii) CC, Preventive, West Bengal (1 case)

Supply of goods by DTA to SEZ Developer/Unit is treated as 'Exports' under SEZ Act, 2005 and Drawback at applicable rates are paid to the DTA Unit or to SEZ unit/Developer (if a disclaimer is given by DTA). However, the same analogy has not been extended for supply of goods by SEZ Developer/ Unit to DTA to be treated as 'Imports' in the SEZ Act, 2005.

Only for the purpose of levy of duty on any goods removed from Special Economic Zone to the Domestic Tariff Area (which are considered as DTA sale), customs duty including anti-dumping, countervailing duty and safe-guard duties applicable as per the Customs Tariff Act 1975 is leviable in a similar manner when goods are imported from outside India (Section 30 of SEZ Act, 2005). But the transactions are not considered as "imports" in view of the lacuna in definition of "imports" provided under SEZ Act, 2005.

In view of the absence of legal provisions to treat the DTA sale by SEZ as "imports" for the DTA Unit, it is irregular to sanction drawback under Section 74 treating the DTA sale as Imports.

Owing to the above lacunae, Audit observed divergent practices being followed even within same Commissionerate in allowing or rejecting Section 74 drawback claims filed by those in DTA for re-export of goods to SEZ as detailed hereunder:

A. M/s. C3 Pvt. Ltd. was sanctioned (May 2021) Section 74 drawback for ₹73.97 lakh at 98 *per cent* of customs duties paid at the time of procurement of goods from an SEZ unit located at Mahindra World City SEZ (being supply of goods from SEZ to DTA). The goods were re-exported by filing Shipping Bills in ICD, Irungattukottai falling under Chennai II Customs Commissionerate. The supply received from SEZ to DTA were treated as "Imports" and accordingly drawback under Section 74 was sanctioned.

B. However, in respect of M/s. C4 Ltd., in CC Chennai IV, the drawback claim of ₹43.32 lakh was rejected (October 2020) concluding that 'Supply of goods by SEZ into DTA' cannot be treated as 'Imports' since such supply has not been defined as 'Imports' either in Section 2(23) of Customs Act or Section 2(o) read with Section 30 of SEZ Act, 2005.

C. Similarly, M/s. C5 Pvt. Ltd., imported 'Rechargeable batteries' from Hongkong and had warehoused the goods in C6 Free Trade Warehousing Zone (SEZ) by filing warehouse BE. Subsequently, the goods were cleared to DTA by paying the applicable customs duty for which a home consumption BE was filed. Part consignment was re-exported to Hongkong by filing Shipping bill for which 98 *per cent* of the Drawback under Section 74 of Customs Act amounting to ₹53.31 lakh was sanctioned (July 2021) by Chennai IV Customs Commissionerate.

Chennai-II stated that demand was confirmed in respect of M/s. C3 Limited for ₹87.74 lakh along with redemption fine of ₹8.50 lakh and penalty of ₹5 lakh under Section 114 and 114AA of the Customs Act, 1962.

CBIC, in respect of Chennai-IV stated (May 2025) that the supply of goods from SEZ to DTA is not clearly defined as "Imports" neither under Section 2(o) of the SEZ Act, 2005 nor under Section 2(23) of the Customs Act, 1962. The cases commented in audit were passed by two different Adjudicating Authorities in two different periods of time.

Recommendation No. 12

CBIC needs to clarify the legal provisions regarding DTA sales by SEZs, ensuring consistent treatment of such transactions for drawback claims and issue guidelines to avoid discrepancies in sanctioning drawback under Section 74.

The response from CBIC is awaited (May 2025).

5.9 Delay in issuance/response to Deficiency Memo

Rule 5(4)(a) of Drawback Rules 2017 stipulates that any claim that is incomplete in material particulars or lacks the necessary documents will not be accepted. Such incomplete claims will be returned to the claimant with a Deficiency Memo within 15 days of submission, and they will be deemed not to have been filed. If the exporter addresses the specified deficiencies within 30 days from the date of receiving the Deficiency Memo, the submission will be treated as a claim filed under Sub-Rule (1).

Audit observed delay in issuing of Deficiency Memo in respect of 95 cases pertaining to 13 Commissionerates³¹ (Annexure 5.4a) with significant delays upto 884 days in ACC (Exports), Delhi and ICD Tughlakabad, Delhi. In the remaining selected sample, this deviation was not observed.

Further, in 72 cases in 11 Commissionerates³², the Deficiency Memo was either replied after 30 days or not replied, resulting in claims becoming time barred. The Department however, sanctioned Drawback of ₹52.72 crore (Annexure 5.4b).

³¹ (i) CC, Mundra (2 cases), (ii) CC, Chennai IV (17 cases), (iii) CC Chennai VII (9 cases), (iv) CC, Cochin (5 cases), (v) CC, Port, Kolkata (17 cases), (vi) ACC NCH Export, Delhi (7 cases) (vi) ICD Tughlakabad, Delhi (8 cases), (viii) ACC Bengaluru (7 cases), (ix) CC, Hyderabad (4 cases), (x) JNCH, Nhava Sheva, Mumbai (4 cases), (xi) NCH, Mumbai (2 cases), (xii) CC, Noida (1 case) (xiii) ICD Bengaluru (12 cases)

³² (i) CC, Mundra (5 cases), (ii) CC Chennai IV (9 cases), (iii) CC Chennai VII (4 cases), (iv) CC, Port, Kolkata (19 cases), (v) ICD Tughlakabad, Delhi (3 cases), (vi) CC, Bengaluru (9 cases), (vii) CC, Hyderabad (5 cases), (viii) NCH, Mumbai (3 cases), (ix) CC, Noida (4 cases), (x) CC, Cochin (6 cases) (xi) ACC NCH Export, Delhi (5 cases).

CBIC, in respect of delayed issuance of Deficiency Memo stated (May 2025) that the observation has been noted for future compliance.

5.10 Delay in payment of duty drawback

Section 75A of the Customs Act, 1962 read with Notification 75/2003 provides for payment of interest at the rate of 6 per cent for delay beyond 30 days in disbursement of Drawback under Section 74 to be reckoned from the date of filing the claim.

Audit observed delay in sanctioning of Drawback in 216 out of the selected 367 cases (58.85 per cent) in 15 Commissionerates³³ (Annexure 5.5a).

Further, in 164 cases pertaining to 13 Commissionerates³⁴, no interest was paid even though duty drawback claims were delayed beyond 30 days (Annexure 5.5b).

CBIC, while accepting the audit observation, ascribed (May 2025) various reasons viz., shortage of staff, lengthy procedure of drawback claims, non-submission of required documents for the delay. Further, it was stated that no interest has been claimed by the exporters.

5.11 Non-Production of cases during the Audit

Audit selected 393 re-export drawback cases under Section 74, out of which, 367 files were made available to Audit and the remaining 26 files involving drawback amount of ₹7.27 crore, were not produced by five Commissionerates³⁵, despite repeated requests (Annexure 5.6).

CBIC stated (May 2025) that the records are quite voluminous and therefore might not have been able to be produced during the review. Now, the records are ready and may be produced to the next Audit team. However, audit's observation has been noted for future compliance.

The subject specific scrutiny is being carried out in a Performance Audit on a pan-India basis to enable comparative analysis and to obtain assurance on the

³³ (i) CC, Ahmedabad (1 case), (ii) CC, Mundra (21 cases) (iii) CC, Noida (1 case) (iv) CC, Chennai VII (3 cases), (v) CC, Cochin (44 cases), (vi) CC, Port Kolkata (26 cases), (vii) CC Preventive, West Bengal (1 case) (viii) ACC NCH Export, Delhi (19 cases) (ix) ICD Tughlakabad, (11 cases) (x) ICD Bengaluru (7 cases), (xi) CC, Hyderabad (15 cases), (xii) ACC Bengaluru (12 cases), (xiii) NCH, Mumbai (23 cases), (xiv) NCH-Mangaluru (3 cases) (xv) JNCH, Nhava Sheva, Mumbai (29 cases)

³⁴ (i) CC, Ahmedabad (1 case), (ii) CC, Mundra (21 cases) (iii) CC, Noida (1 case) (iv) CC, Chennai VII (3 cases), (v) CC, Cochin (44 cases), (vi) CC Port Kolkata (26 cases), (vii) CC, Preventive, West Bengal (1 case) (viii) ACC NCH Export, Delhi (19 cases) (ix) ICD Tughlakabad, (11 cases) (x) ICD Bengaluru (7 cases), (xi) CC, Hyderabad (15 cases), (xii) ACC Bengaluru (12 cases), (xiii) NCH Mangaluru (3 cases).

³⁵ (i) ICD Tughlakabad (Exports), New Delhi (1 case), (ii) CC, Ahmedabad (1 case), (iii) CC, Mundra (13 cases), (iv) ACC Bengaluru (8 cases) (v) CC, Noida (3 cases)

overall functioning of the Board. However, the exercise is undermined by the non-production of significant records having material pecuniary impact, despite the fact that established modalities involved in the PA are duly communicated in advance to both the Board and the field formations.

Recommendation No. 13

CBIC should establish a more efficient mechanism to ensure timely availability of required documents for audit purposes. Regular follow-ups and strict adherence to timelines will enhance cooperation with audit teams and improve accountability.

CBIC stated (May 2025) that field formations have been time and again sensitized to cooperate with the C&AG team during audit by procuring and providing complete and comprehensive information to C&AG. In this regard, a DO letter dated 30.10.2024 has also been issued by the Member, CBIC & Special Secretary emphasizing on providing records to C&AG.

5.12 Conclusion

Audit observed inadequacies in the ICES, which fail to accurately reflect the real-time status of export proceeds realization. Even in cases where proceeds have been timely and fully realized, the system continues to display nil realization, thereby compelling unnecessary manual verification of physical e-BRCs. This not only leads to operational inefficiencies but also raises concerns about the reliability and effectiveness of the system in supporting informed monitoring and compliance efforts.

Audit observed divergent practices being followed by Customs field formations in allowing or rejecting Section 74 drawback claims filed from DTA for re-export of goods to SEZ, owing to lacunae in the extant provisions as supply of Goods from SEZ to DTA is not clearly defined as “Imports” neither under Section 2(o) of the SEZ Act, 2005 nor under Section 2 (23) of the Customs Act, 1962.

Subject specific scrutiny is being carried out in a Performance Audit on a pan-India basis to enable comparative analysis and to obtain assurance on the overall functioning of the Board. However, the exercise would be undermined by the non-production of significant records having material pecuniary impact, despite the fact that established modalities involved in the PA are duly communicated in advance to both the Board and the field formations.

CHAPTER VI

Duty Drawback on Deemed Exports

Duty Drawback on 'Deemed Exports' is governed under Chapter 7 of the Foreign Trade Policy (FTP) 2015-2020 (extended till March 2023) and related notifications, circulars, clarifications and instructions issued by DGFT/CBIC.

'Deemed Exports' refers to those transactions wherein goods supplied do not leave the country and payment for such supplies are received either in Indian rupees or in free foreign exchange. Supply of goods against Advance Authorization/Advance Authorization for annual requirement/ Duty Free Import Authorization (DFIA), supply of capital goods against Export Promotion Capital Goods (EPCG) Authorization and supply of goods to Export Oriented Undertakings (EOUs)/ Software Technology Parks (STPs)/ Electronics Hardware Technology Parks (EHTPs)/ Biotechnology Parks (BTPs), by a manufacturer, shall be regarded as 'deemed exports' provided such goods are manufactured in India.

Further, supply of goods to various projects as mentioned under paragraph 7.02 (B) of FTP 2015-2020 are also regarded as 'Deemed Exports'.

Audit selected 435 cases in 19 Regional Authorities/SEZs ([Appendix-II](#)) out of which 433 cases were produced and reviewed to check whether the Deemed Drawback was disbursed in accordance with the applicable rules. The major audit findings are detailed in the succeeding paragraphs.

6.1 Inaction on delayed compliance to the Deficiency Memos issued to the applicants

Para 2.05 of HBP 2015-20 provides for rejection of incomplete or unauthorized applications, with reasons to be recorded. Such applications may be reopened upon rectification of deficiencies within 90 days, failing which the application is deemed withdrawn. Para 9.02 of HBP prescribes the late cut for delay in submission of claims.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed 16 cases in ADGFT Bengaluru, wherein the compliance to the deficiency letters from the applicants was received after a lapse of 112 to 2,267 days beyond the allowed period of 90 days. However, the reply to Deficiency Memo was accepted by the department and claim was processed without imposing any late cut by treating the application as fresh application. In the remaining selected sample, this deviation was not observed.

Treatment of old applications as fresh applications owing to non-replying to Deficiency Memo within prescribed time period of 90 days resulted in delay in filing of application having delay range between 68 days to 2,371 days from the due date. This made these applications liable to late cuts and in some cases time barred too. However, the department had not applied the provisions of para 2.05 of HBP resulting in excess grant of drawback refunds amounting to ₹9.95 crore.

DGFT shared (May 2025) case-wise details wherein SCN was issued for full drawback recovery in one case, and in three cases, recovery notices were sent. In the remaining 12 cases, applications were complete upon first submission, with only minor deficiencies, not warranting an incomplete or unauthorized status.

The reply of the Department may be viewed in light of the fact that deficiency letters were issued even for minor deficiencies thereby resulting in inordinate delays upto 2,371 days in sanction of drawback.

Recommendation No. 14

DoC should establish a robust compliance monitoring system to ensure timely processing and adherence to the late cut and Time Barred claims provisions under Paragraphs 2.05, 7.07 and 9.02 of the Foreign Trade Policy Handbook. This system will minimize non-compliance risks and prevent financial losses resulting from excess grants of drawback.

DGFT stated (May 2025) that the recommendation of Audit has been noted for compliance.

6.2 Irregular sanction of time-barred claims

Para 2.05 of HBP 2015-20 provides for rejection of incomplete or unauthorized applications, with reasons to be recorded. Such applications may be reopened upon rectification of deficiencies within 90 days, failing which the application is deemed withdrawn. Para 9.02 of HBP prescribes the late cut for delay in submission of claims.

Scrutiny of Deemed Drawback cases across 19 RAs, revealed irregular sanction of time-barred claims amounting to ₹11.77 crore in 19 cases in eight RAs ³⁶ (Annexure 6.1).

DGFT in respect of M/s. D1 Limited stated (May 2025) that demand letter has been issued. For M/s. D2, it was stated the third claim referred in the para is

³⁶ (i) ADGFT, Mumbai (01 case), (ii) ADGFT, Vadodara (02 cases), (iii) ZADGFT Chennai (01 case), (iv) JDGFT, Coimbatore (03 cases) , (v) Delhi CLA (07 cases), (vi) JDGFT, Surat (01 case), (vii) JDGFT, Kochi (01 case) (viii) DC/CSEZ Kochi (03 cases)

not a supplementary claim but a part-payment, which is admissible under Para 7.05(b) of HBP-2023.

Reply of DGFT may be viewed in light of the fact that the observations are based on provisions given in previous FTP and HBP for the period 2015-20. Therefore, provisions of HBP 2023 are not applicable. Further, all subsequent claims filed after the initial payment of the full claim are treated as supplementary claims and these claims are to be filed within the prescribed timeline as per the provisions of FTP and HBP (Para 9.02 of HBP 2015-20) otherwise the claims are to be treated as time barred.

A case is highlighted hereunder:

M/s. D3 India Pvt. Ltd. submitted (23.12.2015) application for the Brand rate of Duty Drawback of ₹16.26 lakh in RA Chennai. It was seen that the last date of realization was 30.09.2014, and therefore the deadline for application submission was 29.09.2015, i.e., one year from the realization date. However, the first Deficiency Letter (DL) was issued on June 7, 2016. The exporter responded to this DL on 23 July 2019, taking more than three years. Department, however, approved the issue of second DL in August 2019. The final reply was furnished on 27 September 2019, marking a delay of 1459 days from the first DL date. The inordinate delay on part of the applicant was accepted by the Department without any counter reply /rejection, and the Department had processed and paid the Brand Rate of Drawback claim of ₹16.26 lakh without even deducting the 2 per cent late cut, which is irregular.

Department accepted the fact that 2 per cent late cut required to be levied since the date of application was beyond 29.09.2015.

DGFT stated (May 2025) that applications submitted with replies beyond the stipulated time period cannot be considered as fresh applications. In such cases, the late cut is not applicable. Though the provisions are very specific about the prescribed application format, they are silent about the discrepancies noticed from the supporting documents or incomplete supporting documents. The combined reading of both the paras allow for acceptance of applicable late cut in the initial application after the cut of date.

The response of DGFT may be viewed in light of the fact that the very intent of timely processing of claims and redressal of deficiencies and timelines prescribed thereof gets defeated with such inordinate delays (upto 4 years) commented in audit.

6.3 Double payment of Drawback on the same invoice

Para 7.02 (f) (ii) of the FTP 2015-20 read with List 32A at Sl. No. 507 of DOR Notification No. 12/2012-Customs dated 17.03.2012, provides for duty drawback for supply of goods required for setting up any mega power project.

This benefit is applicable provided the mega power project meets the threshold generation capacity specified in the mentioned notification.

Further, Paragraph 7.10 (b) of FTP stipulates that the RAs may reassess any case of erroneous or ineligible payment, based on reports from Internal or External Audit Agencies, or suo-motu. The RA shall initiate recovery of the payment along with interest at 15 per cent per annum on the recoverable amount.

Scrutiny of Deemed Drawback cases in 19 RAs revealed that CLA Delhi processed and disbursed Duty Drawback in two different claims of M/s. D2, even though the claims were made against the same invoice, resulting in erroneous payment ₹6.54 crore.

DGFT while accepting the observation stated (May 2025) that demand letter has been issued to the firm.

6.4 Delays in processing of claims beyond prescribed 30 working days

Para 7.05 of HBP 2015-20 stipulates claiming of deemed Exports Drawback provided application is made in the prescribed format (ANF7A) along with the documents specified therein to the concerned RA, within a period of 12 months from the date of receipt of supplies by project authority or from the date of receipt of payment by the supplier as per the applicant's option.

As per Para 9.10 (xiii) of HBP 2015-20, RA shall dispose of application for refund of DRAWBACK/TED expeditiously within 30 days, provided it is complete in all respects and is accompanied by prescribed documents.

Scrutiny of selected 435 Deemed Drawback cases in 19 RAs revealed that in 175 cases pertaining to 13 RAs³⁷, there was a delay in approval of claims of duty Drawback and TED refunds beyond prescribed timeline of 30 days, with delay ranging from six to 3,658 days.

Audit observed that the timelines prescribed in the HBP/FTP for disposal of claims are not strictly complied by the field formations resulting in an undue delay and depriving the claimant of his rightful benefits for unreasonably long period.

An illustrative case is discussed below:

M/s. D4 filed application (July 2016) for refund of TED of ₹1.36 lakh in RA Vadodara, which was sanctioned in May 2022. It was observed that RA issued

³⁷(i) JDGFT Surat (15 cases) (ii) ADGFT Vadodara (21 cases) (iii) JDGFT Jaipur (03 cases) (iv) DC/MEPZ_SEZ Chennai (11 cases) (v) RLA Chennai (6 cases) (vi) RLA Coimbatore (5 cases) (vii) DC/CSEZ Kochi (36 cases) (viii) JDGFT Kochi (11 cases) (ix) ADGFT, Bengaluru (34 cases) (x) CLA Delhi (13 cases) (xi) ADGFT Hyderabad (01 case) (xii) JDGFT, Ludhiana (01 case) (xiii) JDGFT Panipat (18 cases)

deficiency letter (DL) in September 2016, which was replied by the applicant in December 2016 by re-submitting the application. The claimant further submitted a reminder for granting the claim in November 2017. It is pertinent to mention that though the DL was replied by the applicant in September 2016, RA took 1,968 days in issuing approval letter. No reasons were recorded for inordinate delay by the department.

DGFT stated (May 2025) that efforts are made to finalize the application within the prescribed timelines. However due to shortage of staff & delay in response from firms, in certain cases delays have happened. Moreover, now all applications related to deemed exports duty drawback are filed online on DGFT BO portal and thereafter the processing of applications is also made online. This has substantially reduced the processing time and now most of the applications are processed and disposed as per the time lines provided in the HBP.

Audit acknowledges the positive steps taken in this regard. The status of implementation of the new system and progress made in this regard, would be reviewed in subsequent audits.

6.5 Ineligible sanction of Drawback against supply of services

Para 7.01 (i) of FTP 2015-20 refers to 'Deemed Exports' as those transactions wherein after manufacture, the goods supplied do not leave the country and payment for such supplies are received either in Indian rupees or in free foreign exchange.

Further, Para 7.02(h) ibid specifies that supplies by main/subcontractors to nuclear power projects are considered "Deemed Exports" if they are required for setting up such projects. Paragraph 9.31 of the FTP defines "manufacture" as creating a new product with a distinctive name, character, or use, including processes like refrigeration, re-packing, polishing, labeling, re-conditioning, repair, remaking, refurbishing, testing, calibration, and re-engineering.

Audit's examination of Deemed Drawback cases in RAs/SEZs revealed that two cases under the jurisdiction of RA Kolkata were wrongly paid Drawback for supply of services, as against supply of manufactured goods allowed by rules. In the remaining selected sample, this deviation was not observed. The two cases are detailed below:

A. M/s. D5 Limited, claimed ₹2.53 crore of drawback for customs duty on imported goods used in construction contracts for M/s. D5A. However, it was seen that the supply involved construction services, as indicated by service code 995426 on invoices/RA bills which is for "General Construction Services of Power Plants and its Related Infrastructure" thereby making the drawback of ₹2.53 crore ineligible.

DGFT stated (May 2025) that the drawback claim is only on the value of the imported goods used and not on the entire project cost. Further, the Audit has not disputed the import duty payment of the fabrication process, confirming the claim is valid, and that as per FTP Para 7.02(g), the project qualifies for deemed export benefits, meeting all required conditions.

The reply may be viewed in light of the fact that the contract involves supply of construction services, not manufactured goods. Invoices identified the contract as a service, and payments were made accordingly. Under FTP 2015-2020 and the CGST Act, 2017, these supplies qualify as services and hence drawback is inapplicable.

B. M/s. D6 Pvt. Ltd. received a contract from M/s. D6A for supplying an ash handling system, including imported HCSD pumps from the Netherlands. The pumps were imported and assembled at the construction site. They claimed and received ₹1.57 crore as deemed export drawback.

Audit observed that the HCSD pumps supplied to M/s. D6A were part of a turn-key project and not considered 'manufacture' of a new product. The imported goods were supplied as-is and not manufactured in India, making the ₹1.57 crore deemed export drawback ineligible.

DGFT stated (May 2025) that as per the definition of manufacturing as given under Para 9.31 of FTP 2015-20, "Assembling" comes under Manufacturing.

The reply may be viewed in light of the fact that goods used in the execution of works contract is not to be considered as being assembled into a new product, as construction activity does not result in bringing into existence a new product. Building or superstructures do not find any place in the Customs Tariff Act, 1975, and drawback, AIR or Brand rate, are allowed only against goods mentioned in the Tariff.

6.6 Irregular grant of TED refund of additional duties of excise on fuels

Para 7.03 (c) of FTP 2015-20 allows the benefit of deemed exports for refund of Terminal Excise Duty (TED), provided there is no exemption from TED payment. This refund aims to ensure parity between domestic manufacturers supplying deemed exports and importers benefiting from duty-free inputs for export. However, when there is no exemption to imports, as in the case of additional customs duty levied under Section 116 of the Finance Act, 1999, on the import of High-Speed Diesel (HSD) and Petrol, then the refund of TED for additional excise duty levied under Section 133 of the Finance Act, 1999, on domestic suppliers is not permissible in deemed exports. This clarification was provided by the DGFT after discussions with the Department of Revenue on 03 September 2020 and reiterated in the DGFT circular dated 12 October, 2023.

Scrutiny of records revealed that an exporter had procured HSD from domestic manufacturer, M/s. D7 Ltd. on payment of TED and applied for refund of TED paid of ₹7.89 crore on procurement of HSD of ₹24.18 crore during the period from July to December 2017. TED refund claim included basic excise duty of ₹4.50 crore, additional duty of excise of ₹2.90 crore and special additional excise duty of ₹0.49 crore.

RA Mumbai granted the refund of ₹7.89 crore in May 2019 even though the additional duties of excise levied under section 133 of Finance Act 1999 was not allowable, resulted in irregular refund of TED of ₹3.39 crore. In the remaining selected sample, this deviation was not observed.

DGFT intimated (May 2025) recovery of ₹4.70 crore and ₹51.68 lakh against two claims made by exporter along with the interest.

6.7 Irregular sanction of Deemed Export Drawback on imported capital goods

Paragraph 8.2 of the Foreign Trade Policy (FTP) 2009-14 stipulates that the supply of goods by main or subcontractors is classified as "Deemed Exports," provided that the goods are manufactured in India.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that in one instance in RA Bengaluru, M/s. D8 submitted an application for duty drawback on goods supplied by its contractors. In the remaining selected sample, this deviation was not observed.

The Department sanctioned a duty drawback amounting to ₹2.87 crore, corresponding to the duty paid on two items supplied by M/s. D9 Ltd. Audit scrutiny revealed that the contractor supplied imported items (Conductor & Insulator Support Assembly) to M/s. D8 without any manufacturing or value addition, as verified from the Bills of Entry, DRAWBACK II Statement certified by a Chartered Accountant (CA), Declaration by M/s. D9 Ltd., and Payment Certificate issued by the Project Authority (M/s. D8).

Since the goods were not manufactured in India, they did not qualify as "Deemed Exports" under the FTP, resulting in the ineligible sanction of a duty drawback amounting to ₹2.87 crore.

DGFT stated (May 2025) that RA Bengaluru issued Show Cause Notice to the firm, in response the firm intimated that imported goods were not supplied as such, but had undergone the process of further value addition i.e. manufacture and installation at the site of M/s. D8.

The response of the firm may be viewed in light of the fact that value addition/manufacturing could not be established from verification of Bills of

Entries, Drawback statements certified by Chartered Accountant, Declaration by the supplier and payment certificate issued by the project Authority.

6.8 Non/short imposition of Late Cut

Para 9.02 of HBP prescribes late cut at the rate of 2/5/10 *per cent* for applications received within 6/12/24 month respectively after the expiry of last date. Further, para 9.03 *ibid* provides for imposing a cut at the rate 2 *per cent* on the entitlement for any application for supplementary claims made within the prescribed time limits.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that 10 RAs³⁸ had not complied with the aforesaid regulations in 42 cases where late cut required to be imposed at 2 or 5 or 10 *per cent*, as applicable, was not imposed despite receipt of applications beyond the due date. The delay ranged between four and 747 days resulting in excess grant of drawback by ₹2.06 crore (Annexure-6.2).

DGFT stated (May 2025) action has been initiated and RA Mumbai, Surat, Cochin & DC FSEZ Kolkata had recovered ₹15.42 lakh in nine cases. For remaining cases, varied reasons were ascribed viz., subsequent pay-outs were against realizations received by the firms from the project authority or application received within prescribed time period, deficiency letters issued for some minor deficiencies or firms having gone to NCLT.

Further, excess disbursement of ₹12.73 lakh for non-deduction of supplementary cut was observed in respect of M/s. D2 Limited under CLA Delhi for supplies to Mega Thermal Power Project.

Reply of DGFT is awaited (May 2025).

6.9 Non-payment of interest on refunds on delayed disbursement of Drawback

Para 7.09 of FTP 2015-20 read with Para 7.10(a) of HBP stipulates payment of simple interest at the rate 6 *per cent* per annum on delay in refund of duty drawback and terminal excise duty beyond 30 days from the date of issue of final Approval Letter by RA. No separate application for claiming interest is required to be made. A single mandate shall be issued to the bank for principal amount and interest.

³⁸(i) ADGFT, Mumbai (04 cases) (ii) JDGFT Surat (05 cases) (iii) ADGFT, Vadodara (05 cases) (iv) ZADGFT, Chennai (03 cases) (v) DC/MEPZ SEZ, Chennai (02 cases) (vi) DC/CSEZ, Kochi (03 cases) (vii) ADGFT, Kolkata (05 cases) (viii) DC/FSEZ, Kolkata (04 cases) (ix) CLA, Delhi (09 cases) (x) ADGFT, Hyderabad (02 cases).

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that in 79 cases pertaining to eight RAs³⁹, interest was not paid on the disbursement of refunds made beyond 30 days from the date of final approval letters. The delay was ranging between two and 551 days resulting in interest liability of ₹1.67 crore ([Annexure 6.3](#)). In the remaining selected sample, this deviation was not observed.

DGFT referred (May 2025) Para 7.10(b) of HBP wherein it is stated that if interest is not added by RA/DC, a separate application may be filed within 30 days of the receipt of the principal amount. It further stated that the audit observation is noted for future compliance.

6.10 Shortfall in deduction of drawback related to by-products

Rule 7 of the Drawback Rules stipulates that exporters are entitled to claim a refund of duties paid on inputs based on actual costs if the refund calculated under the All Industry Rate (AIR) is less than 80 per cent of the actual duties paid.

Further, Customs Circular No. 108/2003 (December 2003) provides for deduction of duty component attributed to waste generated in manufacturing process, if marketable. However, there is no explicit directive regarding treatment of by-products generated during the manufacture of primary products. Conforming to Rule 7, the computation of drawback must adhere to the ratio of materials or components utilized in the production of primary goods.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed discrepancy in calculating the drawback related to finished goods, particularly concerning the deduction of duties related to by-products/waste in two cases pertaining to M/s. D10 Ltd. under RA Mumbai. The applicant deducted duties based on the sale value of by-products, resulting in a shortfall in deduction of drawback by ₹1.30 crore. In the remaining selected sample, this deviation was not observed.

DGFT stated (May 2025) that by-products generated during the manufacturing process are a result of the inherent nature of the process and it cannot be subsequently used in the final product or any other product manufactured by them. Therefore, these by-products are essentially waste, generated during the manufacturing process, hence, they cannot be classified as intermediate products. Further, for determining drawback, first the duty incidence amount

³⁹ (i) DC, MEPZ-SEZ Chennai (5 cases), (ii) ZADGFT, Chennai (5 cases), (iii) JDGFT Kanpur (3 cases), (iv) JDGFT, Coimbatore (15 cases), (v) ADGFT Kolkata (21 cases), (vi) DC/FSEZ Kolkata (6 cases), (vii) JDGFT Surat (12 cases), (viii) ADGFT Vadodara (12 cases).

is computed for all the raw materials including the reasonable quantum of waste and, if any such waste is sold, then the average amount of duties on such waste sold shall be deducted.

The reply may be viewed in light of the fact that the Customs circular clarified about waste generated in the manufacturing activity having low commercial value. However, by-products generated in the process cannot be compared with waste. In such scenarios, the average duties paid on inputs used in by-products/intermediate products are required to be considered in terms of Rule 3(2)(c) read with Rule 7 of Drawback Rules 2017.

6.11 Erroneous payment of Drawback

Paragraph 7.09 of HBP prescribes that Customs and Central Excise Duties and Service Tax Drawback Rules, 1995, or Customs and Central Excise Duties Drawback Rules, 2017, as applicable, will apply to the deemed exports scheme.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that erroneous payment of ₹8.41 lakh was made in one case in CLA Delhi (M/s. D2 Ltd.) wherein the value of invoice actually supplied worked out to ₹0.14 lakh. However, department calculated drawback of ₹11.21 lakh and approved ₹8.41 lakh (75 *per cent* of ₹11.21 lakh). In the remaining selected sample, this deviation was not observed.

Further examination revealed that the export value of hangers & supports was ₹3.51 crore, while the import value was ₹5.20 crore. As per Rule 8 of Drawback Rules, 2017, “No amount or rate of drawback shall be determined, if the export value of such goods is less than the value of the imported materials used in their manufacture.” Since the import value exceeded the export value, keeping in view of Rule 8, the drawback of ₹1.68 crore is not eligible.

DGFT stated (May 2025) that demand letter has been issued to the firm.

6.12 Avoidable payment of interest on refunds of deemed duty drawback

Para 7.09 of FTP 2015-20 provides for payment of simple interest at the rate 6 *per cent* per annum for any delay in refund of deemed duty drawback beyond 30 days from the date of issue of final approval letter by the Regional Authority.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that that in 48 cases in five RAs⁴⁰, interest of ₹0.89 crore was paid on refunds paid beyond 30 days from the date of final approval. The delay was ranging between three and 736

⁴⁰ (i) JDGFT Surat (04 cases) (ii) ADGFT Vadodara (05 cases) (iii) ADGFT Kolkata (15 cases) (iv) DC/FSEZ Kolkata (17 cases) (v) CLA Delhi (07 cases).

days. This resulted in avoidable payment of interest on refunds of deemed drawback of ₹0.89 crore ([Annexure-6.4](#)).

Recommendation No. 15

DoC should ensure prompt processing of applications within the 90-day period to uphold fairness and efficiency. Additionally, duty drawback refunds should be disbursed within the prescribed 30 days of RA approval to mitigate interest charges, promoting financial prudence and timely benefits to eligible claimants.

DGFT while accepting the audit recommendation stated (May 2025) that payments are now made on monthly basis to avoid interest payment.

6.13 Excess payment of Drawback beyond amount realized in eBRC

Para 7.03 (g) read with Para 7.05(b) of HBP, stipulates that drawback claim can be filed against payment received through normal banking channel, which is evidenced through furnishing of eBRC.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that in 11 cases pertaining to six RAs⁴¹, amount reflected in eBRCs was found to be less than the amounts as per tax invoices submitted by the exporters. However, the department paid full amount of deemed drawback considering 100 per cent payment against supplies, which resulted in excess grant of drawback by ₹0.59 crore ([Annexure 6.5](#)).

DGFT while accepting the audit recommendation stated (May 2025) that RA Mumbai & Pune has recovered ₹44.77 lakh, RA Surat has issued SCN and RA Kolkata has been asked to take necessary action.

6.14 Non-adjustment of drawback related to recoverable waste

Paragraph 7.06 of HBP provides that drawback may be allowed as per AIR fixed by DoR in the Drawback Schedule where no CENVAT credit has been availed by supplier of goods. However, an application in ANF-7A, along with documents prescribed in ANF-7A & Appendix-7E, may be made to RA or DC concerned, as the case may be, for fixation of brand rate where AIR is not available or same is less than 4/5th of duties actually paid on raw materials or components used in the production or manufacture of the said goods.

If waste is generated in the process and such waste is saleable in the market, the Circular No.108/2003 dated 17.12.2003 clarifies that duty element related to such waste shall be deducted from the total input duties to arrive at drawback to be refunded.

⁴¹ (i) ADGFT Mumbai (03 cases) (ii) JDGFT Pune (02 cases) (iii) JDGFT, Surat (01 case) (iv) ADGFT Bengaluru (02 cases) (v) JDGFT Panipat (01 case) (vi) ADGFT Kolkata (02 cases).

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed, in nine cases pertaining to three RAs⁴², the Drawback pertaining to waste generated and subsequently sold in the market was not deducted, resulting in an excess grant of Drawback amounting to ₹0.47 crore (Annexure-6.6). In the remaining selected sample, this deviation was not observed.

DGFT stated (May 2025) that RA Mumbai, Bengaluru & Jaipur have made recovery of ₹18.43 lakh in eight cases.

6.15 Excess drawback refund granted due to incorrect adoption of drawback rates

Customs Circular No.110/2014 dated 17 November 2014 prescribes the drawback rates for Polyester offset, classifiable under CTH 392010 as 2.4 per cent and Others, classifiable under CTH 392199 as 1.9 per cent.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed excess grant of ₹44.91 lakh in one case pertaining to RA Pune. M/s. D11 Limited claimed Drawback of ₹51.93 lakh for deemed exports made to various 100 per cent EOUs between April 2015 and March 2016. Though the supplies were entitled to Drawback rates at 1.9 to 2.4 per cent of value of goods, the claim was incorrectly made at 19 to 21 per cent, resulting in excess grant of ₹0.45 crore.

DGFT stated (May 2025) that based on the application submitted by the firm, Drawback at Brand rate has been paid instead of AIR, as pointed out by Audit.

The reply of the DGFT may be viewed in light of the fact that as per the firm's Statement of Deemed Export, wherein Drawback amount was calculated based on the All Industry Rate and not Brand Rate.

6.16 Excess levy of Late Cut

Para 7.05 of HBP 2015-20 stipulates claiming of Deemed Exports Drawback provided application is made in the prescribed format (ANF7A) along with the documents specified therein to the concerned RA, within a period of 12 months from the date of receipt of supplies by project authority or from the date of receipt of payment by the supplier as per the applicant's option.

Further, Para 9.02 of HBP prescribes Late Cut at the rate of 2/5/10 per cent for applications received within 6/12/24 months respectively after the expiry of last date.

Scrutiny of 435 Deemed Drawback cases across 19 RAs revealed that, in 17 cases in 04 RAs⁴³, excess percentage of Late Cut was imposed amounting to

⁴² (i) ADGFT Mumbai (04 cases) (ii) ADGFT, Bengaluru (02 cases) (iii) JDGFT Jaipur (03 cases).

⁴³ (i) JDGFT Coimbatore (12 cases) (ii) DC MEPZ-SEZ, Chennai (1 case) (iii) ADGFT Bengaluru (3 cases) (iv) JDGFT Jaipur (1 case)

₹0.41 crore, in contravention to the provision cited above ([Annexure 6.7](#)). In the remaining selected sample, this deviation was not observed.

DGFT stated (May 2025) that audit observation is noted for future guidance and such incorrect rates will not be imposed in future. In respect of RA Bengaluru, it was stated that in one of three cases, a late cut was imposed based on the firm's declared realization date, while the other two were settled based on the drawback claimed.

Reply in respect of RA Bengaluru may be viewed in light of the fact that errors in the declared realization date and late cut application led to incorrect drawback sanctions without proper verification.

6.17 Irregular grant of duty drawback

Para 7.06 of HBP 2015-20 stipulates grant of Drawback at All Industry Rates (AIR) fixed by the Department of Revenue or Brand Rates if the AIR is less than 4/5th of the duties paid on raw materials or components used.

Further, Para 7.03(d) *ibid* mandates that suppliers filing Duty Drawback claims must submit a certificate confirming non-availment of Cenvat credit as per Annexure II to ANF-7A. Recipients of goods who are applicants must obtain such certificates from suppliers and submit them accordingly.

Scrutiny of selected 435 Deemed Drawback cases in 19 RAs revealed that M/s. D12 Ltd. claimed TED of ₹2.25 crore and Drawback of ₹36.10 lakh from RA Mumbai in respect of capital goods received against invalidation of EPCG licence issued to it. However, the applicant failed to furnish the declaration of the supplier regarding non availment of cenvat credit, and therefore the applicant decided to withdraw his claim pertaining to drawback part vide letter dated 03.11.2017. In the remaining selected sample, this deviation was not observed.

RA Mumbai did not take cognizance of this request and granted both TED and Drawback resulting in excess grant of Drawback of ₹36.10 lakh.

DGFT stated (May 2025) that RA Mumbai has recovered ₹53.71 lakh along with interest.

6.18 Submission of TED application before date of realization

Para 7.05 of HBP 2015-2020 provides that, for supplies mentioned in Paragraphs 7.02 (a) to (d) of FTP 2015-2020, the application for TED refund should be submitted within 12 months from the date of 100 *per cent* payment realization.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed in two cases (M/s. D13 Ltd. in RA Chennai & M/s. D14 Pvt. Ltd. in RA Coimbatore), the application for TED refund was filed before the date of realisation of 100 *per cent* payment

against the supplies resulting in irregular TED refund of ₹32.72 lakh. In the remaining selected sample, this deviation was not observed.

DGFT stated (May 2025) that though the applications were received before the date of realization, the benefits were allowed only after realization and receiving of E-BRC as stated by RA Chennai and Coimbatore.

The reply of the department may be viewed in light of the fact that the provisions envisaged in the FTP was not adhered while accepting the application and the practice of accepting refund applications prior to 100 per cent realization is fraught with risk of excess/irregular refund being sanctioned without due scrutiny.

6.19 Incorrect sanction of drawback due to misclassification of goods

Paragraph 7.06 of HBP 2015-20 stipulates granting of drawback on the All-Industry Rate (AIR) determined by the Department of Revenue and notified in the Drawback Schedule, provided the supplier of goods has not availed CENVAT credit.

The drawback rates determined by the Drawback Committee are subject to various conditions, including aligning tariff items and descriptions of goods in the schedule with those in the First Schedule to the Customs Tariff Act, 1975, at the four-digit level only, and applying general rules for interpretation to classify export goods listed in the said Schedule.

Scrutiny of Deemed Drawback cases in RAs/SEZs revealed that M/s. D15 Pvt Ltd. (100 per cent EOU), under DC-FSEZ Kolkata, procured goods from DTA suppliers and claimed 'deemed export drawback' against such supplies under All Industry Rate. However, in certain instances, the classification of the goods was not consistent with the Customs Tariff, and subsequently, the drawback was claimed under an incorrect drawback serial number of the AIR Drawback Schedule. This resulted in the erroneous sanction of Deemed Export Drawback of ₹25.11 lakh. In the remaining selected sample, this deviation was not observed.

DGFT stated (May 2025) that the unit has deposited drawback of ₹24.23 lakh and that the excess drawback was claimed inadvertently due to a mistake in identifying the correct rate of drawback.

6.20 Risk Management System/ Internal Audit Mechanism

Para 7.10 of FTP read with Para 7.11 of HBP provides for institutionalizing Risk Management System (RMS) with 10 percent of cases randomly selected for each Regional Authority (RA) to be reviewed by an internal audit team, led by a Joint DGFT, within the office of the respective Zonal Additional DGFT. This

team is responsible for auditing claims not only from its own office but also from all RAs within the Zone's jurisdiction.

The respective RA may also reassess any case, either based on reports from the Internal Audit, External Audit Agencies, or on their own initiative, where an erroneous or ineligible payment has been made or claimed. The RA will take necessary action to recover the payment along with interest at a rate of 15 percent per annum on the recoverable amount.

Audit examination of Deemed Drawback cases in RLAs/SEZs revealed that in 10 RAs,⁴⁴ internal audit teams were not constituted timely and regular audits of drawback refunds were not conducted.

DGFT stated (May 2025) that the internal audit of RAs is being carried out by the respective Zonal Additional Director General for files randomly selected by the system of DGFT and conveyed to the respective RA for sending the files to the concerned Internal Audit Team and the audit observation is noted for compliance.

Recommendation No. 16

DoC should ensure timely formation of internal audit teams and conduct regular audits of drawback refunds as stipulated in Paragraphs 7.10 of the FTP and 7.11 of the HBP. This will enhance oversight, enable early detection of erroneous or ineligible payments, and ensure recovery with applicable interest, thus improving compliance and financial accountability.

DGFT stated (May 2025) that the recommendation has been noted for compliance.

6.21 Conclusion

Audit observed that old applications wherein reply to deficiency memo was not received within prescribed time period of 90 days were not rejected by RAs resulting in undue delay ranging between 68 days to 2,371 days. This made these applications liable to late cuts and in some cases time barred too.

Audit observed that the control environment for monitoring and processing of Deemed Exports Drawback cases was deficient and requires review by DoC/DGFT in view of findings viz., irregular sanction of time-barred claims, double payment of drawback on same invoice, delay in processing of claims and non-payment of interest on delayed disbursements, ineligible sanction of drawback against supply of services and on additional duties of excise on fuels, imported capital goods, etc.

⁴⁴(i) ADGFT, Mumbai (ii) JDGFT Pune (iii) JDGFT, Surat (iv) AGDFT Vadodara (v) JDGFT Jaipur (vi) JDGFT Ludhiana (vii) JDGFT Panipat (viii) ADGFT Kolkata (ix) DC FSEZ Kolkata (x) Delhi CLA

The scheme allows deemed drawback based on the invoice or Shipping Bill (SB) value, with the primary objective of promoting foreign exchange earnings and therefore delays, shortfalls in remittances as reflected in eBRCs, and the lack of effective monitoring by DGFT needs to be reviewed.

CHAPTER VII Monitoring and Internal Control

Internal control is broadly defined as a process designed to provide reasonable assurance regarding the achievement of objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. A robust internal control system serves not only as a deterrent against fraudulent activities but also significantly reduces the likelihood of such occurrences.

Audit verified adherence to the prescribed procedures, digitization efforts across various Customs Commissionerates, Internal/Special audits, system of data management, accounting and internal reporting procedures to assess the effectiveness of monitoring and internal controls. The findings thereon are detailed hereunder:

7.1 Non- issuance of prescribed form for Deficiency Memo

Rule 14(3)(a) of Drawback Rules 2017 stipulates issuing of Deficiency Memo (DM) in the form prescribed by the Principal Commissioner of Customs, within 10 days, if the claim for drawback is incomplete in any material particulars or is without documents specified in sub-rule (2) and such claim shall be deemed not to have been filed for the purpose of section 75A.

Similar provisions for issuing DM within 15 days have been prescribed for re-export of imported goods under section 74 vide sub-rule (4) (a) of Rule 5 of Re-export of Imported goods (Drawback Customs Duties) Rules, 2017.

Audit ascertained whether any form for issuing DMs have been prescribed as required under the provisions *ibid*, from the selected 23 Commissionerates for which response was received from 13 Commissionerates⁴⁵. It was seen in ACC, Bengaluru that no forms were prescribed. DM is issued mentioning specific documents.

ICD, Bengaluru accepted the observation and issued Public Notice No. 11/2024 dated 05-08-2024 prescribing standardised formats for both the documents.

CBIC, in respect of Ludhiana, stated that the prescribed Deficiency Memo for Brand Rate will be issued in the prescribed format in the future.

⁴⁵ (i) CC, Ahmedabad; (ii) CC, Mundra; (iii) CC, Jodhpur; (iv) CC, Ludhiana; (v) JNCH, Nhava Sheva Mumbai; (vi) NCH, Mumbai; (vii) ICD, Bengaluru; (viii) ACC, Bengaluru; (ix) NCH, Mangaluru; (x) CC, Hyderabad; (xi) CC (Port), Kolkata; (xii) CC (Preventive), Kolkata & (xiii) CC Chennai-IV.

For, Chennai IV & Kolkata Port, it was stated that AIR claims are processed online through EDI systems and the deficiency noticed is intimated to the exporter in the form of query in EDI System. In case of Brand Rate, the present practice is that Deficiency Memo is issued manually. However, a prescribed Deficiency Memo is being drafted and in all future cases, the Deficiency Memo will be issued in prescribed format.

For CC(P) West Bengal, JNCH Mumbai-II & Mumbai-I, reference was made to CBIC Circular No. 14/2003, wherein the exporters are required to submit Brand Rate application accompanied by documents specified in checklist. The said checklist is being utilised as Deficiency Memo and hence, it was stated that a separate deficiency Memo format is not required.

A prescribed format for the Deficiency Memo would not only ensure uniformity within Commissionerates but also ensure covering all the deficiencies in one go thereby avoiding issuance of multiple deficiency letters and help in finalizing the claims in a time bound manner.

7.2 Digitization in Duty Drawback claims and processing

Trade Facilitation being a continuous endeavour, CBIC has completely reengineered its processes through digitization, which include introduction of E-Sanchit, Single Window Interface for Trade Facilitation (SWIFT), Turant Customs initiative to make Indian Customs Completely Paperless, Faceless and Contactless.

However, it was seen that automation of drawback claims and processing is presently restricted only to the AIR drawback cases. A claim for duty drawback on re-export of imported items under Section 74, application for determination of brand rate under Section 75 and filing of supplementary claims are still being filed manually, thereby limiting the objective of digitisation.

When ascertained on steps taken for digitization of processing of Drawback under Section 74 (re-export of imported items), Brand Rate and Supplementary Claims from the selected 23 Commissionerates, response was received from 15 Customs Commissionerates⁴⁶. Customs Commissionerate, Hyderabad replied (October 2023) that digitization of Special Brand Rate Duty Drawback was a very complex and cumbersome process as the same involves uploading of numerous documents by the exporter such as DRAWBACK-I,

⁴⁶(i) CC, Ahmedabad; (ii) CC, Mundra; (iii) CC, Jodhpur; (iv) CC, Port, Kolkata; (v) CC, Preventive, West Bengal; (vi) JNCH, Nahva Sheva, Mumbai; (vii) NCH, Mumbai; (viii) CC Ludhiana; (ix) CC, Hyderabad; (x) ACC, NCH (Exports), New Delhi; (xi) ICD Tughlakabad (Exports); (xii) ACC Bengaluru; (xiii) ICD Bengaluru; (xiv) NCH Mangaluru & (xv) CC, Chennai-IV.

DRAWBACK-II, DRAWBACK-IIA, DRAWBACK-III, Shipping Bills, Export Invoices, Bills of Entry etc., which may run into several hundreds of pages and also the processing of such brand rate drawback claims electronically was also a very complex task.

Customs Commissionerate, Ludhiana admitted the facts and stated (January 2024) that letters were being issued to DG (Systems). Final reply would be submitted upon receipt of the response from the DG (Systems).

JNCH Commissionerate, Nahva Sheva replied (September 2023) that there is no provision for filing drawback claims in EDI system, on sanction / settlement of drawback claim by competent authority, the same is processed electronically in ICES and transferred to claimant after generating drawback scroll.

NCH, Mumbai Commissionerate, replied (April 2024) that several steps have been undertaken by the department to digitize the process of refund of duty drawback under Section 74 of the Customs Act, 1962, and to digitize the process of manual brand rate duty drawback/supplementary drawback claims and wherever possible, use of information technology, digitization, paperless customs etc. is promoted with objective to reduce physical interference between customs/ regulatory agencies.

NCH Mangaluru replied (May 2024) that the process of fixation of Brand Rate Duty Drawback claim and process of Supplementary claim are done manually. However, once the fixation of Brand Rate is done, details are entered in EDI and drawback amount is disbursed.

Chennai IV replied (May 2024) that as far as Section 74 drawback is concerned, the original documents submitted by the exporters are scrutinized and processed only after scanning in e-office. As regards, the digitization of Manual Brand Rate Duty Drawback, all the requisite documents are all scanned before being taken for fixation of the Brand Rate claim in the e-office files.

Reply is awaited from the remaining nine Commissionerates.

Though almost five years have elapsed since the introduction of the next generation reform Turant Customs, the Department is yet to fulfil its objective of attaining a faceless, paperless and contactless customs. Even data for reporting purposes is aggregated manually and then uploaded online.

Recommendation No. 17

CBIC should leverage its existing platforms like E-Sanchit and SWIFT for comprehensive automation beyond AIR drawback cases to include all types of claims such as Brand Rate, Special Brand Rate and Supplementary claims.

CBIC stated (May 2025) that the department is in the process of gathering requirements & preparation of RFP for new comprehensive Customs Integrated System (CIS), which will cover all Customs workflows.

7.3 Verification of data given in Brand/Special Brand Rate applications

Para 4 of Circular No.23/2017 dated 30 June 2017 stipulates verification of data given in application, if required, through the customs formation having jurisdiction over the factory where the export goods have been manufactured.

Audit enquired whether physical verification of data given in Brand Rate/Special Brand Rate application was carried out during the year 2018-2023 from the selected 23 Commissionerates, response was received from 11 Commissionerates⁴⁷. It was seen that physical verification was done only in Chennai (IV) Commissionerate.

CBIC forwarded (May 2025) responses from CC Hyderabad, CC Port Kolkata wherein it was stated that as per the circular ibid, physical verification is not mandatory and hence not carried out. In respect of CC Ludhiana, it was stated the verification is required to be done for data given in the application and not physical verification. Letters has been issued to all the EPCs/ports regarding compliance of provisions to conduct verification of data given in the application in future, whenever required.

It may be seen from the response that disparate practices were being followed by the customs field formations in respect of verification of data furnished in the brand/special brand rate cases. The response is silent on having a uniform stand. The envisaged verification should be carried out in at least a few test cases to act as a deterrent for applicants against wrong submissions/declarations in their applications.

7.4 Identification and tracking of converted Shipping Bills in ICES 1.5

Section 149 of the Customs Act, 1962 read with Circular 36/2010-Customs dated 23 September 2010 stipulates that Commissioners of Customs are empowered to consider requests for the conversion of SBs from free to export promotion schemes and from one export promotion scheme to another on a case-by-case basis, depending on the merits of the case.

⁴⁷ (i) CC, Ahmedabad; (ii) CC, Mundra; (iii) CC, Jodhpur;(iv) CC Ludhiana; (v) CC, Hyderabad; (vi) CC, Port, Kolkata; (vii) CC, Preventive, West Bengal; (viii) ACC Bengaluru; (ix) ICD Bengaluru; (x) NCH Mangaluru & (xi) CC, Chennai IV.

Audit ascertained whether other SBs could be converted into Duty Drawback Shipping bills in the selected 23 Commissionerates, response received for 12 Commissionerates⁴⁸.

Audit observed that the identification and tracking of converted Shipping Bills were not adequately supported in the ICES 1.5 system, resulting in monitoring gaps related to duty drawback claims. Further, several Commissionerates were unable to provide data on such converted Shipping Bills, highlighting the need for improved record-keeping practices and better integration within the system infrastructure.

CBIC forwarded (May 2025) responses of five Commissionerates⁴⁹ wherein it stated that no conversion of other SBs into DRAWBACK SBs were noticed. In respect of CC, Chennai-IV, it was stated that no provision of conversion of Shipping Bills is available in ICES 1.5 system. DG Systems has stated that allowing amendments in a Shipping Bill after filing of EGM is under development in consultation with the Board, and is likely to be launched shortly. It is also stated that when the module is made operational, the proper officer at field location would have the option to process such amendments in ICES and allow payment of additional benefits or recover benefits as may be calculated.

7.5 Transaction Based Audit (TBA) of Export Shipping Bills

Para 2.2 of the Manual of Customs Post Clearance Audit, stipulates institutionalizing specific Audit circle to cater to Exports transactions. Further, depending on the workload, the Committee of jurisdictional Chief Commissioners may review the number of audit circles required for effective audit.

Transaction Based Audit (TBA) is a type of Post Clearance Audit, which serves as a monitoring mechanism, wherein transactions are selected for detailed scrutiny, based on specific risk parameters identified at the national and local levels.

When this was ascertained from the selected 23 Commissionerates, response received from 12 Commissionerates⁵⁰, wherein it was observed that no such transaction based audit of exports (SBs) were conducted by four

⁴⁸(i) CC, Ahmedabad; (ii) CC, Mundra;(iii) CC, Jodhpur; (iv) CC, Hyderabad; (v) JNCH, Nahva Sheva, Mumbai; (vi) NCH, Mumbai; (vii) CC, Port, Kolkata; (viii) CC, Preventive, West Bengal; (ix) ACC Bengaluru; (x) ICD Bengaluru;(xi) NCH Mangaluru & (xii) CC, Chennai IV.

⁴⁹(i) CC, Hyderabad; (ii) Mumbai-I; (iii) JNCH Mumbai-II ; (iv) NCH Mangaluru; (v) CC (P) Kolkata .

⁵⁰(i) CC, Ahmedabad; (ii) CC, Mundra;(iii) CC, Jodhpur; (iv) CC, Hyderabad; (v) JNCH, Nahva Sheva, Mumbai; (vi) NCH, Mumbai; (vii) CC, Port, Kolkata; (viii) CC, Preventive, West Bengal; (ix) ACC Bengaluru; (x) ICD Bengaluru;(xi) NCH Mangaluru & (xii) CC, Chennai IV.

commissionerates⁵¹. Further, JNCH Nhava Sheva did not audit any Shipping Bills for the years 2018 to 2022, and audited 900 SBs during the year 2022-23.

Similarly, NCH Mumbai had initiated the audit of Export Shipping Bills from the month of October 2022 and had audited 10,112 SBs out of selected 10,488 SBs.

Reply was awaited from the remaining six Commissionerates.

The implementation of Transaction Based Audit (TBA) for export shipping bills was found to be inconsistent across various customs field formations. Several Commissionerates are either unaware of the TBA framework or have not implemented it effectively, primarily due to staff shortages, consequently leaving gaps in the oversight mechanism. Audit opines that CBIC take necessary steps to sensitize and guide its field formations to ensure uniform and effective implementation of TBA.

Recommendation No. 18

CBIC may ensure consistent and thorough implementation of TBA for Export Shipping Bills by imparting training to the TBA audit teams, allocating appropriate resources and conducting regular reviews to monitor effectiveness.

CBIC stated (May 2025) that currently, several Customs Commissionerates are conducting Transaction-Based Audits (TBA) for Export Shipping Bills, utilizing local risk parameters, as there is no dedicated manual for the TBA of Export Shipping Bills. Additionally, a Draft Customs Export Audit Manual has been prepared by DG (Audit) and is awaiting approval. Furthermore, the Draft Workflow for the Export Module has been finalized and sent to DG Systems for necessary action.

7.6 Integration of Customs EDI System with other systems

Audit examined whether the Customs EDI System was integrated with SEZ Online Systems, GSTN and DGFT EDI Systems and there was seamless flow of data across the IT systems managed by CBIC and MOCI and whether any reconciliation of data was being carried out.

⁵¹(i) CC, Hyderabad; (ii) CC, Port, Kolkata; (iii) NCH Mangaluru & (iv) CC, Chennai IV

The status of integration was ascertained from selected 23 Commissionerates and 19 RAs/SEZs out of which response received from 22 Commissionerates⁵² and four RAs⁵³.

Customs Commissionerate, Ludhiana and JNCH, Nhava Sheva, Mumbai stated that the required information is not available at field level and requested to contact DG/Systems. Customs Commissionerate, Ahmedabad replied (July 2024) that limited data from ICEGATE portal regarding IGST Refund is transmitted to ICES portal for the purpose of IGST scroll generation at the respective customs locations.

Reply is awaited from remaining 19 Commissionerates & four RAs.

Recommendation No. 19

CBIC may develop a robust system by integrating ICES (Indian Customs EDI System) with SEZ online System, GSTN and DGFT EDI Systems so that reconciliation of data may be done with accuracy and transactions may be tracked and managed ensuring transparency in duty drawback processes.

CBIC stated (May 2025) that SEZ clearances and Drawback processing has been moved to ICES/ICEGATE since 1st July 2024. Exchange of relevant data with GSTN is taking place. ICEGATE is already integrated with GSTN, DGFT via APIs and is available for SEZ users as well.

7.7 Staffing pattern in Customs field formations

Audit reviewed the staffing pattern and vacancy position at Customs field formations to ascertain the extent of staff shortages with potential impact on the ability of department in ensuring effective implementation of controls and timely processing of Duty Drawback to the exporters.

The staff position was ascertained from the selected 23 Commissionerates however, six Commissionerates provided the vacancy position, as detailed hereunder:

Table No. 7.1: vacancy position in Customs Commissionerates

S. No.	Name of Customs Commissionerate	Percentage of vacancy
1.	JNCH, Nhava Sheva, Mumbai	63 (in Drawback wing)
2.	Customs Commissionerate, Hyderabad	22 (in Drawback wing)

⁵²(i) JNCH, Nahva Sheva, Mumbai; (ii) NCH, Mumbai; (iii) CC, Port, Kolkata; (iv) CC, Preventive, West Bengal; (v) ACC Bengaluru; (vi) ICD Bengaluru; (vii) NCH Mangaluru; (viii) CC, Chennai IV; (ix) CC Cochin; (x) ACC Exports, Hyderabad; (xi) ICD Exports Hyderabad; (xii) CC Ludhiana; (xiii) CC Preventive, Amritsar; (xiv) JRY ICD; (xv) Panki ICD, Kanpur; (xvi) ICD Kashipur; (xvii) ICD Pant Nagar; (xviii) ICD Dadri; (xix) LCS Nepalganj; (xx) LCS Sonauli; (xxi) CC Ahmedabad; (xxii) CC, Mundra.

⁵³ (i) JDGFT, Bengaluru;(ii) JDGFT Hyderabad; (iii) ADGFT, Kolkata & (iv) Falta SEZ, Kolkata.

3.	Customs Commissionerate, Ludhiana	53 (Overall)
4.	Customs Commissionerate, Amritsar	42 (Overall)
5.	Commissioner of Customs (Port), Kolkata	29 (Overall)
6.	Commissioner of Customs (Preventive), WB, Kolkata	12 (Overall)

It may be seen from above that the vacancy in functional positions in these six Commissionerates ranged from 12 to 63 per cent.

CBIC in respect CC (Port), Kolkata stated (May 2025) that the matter has been taken up with the competent authority. In respect of CC, Ludhiana, it was stated that the staff was allocated by CC Preventive, New Delhi, which has been requested to provide staff. Further, CBIC forwarded the sanctioned strength and person-in-position in respect of CC Hyderabad and no reply was furnished for remaining seven Commissionerates.

Due to acute shortage of staff, many customs stations/units/branches were working with much lesser staff than the sanctioned strength which could be adversely impacting the ability of the department in ensuring effective and timely processing of Duty Drawback to the exporters.

7.8 Conclusion

Internal controls play a vital role in ensuring the efficiency and effectiveness of operations, reliability of financial reporting, and adherence to legal and regulatory frameworks. A robust internal control system serves as a deterrent to fraudulent activities and aids management in achieving organizational objectives.

Audit observed inconsistencies in the issuance of Deficiency Memos across various Commissionerates. Adoption of a prescribed, uniform format would ensure consistency, enable comprehensive identification of deficiencies in a single communication, and facilitate timely processing and finalization of claims.

Despite CBIC's ongoing digital transformation efforts, digitization in duty drawback claims remains incomplete, particularly for Brand Rate, Special Brand Rate, and Supplementary Claims, which are still processed manually. This impedes the objectives of trade facilitation and ease of doing business and CBIC needs to leverage its existing digital platforms for comprehensive automation.

Audit observed disparate practices being followed by the customs field formations in respect of verification of data furnished in the brand/special brand rate cases. CBIC ought to have a uniform stand and the envisaged verification should be carried out in at least a few test cases to act as a

deterrent for applicants against wrong submissions/declarations in their application.

Audit observed that the identification and tracking of converted Shipping Bills were not adequately mapped in the ICES 1.5 system, resulting in monitoring gaps related to duty drawback claims. Further, Commissionerates were unable to provide data on such converted Shipping Bills, highlighting the need for improved record-keeping practices and better integration within the system infrastructure.

The implementation of Transaction Based Audit (TBA) for export Shipping Bills was found to be inconsistent across various customs field formations. Field formations are either unaware of the TBA framework or have not implemented it effectively, primarily due to staff shortage, consequently leaving gaps in the oversight mechanism. Audit opines that CBIC takes necessary steps to sensitize and guide its field formations to ensure uniform and effective implementation of TBA.

Audit observed deficiencies in the integration of Customs EDI with SEZ, GSTN, and DGFT EDI systems, leading to challenges in data reconciliation and transparency. Proper integration of these systems would lead to seamless flow of data across departments with enhanced tracking, monitoring, and accuracy in the duty drawback disbursement process.

Acute staff shortages in some of Customs Commissionerates, particularly in the Duty Drawback wing, was found to be adversely impacting the ability of the department in ensuring effective and timely processing of Duty Drawback claims of exporters.

New Delhi
Dated: 08 December 2025


(SMITA GOPAL)
Principal Director (Indirect Taxes)

Countersigned

New Delhi
Dated: 10 December 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

**Appendices
&
Annexures**

Appendix-I							
Details of sample selected and non-productions of records by Customs Field Formations							
Refer: Para No. 1.10, Chapters 3, 4 and 5							
Sr. No.	Name of Commissionerate	AIR cases	Non-production (NPR)	Brand Rate cases	NPR	Re-export cases	NPR
1	CC, Ahmedabad	200	Nil	50	3	14	1
2	CC, Mundra	200	Nil	50	21	36	13
3	CC, Jodhpur	247	Nil	32	Nil	0	Nil
4	ACC Bengaluru	174	Nil	34	26	24	8
5	ICD Bengaluru	157	Nil	43	36	21	Nil
6	NCH Mangaluru	69	Nil	23	Nil	5	Nil
7	CC, Ludhiana	200	Nil	91	Nil	0	Nil
8	CC Preventive, Amritsar	200	Nil	0	Nil	0	Nil
9	CC, Chennai IV	244	Nil	50	Nil	31	Nil
10	CC, Chennai VII	236	Nil	50	Nil	30	Nil
11	CC, Cochin	335	Nil	86	Nil	50	Nil
12	CC Preventive Cochin	65	Nil	14	Nil	0	Nil
13	CC, Hyderabad	255	Nil	50	Nil	25	Nil
14	CC, Preventive, Bhubaneswar	200	Nil	50	Nil	0	Nil
15	CC, Port, Kolkata	901	Nil	50	Nil	34	Nil
16	CC, Preventive, West Bengal	900	Nil	28	Nil	1	Nil
17	CC, Lucknow	244	Nil	50	50	0	Nil
18	CC, Noida	200	Nil	50	18	17	3
19	CC, Patna	400	Nil	100	Nil	0	Nil
20	JNCH, Nahva Sheva, Mumbai	400	Nil	146	Nil	30	Nil
21	NCH, Mumbai	398	Nil	20	2	25	Nil
22	ACC NCH (Exports), New Delhi	200	Nil	75	27	36	Nil
23	ICD Tughlakabad (Exports)	215	Nil	25	Nil	14	1
	Total	6,640	0	1167	183	393	26

Appendix II			
Details of sample selected and non-productions of records by RAs/SEZs Offices			
Refer: Para No. 1.10, Chapter 6			
Sr. No.	Name of RLA/ SEZ	Deemed Export (Selection)	Non-production
1	Jt. DGFT, Surat	25	Nil
2	ADGFT, Vadodara	25	Nil
3	Jt.DGFT, Jaipur	3	Nil
4	ADGFT, Bengaluru	50	Nil
5	Jt.DGFT, Ludhiana	6	Nil
6	Jt.DGFT, Panipat	20	Nil
7	RLA, Chennai	17	Nil
8	RLA, Coimbatore	17	Nil
9	DC/MEPZ-SEZ	16	Nil
10	Jt.DGFT, Kochi	12	Nil
11	DC, CSEZ	38	Nil
12	ADGFT, Hyderabad	3	Nil
13	DC, Falta SEZ	22	2
14	ADGFT, Kolkata	25	Nil
15	Jt.DGFT Kanpur	3	Nil
16	ADGFT, Mumbai	74	Nil
17	Jt.DGFT, Pune	25	Nil
18	SEEPZ, Mumbai	4	Nil
19	CLA, New Delhi	50	Nil
	Total	435	2

Chapter III

Annexure 3.1a: Non-realisation of exports proceeds			
Refer: Para No. 3.1			
Sl No.	Name of the Commissionerate	Total No of SBs	Total Drawback to be recovered (₹ cr.)
1	ACC, Bengaluru	60	6.44
2	ACC, NCH (Export), New Delhi	42	4.73
3	CC Chennai IV	48	15.24
4	CC Chennai VII	31	3.41
5	CC Preventive Cochin	11	0.03
6	CC, Preventive, West Bengal	248	29.17
7	CC Preventive, Amritsar	107	6.67
8	CC Mundra	20	8.08
9	CC, Ahmedabad	14	2.22
10	CC, Hyderabad	9	1.81
11	CC, Jodhpur	35	3.41
12	CC, Cochin	116	4.22
13	CC, Ludhiana	68	6.08
14	CC, Port, Kolkata	151	31.07
15	CC, Preventive, Bhubaneshwar	4	0.52
16	ICD Tughlakabad (Exports)	86	9.34
17	ICD, Bengaluru	68	8.63
18	JNCH, Zone II, Mumbai	58	15.75
19	CC Lucknow	16	1.18
20	NCH, Zone I, Mumbai	34	0.74
	Total	1,226	158.74

Annexure 3.1b: Partial realisation of exports proceeds			
Refer: Para No. 3.1			
Sl No.	Name of the Commissionerate	Total No of SBs	Drawback to be recovered (₹ cr.)
1	ACC, Bengaluru	6	0.06
2	ACC, NCH(Export), New Delhi	3	0.51
3	CC, Chennai IV	6	1.28
4	CC, Chennai VII	3	0.11
5	CC, Preventive, West Bengal	9	0.24
6	CC Preventive, Amritsar	2	0.54
7	CC Mundra	7	1.80
8	CC, Ahmedabad	4	1.14
9	CC, Jodhpur	6	0.08
10	CC, Ludhiana	3	0.15
11	CC, Noida	63	23.79
12	CC, Port, Kolkata	28	1.31
13	CC, Preventive, Bhubaneshwar	1	0.01
14	ICD Tughlakabad (Exports)	3	0.17
15	ICD, Bengaluru	1	0.12
16	JNCH, Nhava Sheva, Mumbai	6	1.38
17	CC, Lucknow	6	1.28
18	NCH, Mumbai	2	0.03
19	CC, Hyderabad	1	0.31
	Total	160	34.31

Annexure 3.2 : Irregular Brand Rate payment for SBs claimed under Rule 7			
Refer: Para No. 3.2			
Sl No	Name of the Commissionerate	Total No. of SBs	Drawback to be recovered (₹ cr.)
1	ACC NCH(Exports), New Delhi	9	0.31
2	ACC, Bengaluru	404	6.26
3	CC, Hyderabad	105	2.17
4	ICD, Bengaluru	130	2.98
5	NCH, Mangaluru	49	0.33
6	JNCH, Nhava Sheva, Mumbai	419	17.87
	Total	1,116	29.92

Annexure 3.3a : Excess AIR drawback paid due to misclassification of export goods					
Refer : Para No. 3.3					
Sl No.	Name of the Commissionerate	Total No of SBs	Drawback Paid (₹ cr.)	Drawback Payable (₹ cr.)	Excess Drawback (₹ cr.)
1	ACC, Bengaluru	1	0.04	0.03	0.01
2	CC Chennai IV	25	0.28	0.17	0.11
3	CC Chennai VII	20	0.52	0.21	0.31
4	CC Preventive, West Bengal	6	0.02	0.01	0.01
5	CC Port, Kolkata	6	1.04	0.67	0.36
6	NCH, Mangaluru	2	0.02	0.01	0.01
7	NCH, Mumbai	15	0.23	0.18	0.05
	Total	75	2.15	1.28	0.86

Annexure 3.3b : Excess AIR drawback paid due to misclassification of export goods					
Refer : Para No. 3.3					
Sl No.	Name of the Commissionerate	Total No of SBs	Drawback Paid (₹ cr.)	Drawback Payable (₹ cr.)	Excess Drawback (₹ cr.)
1	ACC NCH(Exports), New Delhi	37	0.16	0	0.16
2	CC Chennai VII	65	0.08	0.06	0.02
3	CC Chennai-IV	219	2.80	1.96	0.84
4	CC (Port) Kolkata	11	0.91	0.76	0.16
5	CC (Preventive) West Bengal	88	0.21	0.15	0.06
6	NCH Mumbai	46	0.55	0.43	0.13
	Total	466	4.71	3.36	1.37

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Annexure 3.4a : Delays in claims processing under Rule 3 AIR for selected sample		
Refer: Para No. 3.6		
Sl No.	Name of the Commissionerate	Total No. of SBs
1	ACC, Bengaluru	138
2	ACC, NCH (Export), New Delhi	161
3	CC Chennai IV	67
4	CC Chennai VII	159
5	CC Preventive Cochin	44
6	CC, Preventive, West Bengal	786
7	CC, Preventive, Amritsar	186
8	CC, Mundra	131
9	CC, Ahmedabad	165
10	CC, Hyderabad	164
11	CC, Jodhpur	210
12	CC, Cochin	208
13	CC, Ludhiana	166
14	CC, Noida	118
15	CC, Patna	375
16	CC, Port, Kolkata	498
17	CC, Preventive, Bhubaneshwar	145
18	ICD Tughlakabad (Exports)	110
19	ICD, Bengaluru	124
20	JNCH, Nhava Sheva, Mumbai	291
21	CC Lucknow	151
22	NCH, Mangaluru	42
23	NCH, Mumbai	255
	Total	4,694

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Annexure 3.4b : Delays in claims processing under Rule 3 AIR for pan-India cases								
Refer: Para No. 3.6								
SI No.	Name of Field Audit Office	Year	Total SBs	Delayed SBs	Delayed: 1-30 Days	Delayed: 31-90 Days	Delayed: 91-180 Days	Delayed: More than 6 Months
1	DGA(C), Ahmedabad	2018-19	42,671	28,364	26,354	1,494	306	210
		2019-20	46,805	27,334	24,965	1,641	490	238
		2020-21	57,330	24,164	22,334	926	579	325
		2021-22	62,380	57,954	38,974	18,141	552	287
		2022-23	51,447	45,860	34,110	11,466	184	100
2	DGA(C), Chandigarh	2018-19	7,090	5,934	4,340	1,019	382	193
		2019-20	6,214	5,062	3,276	1,011	464	311
		2020-21	6,038	5,154	3,024	1,620	287	223
		2021-22	8,574	8,500	1,834	5,099	1,394	173
		2022-23	7,470	6,841	5,303	1,390	105	43
3	DGA(C), Chennai	2018-19	56,736	26,986	22,288	2,353	1,025	1,320
		2019-20	55,368	32,584	25,395	4,404	1,306	1,479
		2020-21	45,139	21,231	16,953	2,475	533	1,270
		2021-22	57,588	46,684	39,982	4,015	2,117	570
		2022-23	53,043	33,522	30,310	2,436	491	285
4	DGA(C), Kolkata	2018-19	14,004	11,167	10,177	664	159	167
		2019-20	13,888	8,359	6,130	1,552	270	407
		2020-21	12,763	8,578	6,613	1,239	421	305
		2021-22	15,725	15,025	11,068	3,387	232	338
		2022-23	13,060	8,926	6,352	2,194	220	160
5	DGA(C), Mumbai	2018-19	1,05,324	95,221	60,964	30,232	1,585	2,440
		2019-20	1,02,973	89,455	47,738	34,223	2,469	5,025
		2020-21	98,640	67,425	62,060	1,747	1,141	2,477
		2021-22	1,19,498	1,11,787	78,151	29,494	2,330	1,812
		2022-23	1,09,422	97,346	68,446	27,378	977	545
6	DGA(CR), New Delhi	2018-19	52,937	44,721	27,532	9,259	5,155	2,775
		2019-20	55,598	45,582	25,882	9,197	4,068	6,435
		2020-21	46,007	41,969	26,275	6,733	4,811	4,150
		2021-22	59,060	56,730	38,136	13,960	1,616	3,018
		2022-23	50,376	35,090	23,574	7,208	2,500	1,808
7	PDA(C), Bengaluru	2018-19	22,370	18,226	13,000	3,391	769	1,066
		2019-20	23,308	19,961	10,153	6,331	1,958	1,519
		2020-21	18,436	15,102	11,660	1,304	1,001	1,137
		2021-22	22,761	20,289	15,136	2,248	1,150	1,755
		2022-23	21,439	17,367	12,148	2,626	1,570	1,023
8	PDA(C), Hyderabad	2018-19	5,652	4,239	3,682	231	96	230
		2019-20	5,935	4,170	3,375	284	338	173
		2020-21	6,230	3,946	2,463	1,172	207	104

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Annexure 3.4b : Delays in claims processing under Rule 3 AIR for pan-India cases								
Refer: Para No. 3.6								
Sl No.	Name of Field Audit Office	Year	Total SBs	Delayed SBs	Delayed: 1-30 Days	Delayed: 31-90 Days	Delayed: 91-180 Days	Delayed: More than 6 Months
		2021-22	7,221	6,774	3,764	2,663	202	145
		2022-23	6,702	5,887	5,142	687	45	13
9	PDA(C), Lucknow	2018-19	19,280	18,470	6,652	8,647	1,564	1,607
		2019-20	20,055	18,084	8,471	6,358	1,507	1,748
		2020-21	16,482	13,203	8,573	3,587	427	616
		2021-22	18,391	17,863	7,345	7,771	1,623	1,124
		2022-23	16,404	12,277	10,647	1,201	326	103
Grand Total			16,63,834	13,09,413	9,20,751	2,86,458	50,952	51,252

Chapter IV

Annexure-4.1 : Payment of Duty Drawback in cash/bank transfer instead of re-credit of scrip			
Refer : Para No. 4.1.1			
Sr. No.	Name of Commissionerate	No. of Cases	Drawback Paid (₹ cr.)
1	CC, Ahmedabad	23	4.5
2	CC, Mundra	5	43.96
3	CC, Ludhiana	1	0.3
4	NCH, Mangaluru	2	0.02
5	NCH, Mumbai	8	176.87
6	JNCH , Nhava Sheva, Mumbai	27	47.14
Total		66	272.79

Annexure-4.2: Non-recovery of drawback sanctioned despite non/partial realisation of exports proceeds			
Refer : Para No. 4.1.2			
Sl. No.	Name of Commissionerate	No. of Cases	Drawback to be recovered (₹ cr.)
1	NCH, Mumbai	3	0.96
2	JNCH , Nhava Sheva, Mumbai	5	1.62
3	CC, Ahmedabad	10	1.71
4	CC, Mundra	6	60.76
5	ICD Bengaluru	1	0.17
6	ACC Bengaluru	2	0.62
7	CC, Kolkata	7	0.66
8	CC Preventive, Cochin	2	0.08
Total		36	66.58

Annexure-4.3 : Incorrect payment of Brand Rate claims under Rule 7(1)			
Refer : Para No. 4.1.3			
Sr. No.	Name of Commissionerate	No. of Cases	Tax Effect (₹ in Cr.)
1	JNCH, Mumbai	16	32.79
2	CC, Ahmedabad	3	0.03
3	CC Chennai VII	1	0.01
	Total	20	32.83

Annexure-4.4 : Drawback, claimed under Rule 6 in Shipping Bill, sanctioned under Rule 7			
Refer : Para No. 4.1.4			
Sr. No.	Name of Commissionerate	No. of Cases	Tax Effect (₹ in Cr.)
1	JNCH , Mumbai	11	5.46
2	CC, Ludhiana	17	0.38
3	CC, Tugalkabad	1	0.01
	Total	29	5.85

Annexure- 4.5a : Drawback, claimed under Rule 6 in Shipping Bill, despite availability of AIR under Rule 3			
Refer : Para No. 4.1.5(A)			
Sr. No.	Name of Commissionerate	No. of Cases	Tax Effect (₹ in Cr.)
1	JNCH, Mumbai	2	1.77
2	CC, Ahmedabad	14	3.2
3	CC, Mundra	1	0.12
	Total	17	5.09

Annexure 4.5b : Drawback, claimed under Rule 6 in Shipping Bill, despite availability of AIR under Rule 3			
Refer : Para No. 4.1.5(B)			
Sr. No.	Name of Commissionerate	No. of Shipping bills	Tax Effect (₹ in Cr.)
1	JNCH, Zone II, Mumbai	1,348	8.49
2	ACC, Bengaluru	80	0.45
	Total	1,428	8.94

Annexure-4.6a : Delay in Drawback payment after stipulated period of one month from filing of claim			
Refer : Para No. 4.2.1			
Sr. No.	Name of Commissionerate	No. of Cases	Delay range (in days)
1	JNCH, Mumbai	92	3-3128
2	NCH, Mumbai	18	161-1156
3	CC Chennai IV	27	15-885
4	CC Chennai VII	36	56-765
5	CC, Ahmedabad	29	63-4247
6	CC, Mundra	19	10-1092
7	CC, Port Kolkata	9	3-522
8	CC, Jodhpur	31	49-390
9	CC, Ludhiana	50	5-1571
10	ACC, NCH (Export), New Delhi	35	40-52
11	CC, Cochin	67	66-2270
12	CC Preventive, Cochin	3	64-397
13	CC, Hyderabad	33	73-1302
14	CC Preventive, Bhubneshwar	26	1-29
15	ACC Bengaluru	8	63-203
16	ICD Bengaluru	7	15-255
17	NCH Mangaluru	17	22-332
	Total	507	

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Annexure-4.6b : Non-payment of interest on delayed payment of Drawback				
Refer : Para No. 4.2.1				
Sr. No.	Name of Commissionerate	No. of Cases	Delay range (in days)	Interest payable (₹ in Cr.)
1	CC, Chennai IV	27	15-885	1.99
2	CC, Chennai VII	36	56-765	4.1
3	CC, Ahmedabad	29	63-4247	0.3
4	CC, Mundra	19	10-1092	1.34
5	CC, Port Kolkata	9	3-522	0.01
6	CC, Jodhpur	31	49-390	0.48
7	CC, Ludhiana	50	5-1571	0.42
8	ACC, NCH (Export), New Delhi	35	40-52	0.1
9	CC, Cochin	67	66-2270	0.41
10	CC, Preventive Cochin	3	64-397	0.01
11	CC, Hyderabad	33	73-1302	1.08
12	CC, Preventive Bhubneshwar	26	1-29	0.02
13	ACC Bengaluru	8	63-203	0.01
14	ICD Bengaluru	7	15-255	0.01
15	NCH Mangaluru	17	22-332	0.09
	Total	397		10.37

Annexure-4.7 : Time barred drawback claims			
Refer : Para No. 4.2.2			
Sr. No.	Name of Commissionerate	No. of Cases	Tax Effect (₹ in Cr.)
1	CC, Jodhpur	14	2.99
2	CC, Ludhiana	3	0.03
	Total	17	3.02

Annexure 4.8 : Delay in issue of Deficiency Memo to the Exporter			
Refer : Para No. 4.2.3			
Sr. No.	Name of Commissionerate	No. of Cases	Delay range (in days)
1	CC, Ahmedabad	3	22-669
2	CC, Mundra	2	9-517
3	CC, Port Kolkata	9	8-80
4	CC, Hyderabad	2	19-26
5	CC, Chennai IV	4	10-313
6	NCH Mangaluru	2	11-13
7	ACC Bengaluru	1	60
	Total	23	

Annexure 4.9 : Delay in payment of AIR component in SBs processed under Brand Rate claims				
Refer : Para No. 4.2.5				
Sr. No.	Name of Commissionerate	No. of Cases	No. of Shipping Bills	Delay range (in days)
1	JNCH, Mumbai	50	50	1-806
2	NCH Mumbai	9	122	4-155
	Total	59	172	

Annexure 4.10 : Absence of Internal audit in Brand Rate Claims		
Refer : Para No. 4.2.6		
Sr. No.	Name of Commissionerate	No. of Cases
1	JNCH Mumbai	97
2	NCH Mumbai	18
3	CC IV Chennai	50
4	CC VII Chennai	34
5	CC Bengaluru	6
6	CC Ahmedabad	45
7	CC Mundra	28
8	CC Preventive West Bengal	21
9	CC Jodhpur	32
10	CC Ludhiana	71
11	CC Noida	32
12	CC Patna	93
	Total	527

Annexure-4.11 : Delay in verification of Brand Rate Claims			
Refer : Para No. 4.2.7			
Sr. No.	Name of Commissionerate	No. of Cases	Delay range (in days)
1	CC Ahmedabad	41	6-468
2	CC Mundra	22	6-286
3	CC Ludhiana	91	9-2683
4	CC Noida	20	1-271
5	CC Preventive Bhubaneshwar	5	6-22
	Total	179	

Annexure-4.12 : Non Production of Brand rate cases			
Refer : Para No. 4.2.8			
Sr. No.	Name of Commissionerate	No. of Cases	Amount (₹ in Cr.)
1	NCH Mumbai	2	0.89
2	CC, Ahmedabad	3	0.28
3	CC, Mundra	21	81.49
4	ACC, NCH (Export), New Delhi	27	5.65
5	ACC, Bengaluru	26	1.44
6	ICD Bengaluru	36	2.60
7	CC, Noida	18	31.57
8	CC, Lucknow	50	0.72
	Total	183	124.64

Chapter V

Annexure-5.1 : Grant of duty drawback over and above Present Market Value			
Refer : Para No. 5.2			
Sr. No.	Name of Commissionerate	No. of cases	Drawback sanctioned (₹ in cr.)
1	ICD, Bengaluru	2	1.33
2	JNCH, Zone II, Mumbai	1	1.17
3	NCH, Zone I, Mumbai	1	0.69
	Total	4	3.19

Annexure 5.2 : Incorrect payment of Drawback on imports duty debited through scrips			
Refer : Para No. 5.3			
Sr. No.	Name of Commissionerate	No. of cases	Amount sanctioned in cash (₹ in cr.)
1	ICD, Bengaluru	3	0.15
2	CC Mundra	1	0.01
3	CC Ahmedabad	11	0.43
	Total	15	0.59

Annexure-5.3 : Excess sanction of Drawback due to inadequate checks			
Refer : Para No. 5.5			
Sr. No.	Name of Commissionerate	No. of cases	Excess sanction (₹ in Cr.)
1	ICD, Bengaluru	1	0.08
2	CC, Cochin	4	0.01
	Total	5	0.09

Annexure-5.4a : Delay in issuance of deficiency memo			
Refer: Para No. 5.9			
Sr. No.	Name of Commissionerate	No. of cases	Delay range (in days)
1	CC Chennai VII	9	2-280
2	ACC, Bengaluru	7	3-212
3	ACC, NCH (Export), New Delhi	7	4-884
4	CC Chennai IV	17	3-384
5	ICD, Bengaluru	12	5-195
6	CC, Port, Kolkata	17	2-129
7	CC Mundra	2	31-182
8	CC, Hyderabad	4	02-11
9	CC, Cochin	5	5-226
10	CC, Noida	1	54
11	ICD Tughlakabad (Exports)	8	1-823
12	JNCH, Zone II, Mumbai	4	6-82
13	NCH, Zone I, Mumbai	2	6-85
	Total	95	

Annerxure-5.4b : Delay in response to deficiency memo				
Refer : Para No. 5.9				
Sr. No.	Name of Commissionerate	No. of cases	Delay range (in days)	Amount (in cr.)
1	CC Chennai IV	9	4-480	3.80
2	CC Chennai VII	4	23-104	0.68
3	ACC, NCH(Export), New Delhi	5	162-968	2.55
4	ICD, Bengaluru	9	10-823	1.91
5	CC, Mundra	5	17-999	3.48
6	CC, Hyderabad	5	3-130	1.04
7	CC, Cochin	6	228-121	0.73
8	CC, Noida	4	18-389	3
9	CC, Port, Kolkata	19	5-735	3.71
10	ICD Tughlakabad (Exports)	3	6-88	0.23
11	NCH, Zone I, Mumbai	3	13-86	31.59
	Total	72		52.72

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Annexure -5.5a : Delay in payment of duty drawback			
Refer : Para No. 5.10			
Sr. No.	Name of Commissionerate	No. of cases	Delay range (in days)
1	ACC, Bengaluru	12	22-747
2	ACC, NCH (Export), New Delhi	19	18-281
3	CC Chennai VII	3	171-446
4	CC, Cochin	44	5-753
5	CC Mundra	21	8-499
6	CC, Ahmedabad	1	67
7	CC, Hyderabad	15	5-378
8	CC, Noida	1	391
9	CC, Preventive, West Bengal	1	1919
10	CC, Port, Kolkata	26	6-2416
11	ICD Tughlakabad (Export)	11	37-338
12	ICD, Bengaluru	7	54-804
13	JNCH, Zone II, Mumbai	29	15-963
14	NCH, Mangaluru	3	13-52
15	NCH, Zone I, Mumbai	23	4-525
	Total	216	

Annexure -5.5b : Non-payment of interest for delayed payment of duty drawback			
Refer : Para No. 5.10			
Sr. No.	Name of Commissionerate	No. of cases	Delay range
1	ACC, Bengaluru	12	22-747
2	ACC, NCH(Export), New Delhi	19	18-281
3	CC Chennai VII	3	171-446
4	CC , Cochin	44	5-753
5	CC, Mundra	21	8-499
6	CC, Ahmedabad	1	67
7	CC, Hyderabad	15	5-378
8	CC, Noida	1	391
9	CC, Preventive, West Bengal	1	1919
10	CC, Port, Kolkata	26	6-2416
11	ICD Tughlakabad (Export)	11	37-338
12	ICD, Bengaluru	7	54-804
13	NCH, Mangaluru	3	13-52
	Total	164	

Annexure -5.6 : Non Production of cases during the Audit			
Refer : Para No. 5.11			
Sr. No.	Name of Commissionerate	No. of cases	Amount (₹ in Cr.)
1	ACC, Bengaluru	8	2.00
2	CC, Mundra	13	4.71
3	CC, Ahmedabad	1	0.09
4	CC, Noida	3	0.43
5	ICD Tughlakabad (Exports)	1	0.04
	Total	26	7.27

Chapter VI

Annexure 6.1 : Irregular sanction of time-barred claims			
Refer : Para No. 6.2			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	ADGFT Mumbai	1	0.12
2	ADGFT Vadodara	2	0.05
3	ZADGFT Chennai	1	0.16
4	JDGFT Coimbatore	3	0.57
5	JDGFT Kochi	1	0.31
6	DC/CSEZ Kochi	3	0.12
7	CLA New Delhi	7	8.45
8	JDGFT Surat	1	1.99
Total		19	11.77

Annexure 6.2 : Non/short imposition of Late Cut			
Refer : Para No. 6.8			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	ADGFT, Mumbai	4	0.23
2	JDGFT Surat	5	0.25
3	ADGFT, Vadodara	5	0.14
4	ZADGFT Chennai	3	0.98
5	DC/MEPZ SEZ, Chennai	2	0.001
6	DC/CSEZ, Kochi	3	0.02
7	ADGFT, Kolkata	5	0.17
8	DC/FSEZ, Kolkata	4	0.04
9	CLA, Delhi	9	0.23
10	ADGFT, Hyderabad	2	0.001
Total		42	2.06

Annexure 6.3 : Non-payment of interest on refunds on delayed disbursement of Drawback			
Refer: Para No. 6.9			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	DC, MEPZ-SEZ Chennai	5	0.006
2	ZADGFT Chennai	5	0.28
3	JDGFT Kanpur	3	0.003
4	JDGFT Coimbatore	15	0.54
5	ADGFT Kolkata	21	0.10
6	DC/FSEZ Kolkata	6	0.002
7	JDGFT Surat	12	0.50
8	ADGFT Vadodara	12	0.24
Total		79	1.67

Annexure 6.4 : Avoidable payment of interest on refunds of deemed duty drawback			
Refer: Para No. 6.12			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	CLA Delhi	7	0.24
2	ADGFT Kolkata	15	0.09
3	DC/FSEZ Kolkata	17	0.08
4	JDGFT Surat	4	0.42
5	ADGFT Vadodara	5	0.06
Total		48	0.89

Annexure 6.5 : Excess payment of DRAWBACK beyond amount realized in eBRC			
Refer: Para No. 6.13			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	ADGFT Mumbai	3	0.37
2	JDGFT Pune	2	0.01
3	JDGFT Panipat	1	0.003
4	ADGFT Kolkata	2	0.12
5	JDGFT Surat	1	0.03
6	ADGFT Bengaluru	2	0.06
Total		11	0.59

Annexure 6.6 : Non-adjustment of drawback related to recoverable waste			
Refer : Para No. 6.14			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	ADGFT Mumbai	4	0.44
2	JDGFT Jaipur	3	0.03
3	ADGFT Bengaluru	2	0.001
Total		9	0.47

Annexure 6.7 : Excess levy of Late cut			
Refer: Para No. 6.16			
Sr. No	Name of RLA	No. of Cases	Amount (₹ in Cr.)
1	ADGFT, Bengaluru	3	0.04
2	JDGFT Coimbatore	12	0.35
3	JDGFT Jaipur	1	0.01
4	DC/MEPZ SEZ, Chennai	1	0.007
Total		17	0.41

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