

OVERVIEW

This report is presented in three sections:

Section 1	Chapters I to VII	Customs
Section 2	Chapters VIII to XVIII	Central Excise
Section 3	Chapters XIX and XX	Service Tax

Some of significant findings are highlighted below:

SECTION 1 - CUSTOMS

This section contains 256 paragraphs featured individually or grouped together and miscellaneous cases with audit impact of Rs.112.41 crore attributable to non compliance of Rules/Regulations. Financial implication of Rs.243.38 crore relating to lacunae/ shortcomings in notification/Act/Regulations have also been brought out in this section. Some of the important findings included in the section are highlighted below:

I. General

- Budget estimate 2004-05 was pitched at Rs.54,250 crore and revised estimate at Rs.56,250 crore. Actual collections however were more than both, mainly due to increase in collection of import duty on petroleum products, non-ferrous metals, chemicals and iron and steel.

{Paragraph 1.1}

- The amount of duty foregone under the various export promotion schemes during the year was Rs.41,033 crore which was 71 per cent of the total customs receipts.

{Paragraph 1.4.1}

II. Irregularities in assessments

- Dutiable imported goods were incorrectly classified and assessed to duty at lesser rates leading to short levy of Rs.50.65 lakh in seven cases.

{Paragraphs 2.1 to 2.3}

- Extending the benefit of exemption notifications to dutiable goods not covered by them resulted in short collection of duty of Rs.6.21 crore in 23 cases.

{Paragraphs 3.1 to 3.3}

- Short levy on account of undervaluation of assessable goods in six cases amounted to Rs.1.07 crore due to non compliance of Rules/Regulations and in two cases loss of revenue amounting to Rs.1.25 crore.

{Paragraphs 4.1 to 4.3}

- Additional duty leviable under section 3 of the Tariff Act amounting to Rs.36.04 lakh was not levied/short levied in eight cases.

{Paragraphs 5.1 & 5.2}

III. Recoveries from defaulting export houses

- Non levy/loss of customs revenue of Rs.61.15 crore due to failure to recover benefits of export incentives under schemes like DEPB, EPCG and EOU from defaulting exporters and financial implication of Rs.199.23 crore relating to lacunae/shortcomings in Notification/Act/Regulations.

{Paragraphs 6.1 to 6.6}

IV. Other irregularities

- Non levy of penalty/special additional duty, excess payment of drawback and non levy of anti dumping duty etc. amounting to Rs.42.84 crore in 102 cases and issue of delayed notification resulted in loss of revenue of Rs.42.89 crore.

{Paragraphs 7.1 to 7.9}

SECTION 2 - CENTRAL EXCISE

This section contains 183 paragraphs involving monetary impact of Rs.911.60 crore directly attributable to audit pointing out non compliance to rules/regulations and 43 paragraphs involving Rs.6781.53 crore arising out of lacunae in law/procedure or control weakness. Audit has also in one paragraph pointed out notional interest amounting to Rs.3.80 crore. Some of the significant findings included in this section are indicated below :-

I. General

- The actual collections fell short of the budget estimates as well as the revised estimates year after year. Despite this, Government continued to make optimistic projections during presentation of the annual budget. The budget estimate 2004-05 was pitched at Rs.1,08,500 crore, an increase of 12.56 per cent over budget estimates, 18.13 per cent over revised estimate and 19.53 per cent over actuals of 2003-04. The collections fell short of the budget estimates by Rs.9375 crore or 8.64 per cent and short of revised estimates by Rs.875 crore or 0.88 per cent in 2004-05.

{Paragraph 8.1}

- A total of 45,804 cases involving duty of Rs.28,691.02 crore were pending finalisation as on 31 March 2005 with different authorities.

{Paragraph 8.5}

II. Non-levy/short levy of duty

- Incorrect payment of duty at concessional rate on finished goods by 76 manufacturers of processed fabrics led to short realisation of duty of Rs.266.24 crore.

{Paragraph 9.2}

- Incorrect availment of Modvat/Cenvat credit amounted to Rs.359.32 crore.

{Paragraph 10}

- Instances of undervaluation due to non-inclusion of additional consideration in assessable value, adoption of lower mutually agreed price, incorrect adoption of transaction value, incorrect adoption of assessable value of goods manufactured by job work or incorrect adoption/non-adoption of assessable value on the basis of MRP etc. were noticed. Duty levied short amounted to Rs.316.15 crore.

{Paragraph 11}

- Duty amounting to Rs.177.17 crore was short levied because of incorrect grant of exemption to units manufacturing tobacco products situated in North-Eastern States or to goods manufactured for captive consumption or exemption granted without notification under Central Excise Act etc.

{Paragraph 12}

- Incorrect classification of sulphur, pre-fabricated structural insulated panel etc. resulted in short realisation of duty of Rs.5.76 crore.

{Paragraph 13}

- Duty or additional duty not paid by due dates, not levied on goods lost in transit, goods found short or sold through vendors amounted to Rs.13.73 crore.

{Paragraph 14}

- Interest not levied or realized, or penalty not imposed in cases of delayed payment of duty amounted to Rs.8.24 crore.

{Paragraph 15}

- Demands for duty not raised or confirmed demands not realised resulted in blockage of revenue of Rs.6.10 crore.

{Paragraph 16}

- Cess amounting to Rs.3.54 crore was not realised from producers of processed textile fabrics and cement.

{Paragraph 17}

SECTION 3 - SERVICE TAX

This section contains 48 paragraphs with revenue implication of Rs.86.57 crore directly attributable to audit pointing out non-compliance to rules/regulations. Significant findings of audit included in this section are mentioned below :-

I. General

- Except in 2000-01 and 2004-05, actual collections had been lower than the budget estimates all through the five year period. Shortfall ranged from Rs.110 crore to Rs.1904 crore or 1.38 to 31.60 per cent over budget estimates during these years. In one of the five years i.e. 2002-03 receipt did not match even scaled down revised estimates and in 2003-04 did not reach increased budget estimate.

{Paragraph 19.2}

- A total of 36,367 cases involving tax of Rs.2535.02 crore were pending as on 31 March 2005 with different authorities, of which 70 per cent in terms of number were with adjudicating officers of the department. Pendency of demands for coercive recovery measures with departmental officers had increased from 5,460 in 2003-04 to 9,722 cases in 2004-05 i.e an increase of about 78 per cent.

{Paragraph 19.3}

II. Non-levy/short levy of service tax

- Service tax of Rs.54.74 crore was not paid on services provided by Prasar Bharti, storage or warehouse keepers, management consultants, clearing and forwarding agents etc.

{Paragraph 20.1}

- Non-collection of service tax on services rendered by foreign consultants providing engineering and management consultancy in India amounted to Rs.23.90 crore.

{Paragraph 20.2}

- Service tax amounting to Rs.5.04 crore was short paid on services of consulting engineers or on goods transport operators.

{Paragraph 20.3}

- Non-recovery of service tax on services of goods transport operators amounted to Rs.1.48 crore.

{Paragraph 20.4}