

## OVERVIEW

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**This report is presented in three sections:**

<b>Section 1</b>	<b>Chapters I to VII</b>	<b>Customs</b>
<b>Section 2</b>	<b>Chapters VIII to XVI</b>	<b>Central Excise</b>
<b>Section 3</b>	<b>Chapters XVII to XX</b>	<b>Service Tax</b>

**Some of significant findings are summarised below :**

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### SECTION 1 - CUSTOMS

This section contains 139 paragraphs featured individually or grouped together with revenue implication of Rs.63.22 crore attributable to non compliance to rules/regulations. Ministry/Department had (till December 2006) accepted audit contentions in 74 paragraphs which involved revenue of Rs.25.92 crore and reported recovery of Rs.11.69 crore. Some of the important findings included in the section are highlighted below :

#### Chapter I : Analysis of receipt

- Budget estimate for 2005-06 was pitched at Rs.53,182 crore and revised estimate at Rs.64,215 crore. Actual collection of Rs.65,050 crore was, however, more, mainly due to increase in collection of import duty on petroleum products, chemicals, machinery and transport equipments.

*{Paragraph 1.1}*

- Duty foregone under the various export promotion schemes during the year was Rs.40,329 crore which was 62 per cent of the total customs receipts.

*{Paragraph 1.4.1}*

- Customs revenue of Rs.865.82 crore due upto March 2006 was not realised by the department at the end of financial year 2005-06. Of this, an amount of Rs.293.97 crore was not recovered for over ten years, despite being not disputed.

*{Paragraph 1.7.2}*

#### **Chapter II : Short levy due to incorrect classification**

- Duty of Rs.69.68 lakh was short levied due to misclassification of goods.

#### **Chapter III : Short levy due to incorrect exemptions**

- Duty of Rs.12.56 crores was short levied on account of extending the benefit of exemption notifications, incorrectly.

#### **Chapter IV : Short levy due to undervaluation**

- Short levy of duty of Rs.1.23 crore, on account of undervaluation of assessable goods, was detected in audit.

#### **Chapter V : Non/short levy of additional duty**

- Additional duty amounting to Rs.11.08 crore leviable under section 3 of the Tariff Act was not levied/short levied.

#### **Chapter VI : Duty exemption scheme**

- Customs revenue of Rs.17.75 crore was not recovered from defaulting exporters under schemes like DEPB, EPCG and advance licence.

#### **Chapter VII : Other topics of interest**

- Short collection of cost recovery charges, excess payment of drawback and non levy of anti dumping duty etc. amounting to Rs.19.01 crore was noticed in audit.

## SECTION 2 - CENTRAL EXCISE

This section contains 124 paragraphs involving revenue implication of Rs.1,410.39 crore. Ministry/Department had (till December 2006) accepted audit contentions in 89 paragraphs which involved revenue of Rs.1,315.73 crore and reported recovery of Rs.25.97 crore. Some of the significant findings included in this section are summarised below :

### Chapter VIII : Central excise receipts

- The actual collections fell short of the budget estimates year after year. Despite this, Government continued to make optimistic projections during presentation of the annual budget. The budget estimate 2005-06 was pitched at Rs.1,20,768 crore, an increase of 11.31 per cent over budget estimates, 20.77 per cent over revised estimate and 21.83 per cent over actuals of 2004-05. The collections fell short of the budget estimates by Rs.9,542 crore or 7.90 per cent in 2005-06.

*{Paragraph 8.1}*

### Chapter IX : Mis-classification of duty and excisable goods

- Revenue of Rs.1197.09 crore was short allocated to Central Government as duty was wrongly credited to States as AED in lieu of sales tax.

*{Paragraph 9.1}*

- Incorrect classification of di-calcium phosphate, pimpom lollypop, silico-manganese slag etc., resulted in short realisation of duty of Rs.2.50 crore.

### Chapter X : Incorrect availment of Modvat/Cenvat credit

- Cases of incorrect availment of Modvat/Cenvat credit on exempted goods or input materials written off, availment of credit on ineligible goods or duties, incorrect passing on Cenvat credit to downstream manufacturers or buyers of exempted goods, availment of double benefit, premature availment of credit or availment of credit without payment of duty etc was noticed in audit. Duty involved in these cases was Rs.64.63 crore.

### **Chapter XI : Valuation of excisable goods**

- Instances of undervaluation due to incorrect adoption of transaction value, incorrect valuation of goods on cost basis etc., were noticed. Duty levied short amounted to Rs.52.71 crore.

### **Chapter XII : Exemptions and rebate**

- Duty amounting to Rs.37.19 crore was short levied because of grant of exemptions and rebate, incorrectly.

### **Chapter XIII : Non-levy of duty**

- Duty amounting to Rs.21.43 crore was not paid/levied on petroleum products on the date of debonding or excisable goods found short or removed for exports but not exported.

### **Chapter XIV : Non-levy of interest and penalty**

- Interest and penalty of Rs.18.34 crore was not levied or was short demanded/paid in cases of delayed payment of duty.

### **Chapter XV : Cess not levied or demanded**

- Cess amounting to Rs.3.71 crore was not realised or realised short from manufacturers of textile articles and cement.

### **Chapter XVI : Miscellaneous topics of interest**

- Instances of loss of revenue due to delayed action, probable fraudulent availment of Cenvat credit and duty payment, misuse of duty payment facility through cheques etc., were also noticed. Revenue implication in these cases totalled to Rs.12.79 crore.

## SECTION 3 - SERVICE TAX

This section contains 83 paragraphs with revenue implication of Rs.266.47 crore. Ministry/Department had (till December 2006) accepted audit contentions in 38 paragraphs which involved revenue of Rs.28.40 crore and reported recovery of Rs.7.38 crore. Significant findings of audit included in this section are abstracted below :

### Chapter XVII : Service tax receipts

- In 2004-05 and 2005-06, actual collections had been higher than the budget estimates by 0.33 and 31.73 per cent.

*{Paragraph 17.2}*

### Chapter XVIII : Incorrect exemption/Cenvat credit

- Cases of incorrect availment of exemption/Cenvat credit were noticed. Tax implication in these cases was Rs.228.16 crore.

### Chapter XIX : Non-levy of service tax

- Service tax of Rs.23.47 crore was not paid to Government or escaped payment in 32 cases.

### Chapter XX : Miscellaneous topics of interest

- Short levy or non-recovery of service tax, non-levy of interest etc., amounting to Rs.14.84 crore was noticed in 135 cases.