

EXECUTIVE SUMMARY

During the financial year 2015-16 the Custom Receipts of ₹ 2,10,338 crore grew by 12 percent over the previous financial year. The ratio of Customs duty collected to GDP was 1.55 percent. Duty foregone on account of export promotion schemes and on commodities was ₹ 3,40,420 crore in the financial year 2015-16.

The report has 101 paragraphs with revenue implication of ₹ 495 crore and two subject specific compliance paragraphs of ₹ 568 crore. In addition systemic and internal control deficiencies involving revenue of ₹ 6430 crore have been included in the report. In 70 paragraphs involving money value of ₹ 19 crore rectificatory action has been taken by the department/Ministry in the form of issuing show cause notices, adjudicating of show cause notices and recovery of ₹ 15 crore has been effected till date. A few significant findings included in this Report are mentioned in the following paragraphs. The cases which have been accepted by the department and recoveries made/recovery proceedings initiated are mentioned in Annexures to the report.

Chapter I: Customs Revenue

The chapter presents an overview of Customs Receipts, Imports and Exports, Duty foregone and Internal Audit irregularities using data from Union Finance Accounts, reports and relevant data provided by the Central Board of Excise and Customs (CBEC)/DGFT/Department of Commerce and available in public domain.

- Imports registered decline of 9 per cent during FY 16 mainly due to fall in International crude prices, while Customs receipts grew at 12 per cent during the same period.

{Paragraph 1.6}

- Customs revenue as a ratio of GDP had marginally increased in FY 16 as compared to FY 15.

{Paragraph 1.7}

- The Customs Revenue was 14 percent and 30 percent respectively as percentage of Gross Tax Revenue and Indirect Taxes.

{Paragraph 1.7}

- Exports have registered a decline of 9.49 percent during FY 16. The Revenue forgone as a percentage of Customs Receipts was 162 percent in FY 16. Five export promotion and remission schemes accounted for 88 per cent of total revenue foregone under the Schemes.

{Paragraphs 1.6, 1.9 and 1.10}

Chapter II: Recovery of Arrears (Customs)

- Special institutional arrangement like creation of Recovery Cell and Task force has not made any significant impact on improving the extent of recovery of revenue arrears. In some of the Commissionerates these arrears have increased manifold during the three year period covered in audit.

{Paragraph 2.6.1}

- Out of 5461 cases of revenue arrears pending with appellate authority as on March 2016, 1213 cases (22 percent) are pending for more than 5 years. Recovery of revenue arrears locked up in the restrained category amounted to the bulk of arrears, which requires active pursuance with the concerned authorities.

{Paragraph 2.8}

- Out of 31 Commissionerates test checked, 14, 18 and 23 Commissionerates failed to achieve the recovery target fixed in 2011-12, 2012-13 and 2014-15 respectively.

{Paragraph 2.9.1}

- Accumulation of arrears due to non-monitoring of drawback cases, incorrect adjudication of Advance license cases without monitoring the EODC status and deficiencies in the monthly reports being submitted by the field formations are symptoms of an unreliable monitoring and weak internal control system.
- Audit noticed issues worth ₹ 566 crore in addition to the systemic and internal control deficiencies involving revenue of ₹ 1297 crore.

{Paragraphs 2.6.1 to 2.15}

Chapter III: Preventive functions of Customs department

- Based on test check of 38 Commissionerates audit observed weaknesses in preventive functions due to inadequacy of resources, non-achievement of Sea patrolling targets, unused patrolling vehicles, inadequate intelligence gathering, obsolete telecommunication equipment, old arms and ammunition and untrained staff.
- Audit noticed several cases of delay in disposal of seized and confiscated goods, lack of proper maintenance of records resulting in blockage of storage space which caused unnecessary loss to the public exchequer.
- Audit noticed issues worth ₹ 1.75 crore and systemic deficiencies involving revenue of ₹ 5133 crore.

{Paragraphs 3.6 to 3.14}

Chapter IV: Duty exemption/Remission schemes

- *Audit noticed mis-utilization of duty credit in respect of instruments issued under Chapter 3 of Foreign Trade Policy through manipulation of registration of scrip/use of scrip by deploying various methods indicating potential fraud. The money value involved in mis-utilisation of licences amounted to ₹51.70 crore.*

{Paragraphs 4.1 to 4.1.5}

- Revenue of ₹ 409.96 crore was due from exporters/importers who had availed the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations/conditions.

{Paragraphs 4.2 to 4.7.1}

Chapter V: Assessment of customs Revenue

- Audit noticed 29 cases of incorrect assessment of customs duties having total revenue implication of ₹ 17.48 crore. Of these, the department had accepted 22 cases with revenue implication of ₹ 8.39 crore and reported recovery of ₹ 7.55 crore in 20 cases. These cases arose mainly due to non levy of applicable anti dumping duty on imports, excess payment of drawback, delay in disposal of warehoused goods (liquor) and non levy of safeguard duty etc.

{Paragraphs 5.1 to 5.7}

Chapter VI: Mis-classification of goods

- In 28 cases assessing officers mis-classified various imported goods which caused short levy/non levy of customs duties of ₹ 10.01 crore. Out of these, the department had accepted 19 cases with revenue implication of ₹ 3.26 crore and reported recovery of ₹ One crore.

{Paragraphs 6.1 to 6.10}

Chapter VII: Incorrect application of General exemption notifications

- *In two cases audit noticed refund of additional duty of customs (SAD) on the basis of fabricated documents involving revenue of ₹ 2.34 crore.*

{Paragraphs 7.1 and 7.2}

- Audit noticed another seven cases of incorrect application of exemption notifications having total revenue implication of ₹ 3.30 crore. Of these, the department had accepted four cases with revenue implication of ₹ 37 lakh and reported recovery of ₹ 12 lakh in three cases.

{Paragraphs 7.3 to 7.7}