

CHAPTER I CUSTOMS RECEIPTS

1.1 Results of audit

This Report contains 22 audit paragraphs, featured individually or grouped together, with revenue implication of ₹ 46.91 crore.

We had issued another 102 paragraphs for the audit conducted up to March 2010. The department/Ministry had already taken rectificatory action involving money value of ₹ 32.71 crore in these 102 paragraphs in the form of issuing of show cause notices, adjudicating of show cause notices and reported recovery of ₹ 18.01 crore. We have also recommended in paragraphs 2.1 and 3.1 that the Government should examine the two issues for requisite clarifications/amendments in view of ambiguity in provision and risk of revenue loss.

1.2 Budget estimates, revised budget estimates and actual receipts

The budget estimates, revised budget estimates and actual receipts of customs duties, during the years 2005-06 to 2009-10, are exhibited in the following table and graph:-

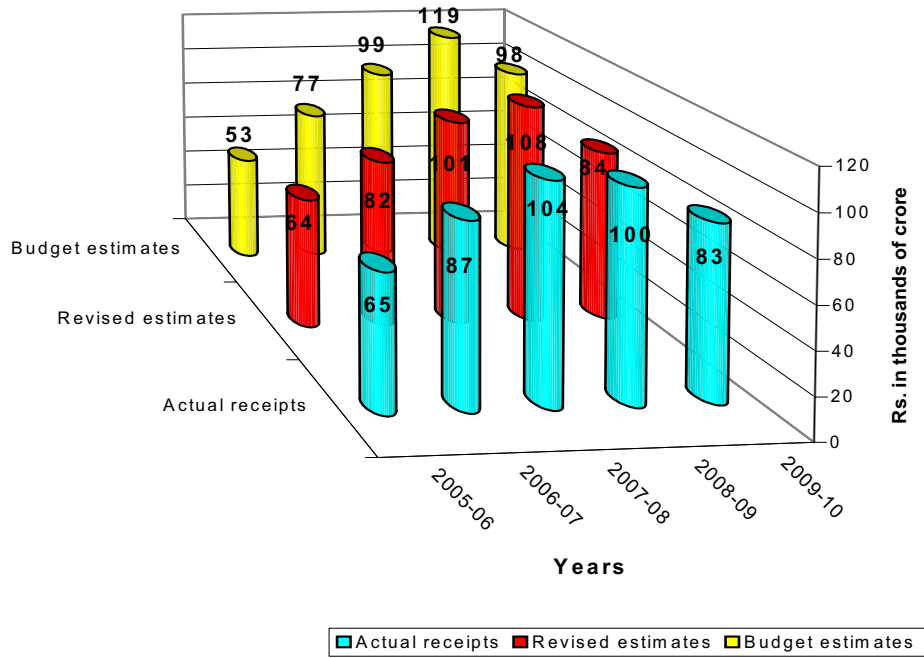
Table no. 1

(Amounts in crore of rupees)

Year	Budget estimates	Revised budget estimates	Actual receipts*	Difference between actual receipts and budget estimates	Percentage variation
2005-06	53,182	64,215	65,067	11,885	22.35
2006-07	77,066	81,800	86,327	9,261	12.02
2007-08	98,770	1,00,766	1,04,119	5,349	5.42
2008-09	1,18,930	1,08,000	99,879	(-)19,051	(-)16.02
2009-10	98,000	84,477	83,324	(-)14,676	(-)14.98

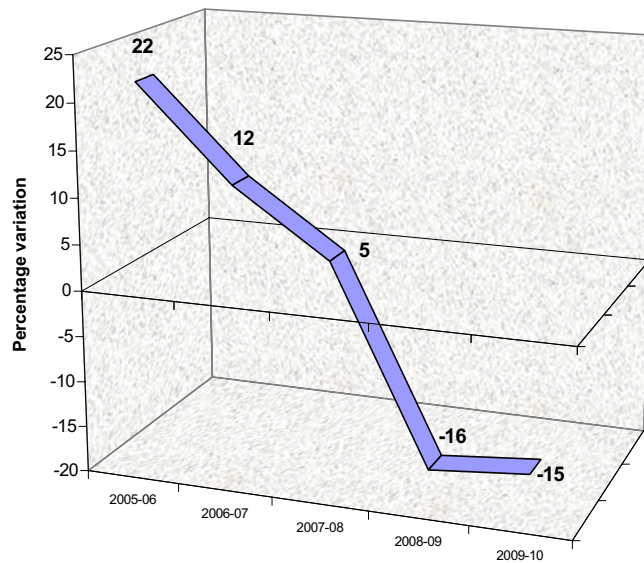
*Figures as per Finance Accounts

Graph 1: Customs Receipts – Budget, Revised and Actual



The actual receipts were more than both the budget and revised estimates during 2005-06 to 2007-08. However, the actual collection fell short of both the budget and revised estimates in 2008-09 and 2009-10. In these years, there were reductions in the duty rates for major items such as Petroleum and Electrical machinery. The percentage variation of actual receipts over the budget estimates during the years 2005-06 to 2009-10 are depicted in the following graph:-

Graph 2: Percentage variation of actual receipts over budget estimates



1.3 Trend of receipts

A comparison of total year-wise imports with the corresponding net import duties collected during 2005-06 to 2009-10 has been shown in the following table:-

Table no. 2

(Amounts in crore of rupees)

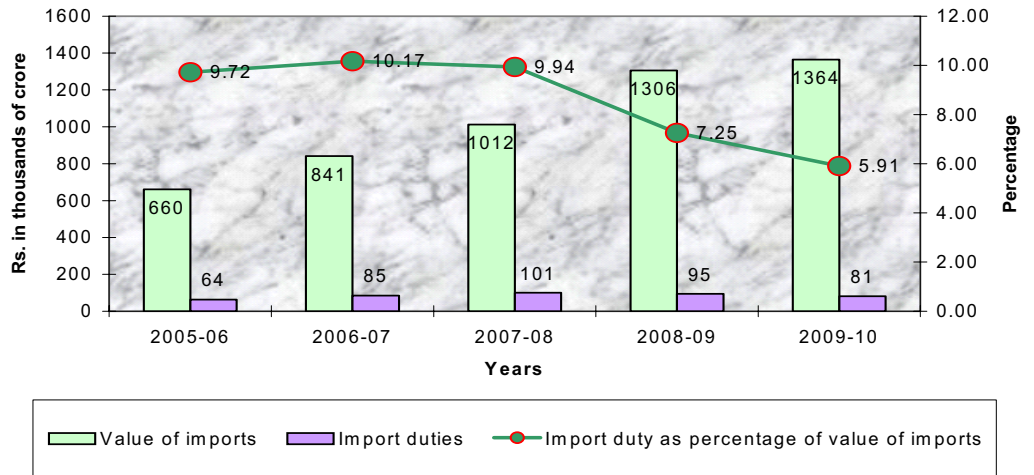
Year	Value of Imports [#]	Import duties [*]	Import duty as percentage of value of imports
2005-06	6,60,409	64,201	9.72
2006-07	8,40,506	85,440	10.17
2007-08	10,12,312	1,00,635	9.94
2008-09	13,05,503	94,583	7.25
2009-10	13,63,736	80,544	5.91

Source - *Directorate of Data Management, New Delhi

Export Import Data Bank, Ministry of Commerce, New Delhi.

While the value of imports has recorded a growth of 107 per cent over the last five years, the corresponding import duties had increased by 25 per cent.

Graph 3: Import duty as percentage of value of imports



1.4 Commodities yielding major import duties

Commodities which yielded major import duties during the year 2009-10 alongwith corresponding figures for the year 2008-09 are mentioned in the following table:-

Table no. 3

(Amounts in crore of rupees)

Sl. No.	Budget Head No.	Commodities	Import duties realised		Percentage variation in 2009-10 over 2008-09	Percentage share in total import duties collected	
			2008-09	2009-10		2008-09	2009-10
1.	44	Electrical machinery	15162	12777	(-16)	16	16
2.	41	Machinery excluding machine tools and their parts and accessories, ball or roller bearing	14593	12245	(-16)	15	15
3.	52A	All other articles not covered under commodities group at Budget head Sl.No. 1 to 52	8636	7872	(-9)	9	10
4.	18	Plastic and articles thereof	3753	4430	18	4	6
5.	11	Organic chemicals	4813	4153	(-14)	5	5
6.	46	Motor vehicles and parts thereof	4853	4108	(-15)	5	5
7.	8	Petroleum oils and oils obtained from bituminous minerals other than crude	5829	3378	(-42)	6	4
8.	50	Project imports	2380	2835	19	2	4
9.	9	Other mineral fuel, oils, waxes and bituminous substances	2577	2625	2	3	3
10.	48	Optical, photographic, cinematographic, Measuring Medical and Surgical instruments	2550	2475	(-3)	3	3
11.	29	Iron & Non-alloy steel	2534	1981	(-22)	3	2

Source- Directorate of Data Management, New Delhi

The above table indicates that by and large there was overall decline in the collection of import duties on major commodities. Commodities 'Petroleum oils and oils obtained from bituminous minerals other than crude' had shown a major decline (42 per cent) of revenue (compared to previous year), while the customs revenue from Iron & non-alloy steel had dipped by 22 per cent during the year 2009-10.

1.5 Duty foregone

Export promotion schemes

The break-up of customs duty foregone on various export promotion schemes viz., advance licence, DEPB, EPCG, EPZ, EOUs and refund of duty under drawback and other schemes, for the period from 2006-07 to 2009-10, is shown in the following table:-

Table no. 4

(Amounts in crore of rupees)

Year	Customs duty collected	Advance licence & others*	EOU/STP	Duty drawback	EPCG	DEPB	SEZ	Total (of col. 3 to 8)	Duty foregone as a percentage of customs receipts (Col.9 over percentage of Col.2)
1	2	3	4	5	6	7	8	9	10
2006-07	86,327	23,596	10,948	6,057	9,069	4,789	1,654	56,133	65
2007-08	1,04,119	20,481	18,759	9,015	8,933	4,986	1,848	64,022	62
2008-09	99,879	18,403	13,401	12,116	7,833	7,092	2,329	61,174	61
2009-10	83,324	16,264	8,076	9,219	7,020	8,008	4,019	52,606	63

*Includes DFRC/DFECC/TPS/VKUY/SFIS/DFIA/FMS/Focus product schemes

Source – Directorate of Data Management, New Delhi

1.6 Cost of collection of customs duties

The expenditure incurred on the collection of customs duty during the year 2009-10 as a percentage of customs receipt was higher than that incurred in the previous year as mentioned in the following table:-

Table no. 5

	(Amounts in crore of rupees)	
	2008-09*	2009-10*
Expenditure on revenue cum import/export and trade control functions	234.56	304.38
Expenditure on preventive and other functions	989.28	1217.85
Transfer to Reserve Fund, Deposit Account and other expenditure	11.65	9.83
Total	1235.49	1532.06
Customs receipt	99,879	83324
Cost of collection as percentage of customs receipts	1.24	1.84

* Figures as per Finance Accounts

1.7 Arrears of customs duties

The amount of customs duty assessed up to 31 March 2010 which was still to be realised as on 31 December 2010, was ₹ 4,384.19 crore.

The Central Board of Excise & Customs (CBEC) was unable to provide the breakup of disputed and undisputed arrears and period wise breakup i.e. upto five years, more than five years, more than ten years etc.

1.8 Impact/follow-up of Audit Reports

Revenue impact

In the last five audit reports (including current year's report), we had included 711 audit paragraphs involving ₹ 417.53 crore. Of these, the Government had accepted audit observations in 608 audit paragraphs involving ₹ 261.11 crore and had recovered ₹ 78.64 crore. The details are shown in the following table:

Table no. 6

Year of Audit Report	Paragraphs included		Paragraphs accepted						Recoveries effected					
			Pre printing		Post printing		Total		Pre printing		Post printing		Total	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
2005-06	139	63.22	74	25.92	39	6.99	113	32.91	49	11.69	37	6.12	86	17.81
2006-07	133	121.99	94	105.18	22	7.59	116	112.77	57	7.32	25	2.31	82	9.63
2007-08	182	96.50	137	37.83	22	3.37	159	41.12	80	9.85	19	3.89	99	13.74
2008-09	133	56.20	101	33.75	17	7.85	118	41.60	68	16.54	15	2.91	83	19.45
2009-10	124	79.62	102	32.71	Not applicable		102	32.71	63	18.01	Not applicable		63	18.01
Total	711	417.53	508	235.39	100	25.80	608	261.11	317	63.41	96	15.23	413	78.64

1.9 Status of action taken notes

Public Accounts Committee in their ninth report (eleventh Lok Sabha) had desired that remedial/corrective action taken notes (ATNs) on all the paragraphs in the reports of the Comptroller and Auditor General, duly vetted by audit, be furnished to them within a period of four months from the date of laying of the audit report in Parliament.

The action taken notes on 14 paragraphs included in the Audit Report pertaining to the year 2008-09 had not been received for over eight months.