

CHAPTER I CUSTOMS RECEIPTS

1.1 Results of audit

This Report contains 39 audit paragraphs, featured individually or grouped together, with revenue implication of ₹ 107.76 crore.

We had issued another 79 paragraphs for the audit conducted up to March 2011 (Annexure-I). The department/Ministry has already taken rectificatory action involving money value of ₹ 22.85 crore in these 79 paragraphs in the form of issuing of show cause notices, adjudicating of show cause notices and reported recovery of ₹ 12.36 crore. We have also recommended in paragraphs 2.1.2, 2.1.9 and 3.1 that the Government should issue requisite clarifications/amendments in view of ambiguity in provision and risk of revenue loss in the issues flagged by audit.

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 2006-07 to 2010-11, are exhibited in the following table and graph:-

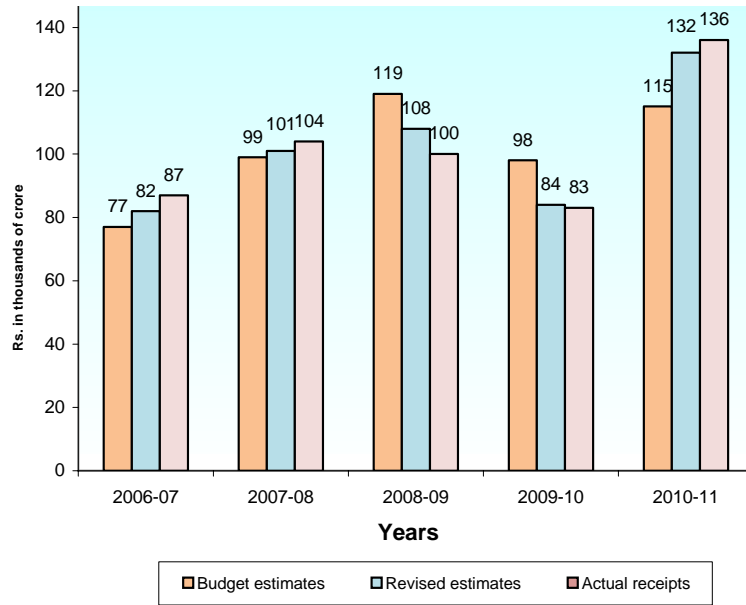
Table no. 1

(Amount in crore of ₹)

Year	Budget estimates	Revised budget estimates	Actual receipts*	Difference between actual receipts and budget estimates	Percentage variation
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
2010-11	1,15,000	1,31,800	1,35,813	(+)20,813	(+)18.10

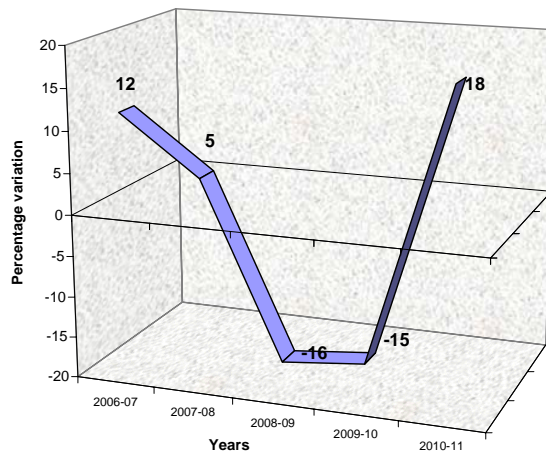
* Figures as per Finance Accounts

Graph 1: Customs Receipts – Budget, Revised and Actual



The actual receipts which showed downward trend than both the Budget & revised estimates during 2008-09 to 2009-10, moved upwards by 18.10 per cent during 2010-11 because of considerable increase in import duties collected on Petroleum oils. The percentage variation of actual receipts over the budget estimates during the years 2006-07 to 2010-11 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 2006-07 to 2010-11 has been shown in the following table:-

Table no. 2

(Amount in crore of ₹)

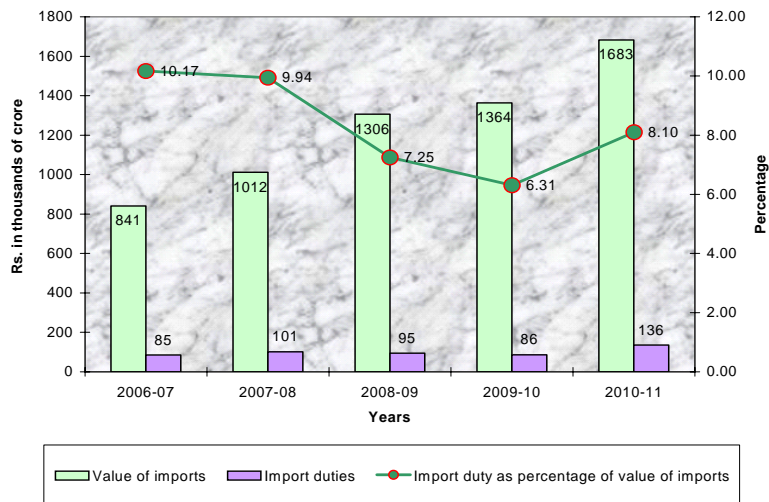
Year	Value of Imports [#]	Import duties [*]	Import duty as percentage of value of imports
2006-07	8,40,506	85,440	10.17
2007-08	10,12,312	1,00,635	9.94
2008-09	13,05,503	94,583	7.25
2009-10	13,63,736	86,070	6.31
2010-11	16,83,467	1,36,365	8.10

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 100 per cent over the last five years, the corresponding import duties had increased by 60 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 2010-11 alongwith corresponding figures for the year 2009-10 are mentioned in the table and graph overleaf:-

Table no. 3

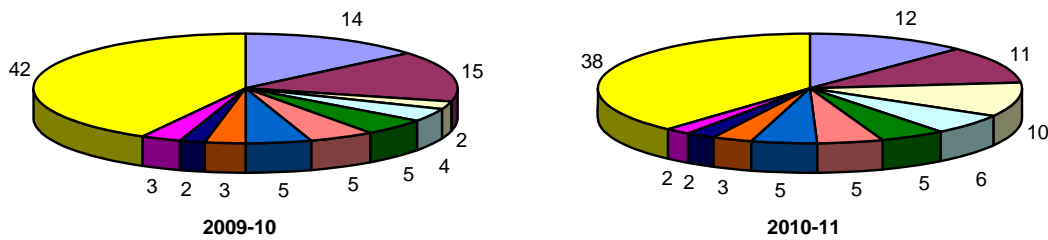
(Amount in crore of ₹)

Sl. No.	Budget Head No.	Commodities	Import duties realised		Percentage variation in 2010-11 over 2009-10	Percentage share in total import duties collected	
			2009-10	2010-11		2009-10	2010-11
1.	41	Machinery excluding machine tools and their parts and accessories, ball or roller bearing	12294	16883	37	14	12
2.	44	Electrical machinery	12867	14801	15	15	11
3.	7	Petroleum oils and oils obtained from bituminous minerals, crude	1752	13370	663	02	10
4.	8	Petroleum oils and oils obtained from bituminous minerals other than crude	3378	8736	159	04	06
5.	11	Organic chemicals	4156	6775	63	05	05
6.	18	Plastic and articles thereof	4448	6760	52	05	05
7.	46	Motor vehicles and parts thereof	4122	6509	58	05	05
8.	9	Other mineral fuel, oils, waxes and bituminous substances	2625	4177	59	03	03
9.	29	Iron & Non-alloy steel	1982	3307	67	02	02
10.	48	Optical, photographic, cinematographic, Measuring Medical and Surgical instruments	2490	3124	25	03	02
11.		All other articles not covered under commodities group of Budget head at Sl.No. 1 to 10	35956	51924	40	42	38

Source- Directorate of Data Management, New Delhi

The above table indicates that by and large there was overall increase in the collection of import duties on major commodities. Commodities 'Petroleum oils and oils obtained from bituminous minerals and crude' had shown a major increase (663 per cent) of revenue (compared to previous year), while the customs revenue from Petroleum oils and oils obtained from bituminous minerals other than crude had increased by 159 per cent during the year 2010-11.

Graph 4 : Percentage share of import duties collected on major commodities imported during 2009-10 and 2010-11



- Machinery excluding machine tools
- Electrical machinery
- Petroleum oils and crude
- Petroleum oils and oils obtained from bituminous minerals other than crude
- Organic chemicals
- Plastic and articles thereof
- Motor vehicles and parts thereof
- Other mineral fuel, oils, waxes
- Iron & Non alloy steel
- Optical photographic, cinematographic, Measuring Medical and Surgical instruments
- All other articles not covered under above commodities

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 2007-08 to 2010-11, is shown in the following table and graph:-

Table no. 4

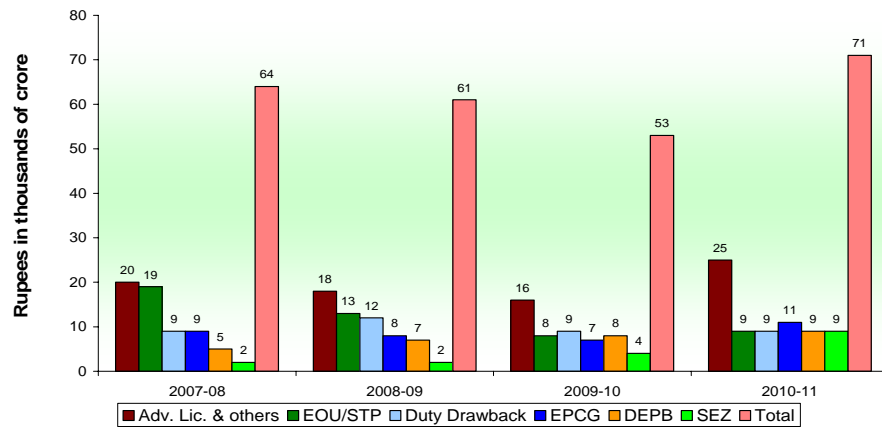
(Amount in crore of ₹)

Duty foregone									
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
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
2010-11	1,35,813	25,423	8,580	8,859	10,621	8,736	8,668	70,887	52

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

Source – Directorate of Data Management, New Delhi

Graph 5: Comparison of duty foregone under various Export promotion schemes



1.6 Cost of collection of custom duties

The total expenditure incurred on the collection of customs duty as a percentage of customs receipt during the year 2010-11 alongwith corresponding figures for the year 2009-10 are mentioned in the table overleaf:-

Table no. 5

(Amount in crore of ₹)

Cost of collection	2009-10*	2010-11*
Expenditure on revenue cum import/export and trade control functions	304.38	292.89
Expenditure on preventive and other functions	1217.85	1420.71
Transfer to Reserve Fund, Deposit Account and other expenditure	9.83	4.76
Total	1532.06	1718.36
Customs receipt	83324	135813
Cost of collection as percentage of customs receipts	1.84	1.27

* Figures as per Finance Accounts

1.7 Arrears of customs duties

The amount of customs duty assessed up to 31 March 2011 which was still to be realised as on 31 December 2011, was ₹ 9,852.29 crore.

Customs revenue of ₹ 10074.03 crore demanded up to March 2011, was not realised by the department at the end of the financial year 2010-11. Of this, ₹ 1,466.92 crore was undisputed. However, even this amount had not been recovered for a period of over five years. There is a need to strengthen the recovery mechanism of the department. The information is abstracted in the following table:-

Table no. 6

(Amount in crore of ₹)

Sl. No.	Name of the zone	Amount under dispute			Amount not under dispute			Grand Total
		Over five years but less than ten years	Over ten years	Total	Over five years but less than ten years	Over ten years	Total	
1	2	3	4	5	6	7	8	9
1.	Ahmedabad	48.12	26.60	74.72	84.99	172.84	257.83	332.55
2.	Bangalore	4.49	12.10	16.59	0.00	0.00	0.00	16.59
3.	Chennai – Cus	128.31	23.00	151.31	176.47	25.09	201.56	352.87
4.	Chennai - Prev.	0.22	0.63	0.85	0.03	0.07	0.10	0.95
5.	Delhi – Prev.	18.68	0.02	18.70	109.35	16.54	125.89	144.59
6.	Kolkata	4505.94	3147.67	7653.61	332.00	218.71	550.71	8204.32
7.	Mumbai – 1	275.35	59.60	334.95	108.59	33.37	141.96	476.91
8.	Mumbai – 2	3.12	9.26	12.38	0.87	1.00	1.87	14.25
9.	Mumbai – 3	179.43	37.51	216.94	42.45	93.22	135.67	352.61
10.	Patna	0.06	0.00	0.06	2.72	0.00	2.72	2.78
11.	Pune	51.4	21.44	72.84	17.76	1.66	19.42	92.26
12.	Shillong	0.00	0.00	0.00	0.50	0.00	0.50	0.50
13.	Visakhapatnam	48.32	5.84	54.16	23.01	5.68	28.69	82.85
	Total	5263.44	3343.67	8607.11	898.74	568.18	1466.92	10074.03

Source – Central Board of Excise & Customs, New Delhi

1.8 Impact/follow-up of Audit Reports

Revenue impact

In the last five audit reports (including current year's report), we had included 690 audit paragraphs involving ₹ 484.92 crore. Of these, the Government had accepted audit observations in 618 audit paragraphs involving ₹ 335.05 crore and had recovered ₹ 79.59 crore. The details are shown in the following table:

Table no. 7

(Amount in crore of ₹)

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
2006-07	133	121.99	94	105.18	25	8.15	119	113.33	57	7.32	25	2.31	82	9.63
2007-08	182	96.50	137	37.83	27	5.51	164	43.34	80	9.85	22	4.08	102	13.93
2008-09	133	56.20	101	33.75	23	10.89	124	44.64	68	16.54	18	3.30	86	19.84
2009-10	124	79.62	102	32.71	7	2.35	109	35.06	63	18.01	3	0.37	66	18.38
2010-11	118	130.61	102	98.68	Not applicable		102	98.68	56	17.81	Not applicable		56	17.81
Total	690	484.92	536	308.15	82	26.90	618	335.05	324	69.53	68	10.06	392	79.59

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 three paragraphs included in the Audit Report pertaining to the year 2008-09 and 2009-10 had not been received for over 19 months and 8 months respectively.