

EXECUTIVE SUMMARY

During the financial year 2016-17 the Customs receipts grew by seven percent over the previous financial year and stood at ₹ 2,25,370 crore. The ratio of Customs duty collected to GDP was 1.48 percent. Duty foregone on account of export promotion schemes and on commodities was ₹ 3,87,539 crore in the financial year 2016-17.

This report contains 99 paragraphs with revenue implication of ₹ 85 crore. In 77 paragraphs involving money value of ₹ 30 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 ₹ 19 crore has been effected till date.

The report is divided into five chapters. Chapter one of the report provides, on one hand, an overview of nature and growth trends of Customs receipts and on the other hand, a brief description of the administrative structure and functions of Ministries involved in implementation of the Customs Act and Rules and Foreign Trade Policy (FTP) of India. Chapters two to five contain paragraphs highlighting important audit findings under the broad categories, namely, irregularities in duty exemption/remission schemes, incorrect application of general exemption notifications, short/non-recovery of applicable levies and charges and misclassification of goods. All cases where the Ministry has accepted the audit findings and has initiated rectificatory action are listed in the Annexure.

There are seven annexures in the report.

Chapter I: Customs Revenue

- Imports registered growth of 3.5 percent while Exports registered a growth of 7.92 percent during FY 17. Customs receipts grew at seven percent during the same period.
{Paragraph 1.6}
- Customs receipts as a ratio of GDP, Gross Tax Revenue and Gross Indirect Taxes declined in FY 17 as compared to FY 16.
{Paragraph 1.8}
- The Revenue forgone as a percentage of Customs receipts was 172 percent in FY 17. Six export promotion and remission schemes accounted for 96 percent of total revenue foregone under the Schemes.
{Paragraphs 1.10 and 1.11}

Chapter II: Irregularities in Duty exemption/Remission schemes

➤ *Audit noticed mis-utilization of duty credit in respect of test checked instruments issued under Chapter 3 of Foreign Trade Policy (FTP) through various methods of manipulating registration of scrip/use of scrip indicating potential fraud. The money value involved in mis-utilisation of licences amounted to ₹ 4.97 crore.*

{Paragraphs 2.1.1 to 2.1.3}

➤ Revenue of ₹ 41.53 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 2.2.1 to 2.7.1}

Chapter III: Incorrect application of General exemption notifications

➤ *In four cases test checked, audit noticed refund of additional duty of Customs (SAD) on the basis of fabricated documents involving revenue of ₹ 57 lakh.*

{Paragraphs 3.1.1 to 3.1.4}

➤ Audit noticed 13 cases of incorrect application of exemption notifications having total revenue implication of ₹ 16.78 crore. Of these, the department had accepted ten cases with revenue implication of ₹ 4.20 crore and reported recovery of ₹ 2.15 crore in seven cases.

{Paragraphs 3.2 to 3.5}

Chapter IV: Short/non-recovery of applicable levies and other charges

➤ Audit noticed 22 cases of short/non-recovery of applicable levies and other charges having total revenue implication of ₹ 15.03 crore. Of these, the department had accepted 20 cases with revenue implication of ₹ 12.20 crore and reported recovery of ₹ 7.97 crore in 14 cases. These cases arose mainly due to short levy of Basic Customs duty, imports cleared without levying applicable anti dumping duty, short levy of duty due to undervaluation and non realisation of cost recovery charges.

{Paragraphs 4.1 to 4.4.1}

Chapter V: Mis-classification of goods

➤ In 21 cases assessing officers mis-classified various imported goods which caused short levy/non levy of Customs duties of ₹ 6.12 crore. Out of these, the department had accepted 17 cases with revenue implication of ₹ 2.80 crore and reported recovery of ₹ 67 lakh in nine cases.

{Paragraphs 5.1 to 5.7}