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Report of the Comptroller and Auditor General of India



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Performance Audit on
Working of Customs Bonded Warehouses (CBWs) and Free
Trade Warehousing Zones (FTWZs)**

**Union Government
(Department of Revenue - Indirect Taxes – Customs)
No. 19 of 2022**

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Comptroller and Auditor General
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Preface

This Report has been prepared for submission to the President of India under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit on the 'Working of Customs Bonded Warehouses (CBWs) and Free Trade Warehousing Zones (FTWZs)'.

The instances mentioned in this Report are those which came to notice in the course of test audit conducted during the period from August 2020 to December 2020 and covering transactions of the period April 2015 to March 2020.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from the Department of Revenue, Ministry of Finance and Department of Commerce, Ministry of Commerce and Industry, and its field formations at each stage of the audit process.

EXECUTIVE SUMMARY

About the Performance Audit

Performance Audit on the working of Customs Bonded Warehouses (CBWs) and Free Trade Warehousing Zones (FTWZs) was conducted to (a) assess the effectiveness of the changes made in the Warehousing Regulations, 2016 in improving facilitation and self-clearance mechanism without detriment to the interest of revenue, and also the adequacy of Rules, Regulations, Notifications, Circulars, etc. issued from time to time in relation to CBWs under the Customs Act 1962; and (b) assess whether the establishment and operationalization of FTWZs are duly aligned with the objectives of FTWZs' policy and whether the internal control system, monitoring and coordinating mechanism are adequate and designed to minimize the risk of revenue loss.

CBWs enable importers to store imported goods without immediate payment of customs duties and thereby without blockage of working capital. There has been a phenomenal growth in CBWs after introduction of the new Warehousing Regulations 2016. Under the new liberalized regime, the concept of warehousing station has been removed. This has led to establishment of CBWs at any place, if approved by the licencing authority and the Public and Private Warehouses are no longer under the physical control of the Customs Officers, moving to record based control. As part of this PA, 219¹ out of 1,035² warehouses under the jurisdiction of 24 Commissionerate were selected for detailed audit.

FTWZs are special categories of SEZs with a focus on trading and warehousing and other activities related thereto. FTWZ Policy as a part of Foreign Trade Policy (FTP) 2004-2009 is governed by the SEZ Act 2005 and SEZ Rules 2006 to leverage India's strategic geographical location and cost and skill arbitrage. The objective of FTWZ is to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency. There were a total of seven FTWZs notified and out of this only four FTWZs are operational. Further, five formal approvals and five in-principal approvals have been granted to FTWZs. As part of this PA, a sample of seven FTWZ Developers along with 44 units in FTWZs out of 222 Units in FTWZs spread over seven States were selected for detailed audit. Audit covered different aspects of Warehouses/FTWZs and examined relevant records maintained at the Customs Offices, Development

¹ Public Warehouses- 55, Private Warehouses- 64 and Special Warehouses- 100

² Public Warehouses – 512, Private Warehouses – 343 and Special Warehouses - 180

Commissioners' Office and Specified Officer for the period 2015-16 to 2019-20.

Responses received from the Department of Revenue (March/April 2022) and Department of Commerce (March/April 2022) to the draft Audit Report issued in December 2021, have been considered and appropriately included in this report.

Structure of the Report

This report is divided into four chapters. Chapter 1 present an overview of Customs Bonded Warehouses and Free Trade Warehousing Zones. Chapter 2 indicates the audit objectives, scope, sample, audit Criteria and audit methodology used for conduct of this Performance Audit. Chapters 3 and 4 cover the audit findings, conclusions and recommendations pertaining to CBWs and FTWZs respectively.

This report contains 49 audit observations, including sub-paragraphs, and nine recommendations. Responses were received for 41 observations out of which 26 have been fully/partially accepted and 15 have not been accepted. No response was received in respect of eight audit observations. Similarly, five out of the nine recommendations were accepted and reply is awaited in respect of the remaining four recommendations.

Summary of Audit Findings

Chapter 3: Customs Bonded Warehouses

The supervision and control of the warehouse has been shifted from physical control to record based control. Audit scrutiny in respect of the sampled CBWs revealed that digitization by online filing of monthly returns using digital signatures of warehouse keeper has not been achieved so far; in the majority of sampled CBWs, the records were not maintained in the prescribed electronic formats. The details of goods removed from the warehouse and the purpose of removal i.e, home consumption/deposit in another warehouse/export/sold/destruction etc. cannot be assessed. Hence, whether the licensee has correctly paid duty and interest, and whether the licensee has submitted the correct amount of bond and bank guarantee cannot be correctly assessed by the Department. If the detailed records are not maintained electronically by the licensee, the process of reconciliation and monitoring of monthly returns would be a very difficult task.

(Para 3.2.1)

Audit scrutiny revealed that the Department was totally dependent upon the Monthly Technical Reports and monthly returns submitted by each bonded warehouse; the monthly reports are not automated. There was absence of a structured and seamless flow of data between the IT systems maintained by the warehouses and ICES, the main IT Systems of Customs. Further, warehouses were required to maintain data in Form A and B which were not integrated with ICES. While ex-bonding of goods for home consumption is accounted for in ICES, other transactions such as re-export of the warehoused goods, transfer to SEZs and transfer from one bonded warehouse to another bonded warehouse were not captured in ICES. The SEZ Online IT System (managed by NSDL) which covers the SEZs was not integrated with ICES.

(Para 3.2.2)

The form prescribed for monthly return of the receipt, storage, operations and removal of the goods in the warehouse (Form A) was deficient as the removal details do not capture the ex-bond details.

(Para 3.2.3)

Non-submission/delay in submission of monthly returns raises serious concerns over the monitoring of warehouses since the Department's control over the warehouses has shifted to record based control from physical control. The Department would not know the details of removal of goods including date of removal, purpose of removal (home consumption/deposit in another warehouse/export/sold/destruction etc.), quantity cleared, value, duty, interest, balance quantity etc. Details of goods stored in the warehouse including value, duty and quantity would also not be known. Further, the present system does not immediately generate an alert if the triple duty bond and the bank guarantee do not cover the duty for the goods imported in warehouse.

(Para 3.2.4)

There was no standard operating procedure for antecedent verification and different procedures were followed by different Customs Commissionerates; further, the details required to be filled in Part IV of the application for license were not complete in respect of 36 test checked warehouses.

(Paras 3.3.1 and 3.3.2)

There were delays, ranging from 7 to 440 days, beyond the stipulated time limit of 30 days in issue of licenses of 30 out of the test-checked 219 CBWs. This delay affects the "ease of doing business" policy of the government.

(Para 3.3.4)

Instances of non-short/ deduction of Customs duty in the general bond and excess holding of goods beyond the permissible limits prescribed in the licenses was noticed. Excess stock would not be covered by insurance coverage and the Department is liable to lose Customs duty in the event of disaster like fire, accident and others.

(Paras 3.4.1 and 3.4.2)

There was short/irregular payment of Merchant Overtime (MOT) charges in 14 warehouses, and in 10 warehouses, customs supervision charges were levied incorrectly on MOT basis, instead of cost recovery charge basis, leading to short recovery of customs supervision charges of ₹10.29 crore.

(Para 3.4.3 and 3.4.4)

In 129 warehouses, licensees failed to comply with the Board's Regulation stipulating an all risk insurance policy for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored; this entailed risk of losing the customs duty on the warehoused goods in the event of any disaster in the warehouses. Out of 129 cases, in 56 cases insurance cover was deficient at a point of time or for a period by an amount of ₹1,015.71 crore. In 73 Warehousing license cases, the same could not be quantified because the maximum value of duty on goods proposed to be stored (as per licence) was not available.

(Para 3.5.3)

Regular audit and inspection of CBWs were not carried out by the Department during the period from 2015-16 to 2019-20.

(Para 3.5.8)

Chapter 4: Free Trade Warehousing Zones (FTWZs)

FTWZs are a special category of SEZ introduced in Foreign Trade Policy (FTP) 2004-2009. Even after 14 years, only seven FTWZs have been notified as of March 2020. Out of the seven notified FTWZs only four are in operation. It was noticed that the SEZ Act 2005 and SEZ Rules 2006 contain no separate guidelines/policies or any specific rules in respect of FTWZ. Further, the Department has not conducted any evaluation/review of the scheme, to determine why enough private players are not showing interest in the scheme, and accordingly appropriate policy changes, if required, to attract developers for setting up more FTWZs.

(Para 4.2 and 4.3)

Government issued instructions in July 2010 allowing FTWZ units to hold goods on behalf of Domestic Tariff Area (DTA) suppliers and buyers. However, no amendment was made in the SEZ Rules, 2006 which still stipulate that an FTWZ unit can hold goods only on account of a foreign supplier.

(Para 4.5)

Audit noticed instances of short levy of duty on domestic clearance due to adoption of incorrect tariff value; incorrect calculation of NFE due to non-consideration of other outflow (like royalty payment, business support fee, technical service fee and foreign travelling expenses); instances of irregular sanction of duty drawback where payments were not made from the Foreign Currency Account of the FTWZ unit.

(Paras 4.6, 4.8 and 4.9)

Comparison of projected targets of exports/investments/employment/NFE against the actual achievements showed shortfall in performance of developers and units. The Department needs to analyse the reasons for such shortfalls as part of monitoring the performance of FTWZs and take possible steps to improve the same.

(Para 4.10)

Rule 79 of SEZ Rules 2006 prescribes audit by the Customs Officers of all authorized operations and related transactions in SEZs and units in SEZs. No such audit was conducted by DC Offices located at Ahmedabad, Bengaluru, Hyderabad and Mumbai.

(Para-4.11)

Review of APRs revealed instances of failure to file APRs, delay in submission of APRs, acceptance of non-certified APRs and submission of revised APRs indicating different NFE, though there is no provision in the extant rule for filing revised APR.

(Para 4.12)

Recommendations

Recommendation 1: With the move from physical control to record based IT control under the Warehousing Regulations, 2016, the Department needs to have a time bound action plan to:

- a) Devise an IT strategy for integration/reconciliation and digitisation of warehouse data with ICES, as well as with SEZ Online***

- b) Specify an appropriate electronic format in which monthly returns from warehouses shall mandatorily be submitted digitally (dispensing completely with manual reports) and integrated with ICES, and analyse such integrated data electronically for monitoring and control.***
- c) Conduct analytical review of the electronic data submitted by warehouses to identify warehouses, using a risk based approach, for detailed verification and audit.***

Without such a systematic approach, the move from physical control to record based controls of warehouses results in lack of control, leaving room for misuse and abuse of the liberalised Regulations.

(Para 3.2.2)

Ministry, while accepting the recommendations (March 2022), has stated that the recommendations are for systemic improvement and would lead to more efficient and IT driven record based control. These recommendations would be further examined by DG (Systems) for implementation. Further, for maintenance of records in relation to warehoused goods by licensees permitted to carry manufacturing and other operations in the warehouse under Section 65, DG (Systems) is already working on developing a module on ICEGATE and ICES. In the module, the generation of electronic monthly returns has also been taken up.

Recommendation 2: Monthly return (Form A) should be suitably modified to capture the details of ex-bond Bse/Shipping Bill as well as date to capture complete information regarding removal of goods.

(Para 3.2.1)

Ministry has accepted the recommendation and replied (March 2022) that a suitable amendment in Form A of Circular No.25/2016-Customs dated 08 June 2016 is under examination.

Recommendation 3: Bond module in ICES should be modified, in a time bound manner, to capture all types of warehouse transactions such as bond to bond clearance, clearance to SEZ units etc. Further, a suitable mechanism should be put in place for online filing of extension of bonds and bank guarantees and there should be an alert when the bond and bank guarantee are expiring. The system should also be able to do age-wise analysis of time expired goods.

(Para 3.2.4)

Ministry in their reply has stated that ICES is a transactional database for processing of imported and export goods. Movement of cargo in domestic

area is not part of the ICES transactional platform. As regards coverage of SEZ units, the implementation of the same has been announced in Budget 2022 and will be taken up shortly. Further, Customs Policy Wing is actively examining measures for implementation of electronic submission of bonds and bank guarantees to Customs. This initiative is for fostering an environment of ease of doing business and to reduce usage of paper. At the initial juncture, the implementation of this initiative would subsume various scenarios including provisional assessments under Section 18 of the Customs Act, 1962, imports under Concessional rates of duty, warehousing of goods as per Section 59 of the Customs Act, 1962, manufacture and other operations in Private Warehouse and Special Warehouse as per Section 65 of the Customs Act, imports made under Export Promotion Schemes etc.

Recommendation 4: The Department needs to have a time bound action plan to develop IT systems by which the process of vetting of applications for warehouse licenses, antecedent verifications, surrender of licenses etc is done in an effective and timely manner and uniform and consistent procedures are followed to minimize unwarranted deficiencies and delays.

(Para 3.3)

Ministry in their reply (March 2022) has stated that audit recommendation is under examination and response will be provided after receiving comments from the field formations.

Recommendation 5: The Department must develop, in a time bound manner, an IT systems/module for tracking and monitoring submission and renewal of Solvency Certificate, Duty bond and Bank guarantee, and Risk insurance policy. The system should track and monitor 100 per cent duty coverage under insurance as prescribed in the rules.

(Para 3.5.3)

Ministry in their reply (March 2022) has stated that the recommendation is noted and once the Audit Report is published, the Report will be circulated to all field formations for exercising due diligence.

Recommendation 6. Ministry must ensure that a mechanism for internal audit and inspection of CBWs, including guidelines/SOPs for such audit, is implemented immediately.

(Para 3.5.8)

Recommendation 7: The Department needs to consider the possibility of integration of the SEZ Online IT systems with ICEGATE/ICES, the Customs portal maintained and managed by DG Systems.

(Para 4.7)

DoC stated (January 2022) that integration of SEZ Online System with ICEGATE for real time sharing of data and use of EDT RMS for providing inputs to SEZ Customs is underway and necessary support from DG Systems, CBIC is requested in this regard.

Recommendation 8. Ministry should ensure that periodic audit of the SEZ units by Customs officers in accordance with Rule 79 of the SEZ Rules is conducted in all SEZs.

(Para 4.11)

Recommendation 9: The Department need to implement 100 per cent digital submission of Annual Performance Reports in the case of units and HPRs/QPRs in respect of developers and not allowing, any manual submission. This will promote transparency and evolve effective monitoring.

(Para 4.12)

Glossary

Abbreviation	Expanded form
A&G	Airport and General
ACC	Air Cargo Complex
ADG	Additional Director General
AP&ACC	Airport and Air Cargo Complex
APRs	Annual Performance Reports
AR	Audit Report
BGs	Bank Guarantees
BLUT	Bond-Cum-Legal Undertaking
BoA	Board of Approval
BsE	Bills of Entry
CA	Chartered Accountant
CAGR	Compound Annual Growth Rate
CBIC	Central Board of Indirect Taxes and Customs
CBWs	Customs Bonded Warehouses
CCO	Chief Commissionerate office
CFS	Container Freight Station
CHA	Customs House Agent
CIF	Cost, Insurance and Freight
CRC	Cost Recovery Charges
CSIA	Chhatrapati Shivaji International Airport
DA	Dearness Allowance
DC	Development Commissioner
DC/AC	Deputy Commissioner/Assistant Commissioner
DFS	Duty-Free Shop
DG	Director General
DGCEI	Directorate General of Central Excise Intelligence
DGCIS	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
DGGSTI	Directorate General of Goods & Services Tax Intelligence
DoC	Department of Commerce
DoR	Department of Revenue
DRI	Directorate of Revenue Intelligence
DTA	Domestic Tariff Areas
EDI	Electronic Data Interchange

Abbreviation	Expanded form
EDPMS	Export Data Processing and Monitoring System
EHTP	Electronic Hardware Technology Park
EoUs	Export Oriented Units
EXIM	Export-Import
FoB	Free on Board
Forex	Foreign Exchange
FSSAI	Food Safety and Standards Authority of India
FTP	Foreign Trade Policy
FTWZ	Free Trade Warehousing Zone
FY	Financial Year
GDP	Gross Domestic Product
Gol	Government of India
HBP	Handbook of Procedures
HPR	Half Yearly Performance Report
HRA	House Rent Allowance
ICDs	Inland Container Depots
ICEGATE	Indian Customs Electronic Gateway
ICES	Indian Customs Edi System
IDPMS	Import Data Processing and Monitoring System
IGST	Integrated Goods and Services Tax
INR	Indian Rupees
IT	Information Technology
JNCH	Jawaharlal Nehru Customs House
KASEZ	Kandla Special Economic Zone
LEADS	Logistics Ease Across Different States
LoP	Letter of Permission
LPI	Logistics Performance Index
MEIS	Merchandise Exports from India Scheme
MIS	Management Information Systems
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MOT	Merchant Overtime
MoU	Memorandum of Understanding
MTRs	Monthly Technical Reports
NCH	New Customs House
NFE	Net Foreign Exchange
NSDL	National Securities Depository Limited

Abbreviation	Expanded form
NSWS	National Single Window System
NT	Non-Tariff
PA	Performance Audit
PCC	Principal Commissioner of Customs
QPR	Quarterly Performance Report
RBI	Reserve Bank of India
RMS	Risk Management System
RWC	Re-Warehousing Certificates
SBs	Shipping Bills
SCN	Show Cause Notice
SEZ	Special Economic Zones
SO	Specified Officer
STPI	Software Technology Parks of India
ToR	Terms of Reference
TR	Temporary Removal of Goods
UAC	Unit Approval Committee
US	United States
USD	United States Dollar
VSEZ	Visakhapatnam Special Economic Zone

CHAPTER 1

CUSTOMS BONDED WAREHOUSES (CBWs) AND FREE TRADE WAREHOUSING ZONES (FTWZs) IN INDIA: AN OVERVIEW

1.1 Warehousing

Warehousing primarily refers to the storage of goods, which are to be transported, whether inbound or outbound, and is one of the major segments of the rapidly growing logistics industry. Warehousing is an important component of the logistic value chain and plays a significant role in quality storage of goods and merchandise during the varied stages of transportation. Until a few decades ago, warehouses were mere 'holding' areas, housed in dingy or dilapidated buildings with poor light or ventilation facilities. Since then, warehousing as a sector in India has evolved manifold, with the low-grade godowns being replaced by pre-engineered structures that are insulated, ventilated and climate-controlled, with round the clock surveillance, and standard safety procedures and the segment has evolved from providing not only custody for goods but also offering value-added services such as sorting, packing, blending and processing.

India's supply chain and logistics sector is one of the largest globally, with a logistics industry of USD 215 billion³ and growing at a CAGR of 10.7 *per cent*. It has received around USD 3.4 billion of institutional capital over the last five years. Of the total private equity investments into real estate, around 26 *per cent* account for investments into the warehousing sector.

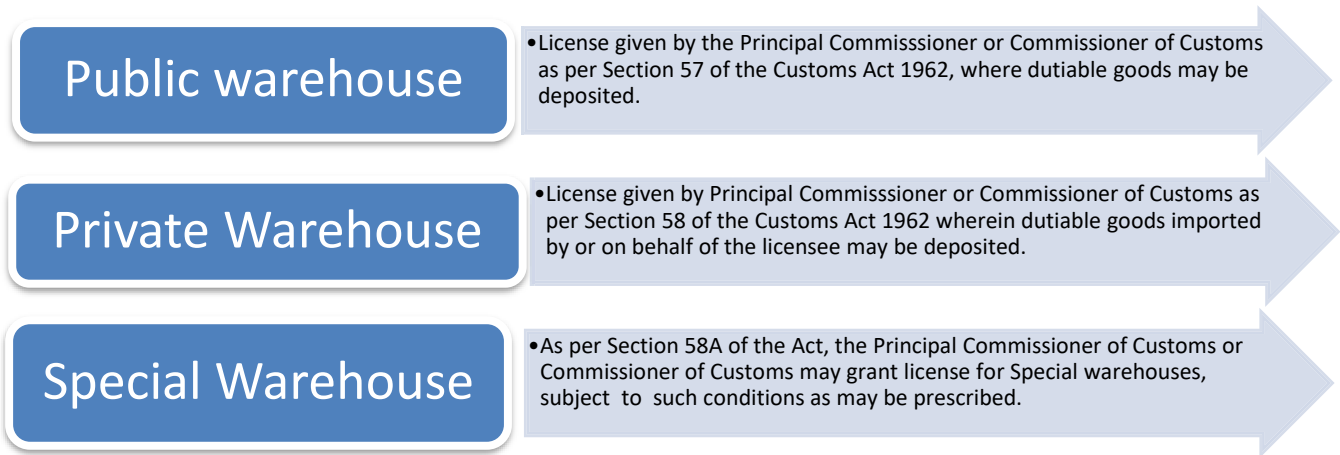
1.2 Types of Warehouses:

Warehouses can be categorised by type (General, Specialty, Refrigerated); by ownership (Public, Private, Bonded); by sector (Industrial v/s Agricultural); by usage pattern (Single v/s Co-warehousing); by infrastructure (Single Storey v/s Multi-Storey) or by End User Industry (Automotive, Food & Beverage, Chemical, Consumer Goods & Retail, Textile, Pharmaceutical, Others). Warehouses could also be broadly classified into public-private, bonded, government and co-operative warehouses. 'Grade A' warehouses are usually labelled based on their superior construction quality, location, space, amenities, and clients, among others.

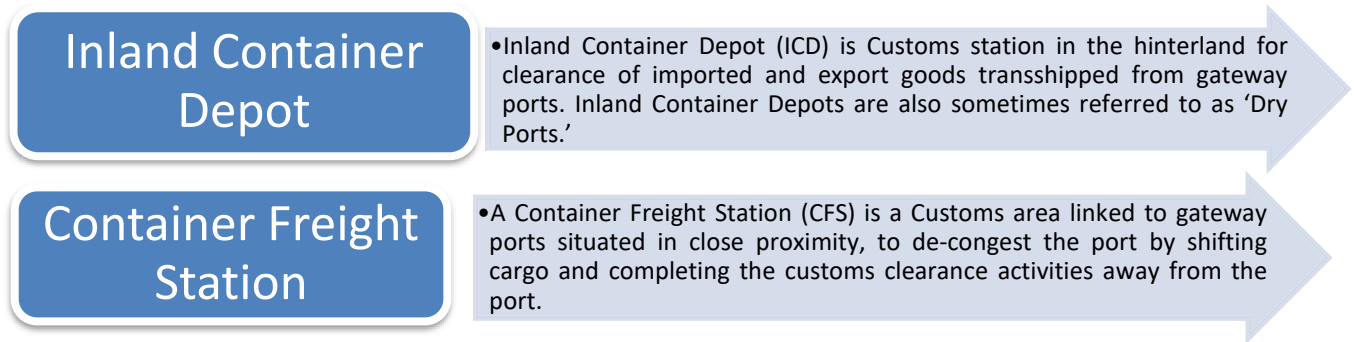
³ India Expo 2020

1.2.1 Warehousing Sector from a Customs Perspective

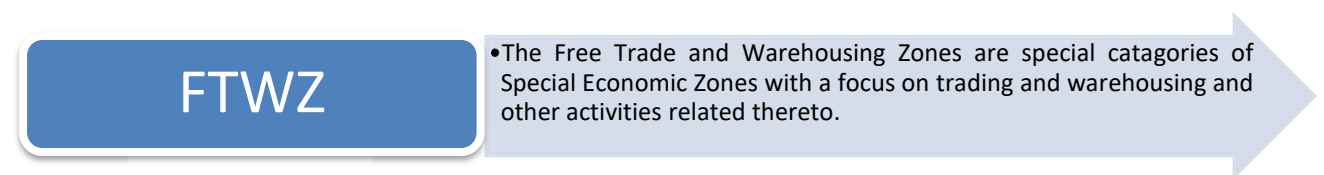
1.2.1.1 Types of Customs Bonded Warehouses



1.2.1.2 Inland Container Depots & Container Freight Stations



1.2.1.3 Free Trade Warehousing Zones (FTWZs)



Earlier, a Performance Audit (PA) on working of ICD and CFS was featured in the CAG's Audit Report No. 16 of 2018. During the present PA, the working of Customs Bonded Warehouses (CBWs) administered by the Central Board of Indirect Taxes and Customs (CBIC), Department of Revenue (DoR) under the Ministry of Finance (MoF) as well as Free Trade Warehousing Zones (FTWZs), which are administered by the Ministry of Commerce and Industry (MoCI) was taken up for audit scrutiny for having a comprehensive coverage of the warehousing sector.

1.3 Customs Bonded Warehouses

Customs Bonded Warehouses (CBWs) enable importers to store imported goods without immediate payment of customs duties and thereby without blockage of working capital. In India, an importer who wishes to warehouse the goods, files an 'into-bond' bill of entry, which is assessed to Customs duty at the port of import. The importer has to execute a bond to cover the risk to Customs duty; the assessing officer at the port of import, upon the bond being executed, allows the goods to be deposited without payment of duty in a Custom Bonded Warehouse, which is permitted under the Customs Act 1962. The Customs Act and Warehousing Regulations provide for licensing of Public, Private and Special warehouses wherein dutiable goods may be deposited by the importers.

Sections 59 and 61 of the Customs Act, as amended in 2016, read with the new Warehousing Regulations 2016, also lay down the procedure for execution of warehousing bond and the time period up to which the goods may remain in a warehouse, with or without incurring any interest liability. The Act also provides for the procedures and conditions under which the owner of any warehoused goods may carry on any manufacturing process or other operations in the warehouse in relation to such goods. The statutory provisions of warehousing are contained in Sections 57 to 73A of the Customs Act 1962.

The law relating to Customs warehousing in India has been considerably liberalised with effect from 14 May 2016. The important changes are summarised below:

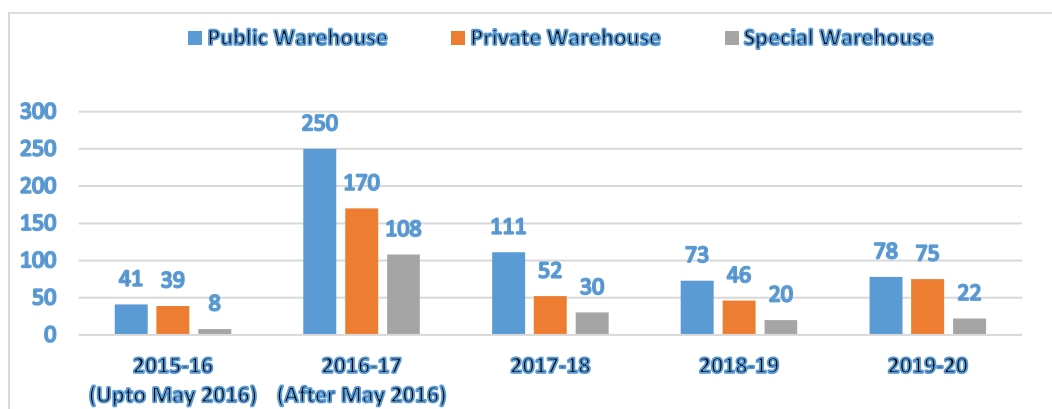
- The concept of warehousing station has been removed. This means that a Customs Bonded Warehouse can be established in any place, if approved by the licensing authority.
- The Commissioner has been named as the officer who will issue all types of warehouse licences, instead of the Assistant/Deputy Commissioner.
- The requirement of physical supervision of the Customs officer for accessing the warehouse has been removed for most goods. The responsibility is shifted to the warehouse keeper and importer. Only some sensitive goods, as notified, will be under physical Customs supervision, in a different category of warehouse. (Special Warehouse (Custody and Handling of Goods) Regulations 2016).

- The amount of the warehousing bond has been increased, and cash security has been made a statutory requirement. (Section 59 of the Customs Act 1962).
- The warehousing period will not apply to EOUs. They can keep goods imported without payment of duty or interest on duty, till these are issued for use in manufacture.
- Extensions of warehousing period can be given for one year at a time by the Commissioner/Principal Commissioner of Customs. (Section 61 of the Customs Act 1962).
- Movement of goods to warehouse, inter-warehouse, and from warehouse for export will be under Customs one-time lock. (Warehouse (Custody and Handling of Goods) Regulations 2016 and Warehoused Goods (Removal) Regulations 2016).
- The Customs Department will not concern itself with rent and other dues to the warehouse keeper.
- A single integrated application form for both license and manufacturing permission has been prescribed vide Circular No. 34/2019 dated 01 October 2019 issued along with Manufacturing or Other Operations in Warehouse (No. 2) Regulations 2019, compared to the earlier situation where license and manufacturing permissions were issued separately.

1.3.1 Growth of Customs Bonded Warehouses:

There has been phenomenal growth after introduction of the new Warehousing Regulations 2016. There were 1,035 warehouses as of March 2020 (Public-512, Private-343 and Special-180), while the total number of Public, Private and Special Warehouses was only 88 up to May 2016.

Chart 1: Growth of Customs Bonded Warehouses



The aggregate data on transaction in Custom Bonded Warehouses for the period 2015-16 to 2019-20 is depicted below:

Table 1.1 : Data on transaction in Custom Bonded Warehouses
(₹ in crore)

Year	Total No. of into Bond BsE	Into Bond assessable value	Into Bond duty assessed	Total No. of Ex-bond BsE	Ex-bond assessable value	Ex-bond duty assessed
2015-16	2,66,920	3,10,000.80	30,749.31	2,75,705	2,36,018.42	15,983.83
2016-17	1,83,222	3,13,050.81	34,016.04	3,97,249	2,70,742.08	17,618.97
2017-18	1,17,632	3,68,732.15	45,251.28	4,05,014	3,46,929.46	24,577.37
2018-19	1,16,871	3,42,263.19	61,732.81	3,70,892	3,25,398.81	31,437.18
2019-20	1,13,205	2,98,136.12	58,879.28	3,72,254	2,78,098.99	26,342.12

Source: DG Systems & Data Management, CBIC

The pan India Chief Commissionerate wise data on transactions in Custom Bonded Warehouses for the period 2015-16 to 2019-20 is given in **Annexure 1.1**.

1.3.2 Customs Bonded Warehousing Process

The functioning of Customs Bonded Warehouses is governed by a three-tier administrative structure - License Issuing Authority; Proper Officer at Customs Station; and Bond Officer of warehouse.



License Issuing Authority: - The Principal Commissioner of Customs or Commissioner of Customs is the License Issuing Authority and issues a license within 30 days from the date of receipt of application from the applicant. He is also the permitting authority for carrying on manufacturing and other operations in Private Warehouses. He may, on sufficient cause being shown, extend the period for which the goods may remain in the warehouse.

Proper Officer: - The Deputy Commissioner/Assistant Commissioner of Customs and Central Excise is assigned as the Proper Officer for functions in relation to Sections 59, 60, 61, 67, 72 and 73 of the Act, and the Superintendent of Customs and Central Excise or Appraiser is assigned as the

Proper Officer for functions in relation to Sections 64, 68 and Section 69 of the Act.

Bond Officer: The Bond Officer is an officer of customs in-charge of a warehouse. The transfer of goods from one warehouse to another warehouse, removal of goods for home consumption and export are allowed on permission given by the Bond Officer. The Bond Officer is also responsible for inspection of records maintained and receiving/checking of monthly returns in relation to the warehoused goods.

1.3.3 Advantages of Customs Bonded Warehouse

The major advantages of Customs Bonded Warehouses are as follows:

- Duty is not collected until the merchandise is withdrawn for consumption. An importer, therefore, has control over use of his/her money until the duty is paid upon withdrawal of the merchandise.
- If no domestic buyer is found for the imported articles, the importer can sell the merchandise for exportation, thereby eliminating his obligation to pay duty.
- Duties owed on articles that have been manipulated are determined at the time of withdrawal from the bonded warehouse.

1.3.4 Norms for warehousing of goods

- Only dutiable goods can be warehoused in Public, Private and Special Customs Warehouses. Goods can remain in Public, Private and Special warehouses till the expiry of one year from the date on which the Proper Officer has made an order permitting the removal of goods from the Customs station to the warehouse.
- The importer has to execute a bond for a sum equal to thrice the amount of the duty assessed on goods in respect of which a bill of entry for warehousing has been presented.
- Interest shall be payable when goods remain in the warehouse beyond a period of ninety days from the date of the order permitting removal of goods from the Customs station for deposit in the warehouse.
- Import duty has to be paid when warehoused goods are cleared for home consumption.
- Any warehoused goods can be exported to a place outside India, without payment of import duty if the shipping bill/bill of export is presented and export duty, fine and penalties, if any, are paid.

- The Proper Officer may demand, and the owner of goods shall pay, the full amount of duty chargeable together with interest, fine and penalties if warehoused goods are removed in contravention to Section 71 or have not been removed at the expiration of the warehousing period for home consumption or export or are not duly accounted for to the satisfaction of the Proper Officer.

1.4 Free Trade Warehousing Zones (FTWZs)

Free Trade and Warehousing Zones (FTWZs) are special categories of Special Economic Zones with a focus on trading and warehousing and other activities related thereto. FTWZ Policy, as a part of the Foreign Trade Policy (FTP) 2004-2009, is governed by the SEZ Act 2005 and SEZ Rules 2006 to leverage India's strategic geographical location and cost and skill arbitrage.

The objective of FTWZs is to create trade-related infrastructure to facilitate the import and export of goods and services with freedom to carry out trade transactions in free currency. The policy envisages creation of world-class infrastructure for warehousing of various products, state-of-the-art equipment, transportation and handling facilities, commercial office-space, water, power, communications and connectivity, with one-stop clearance of import and export formalities, to support the integrated zones as 'international trading hubs'.

These zones are planned to be established in areas proximate to seaports, airports or dry ports so as to offer easy access by rail and road. Free Trade and Warehousing Zones (FTWZs) are envisaged to be essential logistics infrastructure to facilitate EXIM trade and to root out inefficiencies associated with movement and value addition of EXIM cargo in India.

FTWZs are duty-free areas that offer warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations. They provide end-to-end supply chain facilities with value-added services. Such services may include facilities such as categorized and temperature-controlled warehouses, break bulk cargo distribution, swift one-stop Custom clearances for imports and exports, service tax exemptions on services rendered within FTWZs, exemptions from local taxes and hassle-free re-exports.

FTWZs provide the flexibility of carrying out various types of transactions based on business needs. They can be used for transshipment,

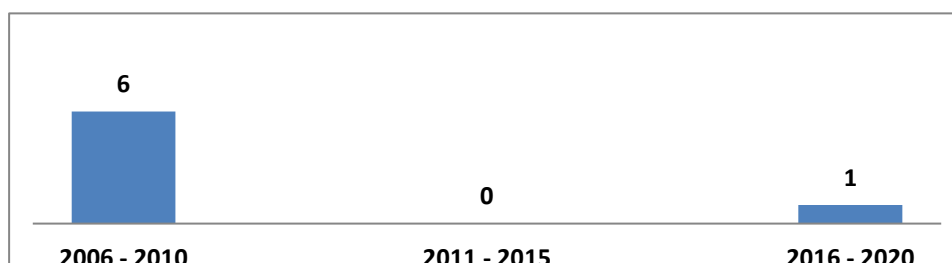
- import from overseas into FTWZs and re-export with or without value addition;

- import from overseas to Domestic Tariff Areas (DTAs) through FTWZs with or without value addition that allows vendor inventory management and just-in-time delivery;
- export from DTA/Export Oriented Units (EOUs)/other SEZs to overseas through FTWZs with or without value addition;
- export from overseas and DTA to FTWZ and re-export to overseas through FTWZs; and
- import from overseas to DTA through FTWZs with addition of domestic inputs at FTWZs.

1.4.1 Growth of FTWZ in India

The growth rate of notified FTWZs during the period from 2006 to 2020 is as follows:

Chart 2 : Notified FTWZ during the period 2006-2020



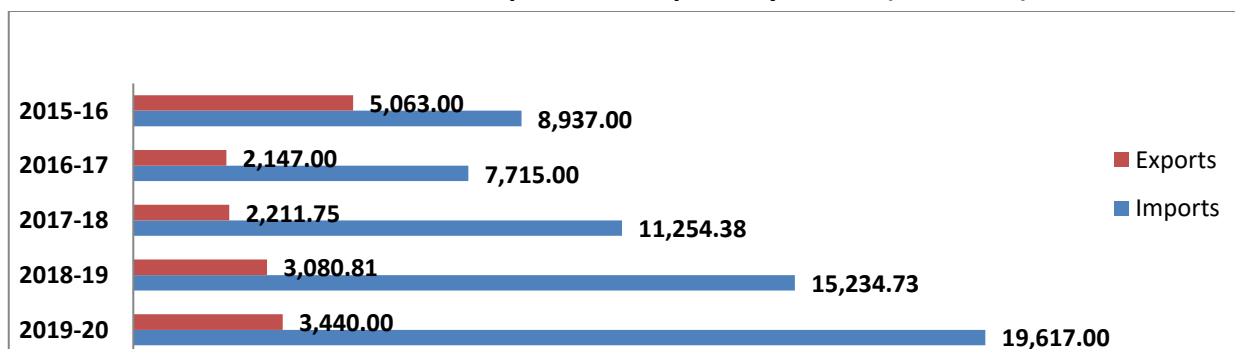
Source: Ministry of Commerce & Industry

During the first four years of the inception of the FTWZ policy, six FTWZ were notified. In the next five years not a single FTWZ was notified, and only one FTWZ was notified during 2016-2020. Therefore, only seven FTWZ have been notified as of March 2020.

1.4.2 Volume of transactions/Growth of FTWZs

1.4.2.1 Value of Imports and Exports handled through FTWZs

Chart 3 : Total Imports and Exports by FTWZs (₹ in crore)



Source: Ministry of Commerce & Industry

In absolute rupee terms, the value of year-on-year imports through FTWZs has increased from ₹8,937 crore in FY 2015-16 to ₹19,617 crore in FY 2019-

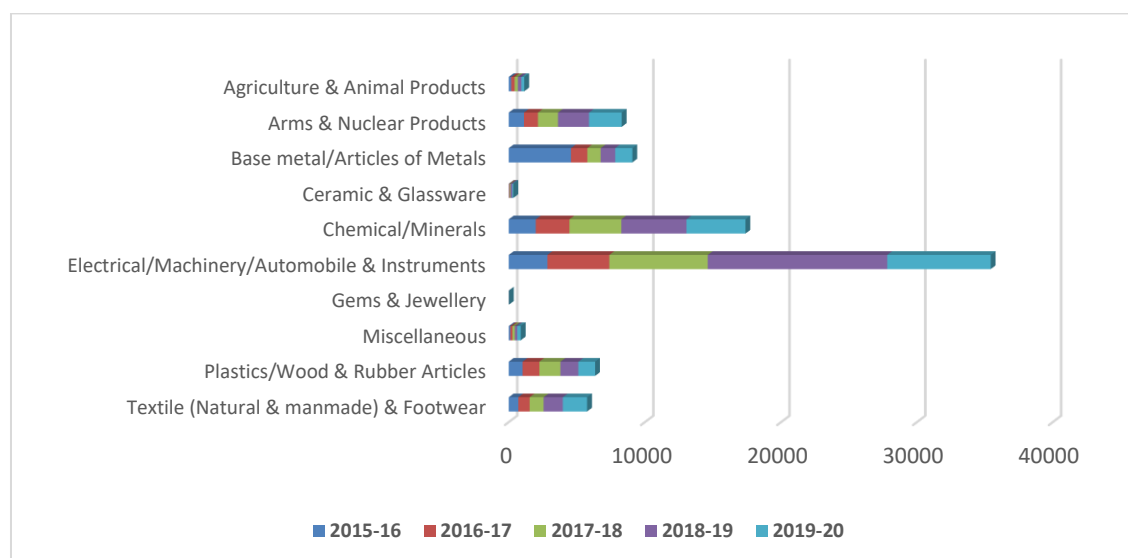
20. The annual growth rate of imports, after a slight decline in FY 2016-17, increased by 46 *per cent* during FY 2017-18 and by 35 *per cent* and 29 *per cent* in FY 2018-19 and 2019-20, respectively.

The value of exports through FTWZs, on the other hand, declined by 58 *per cent* in FY 2016-17 increased marginally by 3 *per cent* in FY 2017-18, followed by increases of 39 *per cent* in FY 2018-19 and 11 *per cent* in FY 2019-20. Overall, the exports from FTWZs fell from ₹5,063 crore in FY 2015-16 to ₹3,440 crore in FY 2019-20 i.e. a drop of 32 *per cent*.

1.4.2.2 Commodity wise Exports and Imports

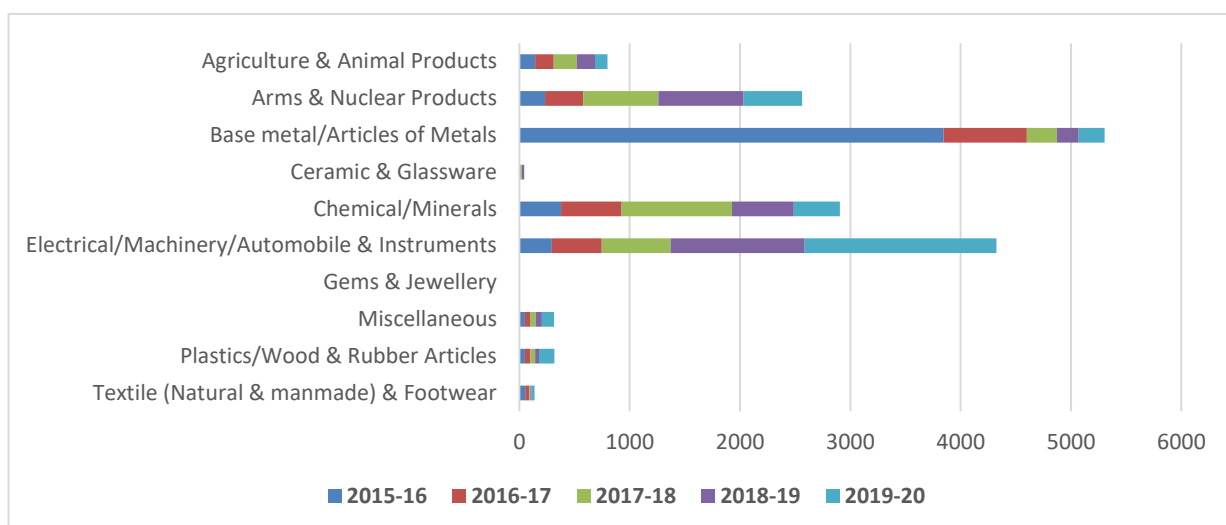
The data furnished by the Ministry of Commerce and Industry regarding imports by FTWZs during 2015-20 shows that the topmost product categories imported were Electricals/Machineries/Automobiles & Instruments followed by Chemicals/Minerals and Base Metals/Articles of Metals as depicted in the following graph:

Chart 4 : Imports by FTWZ during 2015-20 (₹ in crore)



The topmost product categories exported from FTWZs during 2015-20 were Base Metals/Articles of Metals followed by Electricals/Machineries/Automobiles & Instruments and Chemicals/Minerals as shown below:

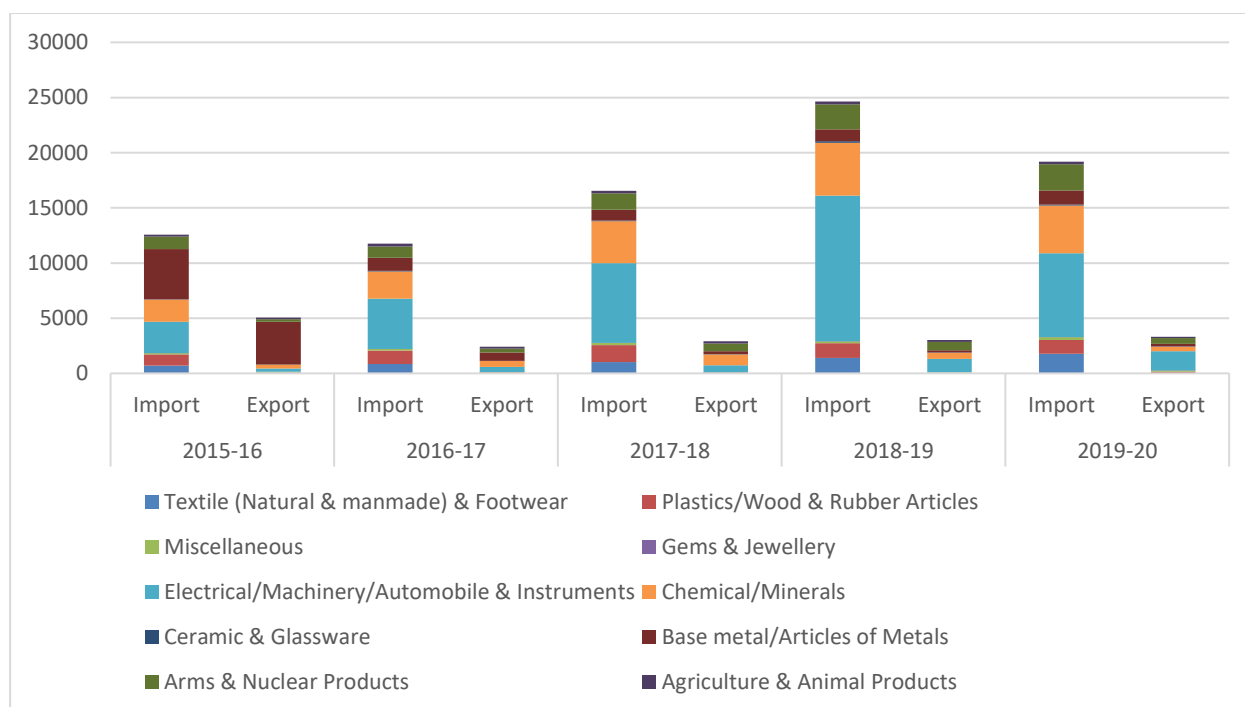
Chart 5 : Exports by FTWZ Units during 2015-20 (₹ in crore)



Source: Ministry of Commerce & Industry

Comparison of imports and exports through FTWZs shows that imports were 4 to 5 times more than exports, except in the year 2015-16 wherein it was 2.5 times of exports.

Chart 6 : Summary of Imports and Exports from FTWZ (2015-16 to 2019-20) (₹ in crore)



Source: Ministry of Commerce & Industry

This implies that the major chunk of the goods imported into FTWZs are cleared into the Domestic Tariff Area (DTA).

1.4.3 Authorities involved in implementation

The functioning of the FTWZs is governed by a three-tier administration - the Board of Approval, the Approval Committee and the Development Commissioner.

- **Board of Approval:** - The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Proposals for setting up of FTWZs are considered by the Board, which is a 19-member body in the Ministry of Commerce & Industries, on the recommendations of the respective State Governments and final approval is granted by the Central Government;
- **Approval Committee:** - Deals with approval of units in FTWZ and other related issues.
- **Developer:** -means a person who, or a State Government which has been granted a letter of approval by the Central Government;
- **Co-Developer:** - means a person who, or a State Government which, has been granted a letter of approval by the Central Government, for development of infrastructural facilities in the identified area;
- **Development Commissioner:** - Each Zone is headed by a Development Commissioner, who is ex-officio Chairperson of the Approval Committee.

1.4.4 Advantages of Free Trade Warehousing Zone

- Customs duties, if applicable, are paid when the merchandise is transferred from the zone for consumption. While in the zone, merchandise is not subject to Customs duty. Merchandise may remain in a zone indefinitely, whether or not subject to duty.
- Goods may be exported from the zone free of Customs duty.
- The developers of the zone provide security requirements and protection against theft.

1.4.5 Norms for FTWZs

- Special Economic Zone for Free Trade and Warehousing should have an area of forty hectares or more with a built-up area of not less than 1,00,000 square metres. From 17 December 2019, FTWZ should have a minimum contiguous land area of fifty hectares (i.e. 500,000 square metres). For creating a Free Trade Warehousing Zone, the proposal must entail a minimum outlay of ₹100 crore.
- In a standalone Free Trade and Warehousing Zone, at least fifty *per cent* of the area should be earmarked for developing processing area.

Free Trade and Warehousing Zone may also be set up as part of a Special Economic Zone for multi- products.

- In Special Economic Zone having area of less than five hundred hectares, Free Trade and Warehousing Zones may be permitted with no minimum area requirement but subject to the condition that the maximum area of such Free Trade and Warehousing Zone shall not exceed 20 *per cent* of the processing area.
- From 17 December 2019, all existing notified Special Economic Zones shall be deemed to be multi-sector Special Economic Zones;
- All transactions by a unit in a Free Trade and Warehousing Zone should only be in convertible foreign currency.
- A unit engaged in trading or warehousing should not be allowed the facility of sub-contracting of production or production process in the domestic tariff area.
- The units in FTWZ should achieve Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of free trade and warehousing activity.
- The Developer shall not sell the land in a Special Economic Zone. Leasing, however, is permissible.
- A unit may opt out of a Special Economic Zone with the approval of the Development Commissioner and such exit shall be subject to payment of applicable duties in respect of capital goods, unutilized raw materials and finished goods lying in stock.

CHAPTER 2

AUDIT OBJECTIVES, CRITERIA AND METHODOLOGY

2.1 Audit Objectives

The objectives of the performance audit were:

- To assess the effectiveness of changes made in the Warehousing Regulations 2016, in improving facilitation and self-clearance mechanism without detriment to the interest of revenue, and also to assess the adequacy of Rules, Regulations, Notifications, Circulars, etc. issued from time to time in relation to Customs Bonded Warehouses under the Customs Act 1962;
- To assess whether the establishment and operationalization of FTWZs was duly aligned with the objectives of the policy for FTWZs;
- To examine whether the internal control systems, and monitoring and coordination mechanisms are adequate and designed to minimize the risks of revenue loss.

2.2 Audit Coverage

Audit covered different aspects of Warehouses/FTWZs and examined the relevant records maintained at the Customs Offices, Development Commissioners' Offices and Specified Officer for the period 2015-16 to 2019-20.

2.3 Audit Methodology

The Performance Audit was conducted during the period August 2020 to December 2020, as per the guidelines of the CAG of India for Performance Audit and within the scope prescribed in the CAG's DPC Act, 1971. Audit examination included data analysis and test check of records pertaining to CBWs (license records, Bills of Entry for warehousing, warehousing orders, bonds register, monthly returns relating to the warehouse operations submitted by the warehouse keeper, permissions given by the Bond Officer, clearance orders of warehoused goods, shipping bills etc. at the respective Customs Offices).

In case of FTWZs, audit examination entailed study and examination of various records such as documents/returns submitted by Developers/ Units, Quarterly and Annual Performance Reports, Customs related documents like Bills of Entry (BsE), Shipping Bills, related invoices etc. at the respective Development Commissioner's office.

The Entry/Exit Conference for the PA was conducted on 7 October 2020 and 30 March 2022, respectively, with MoCI/DoR. The first draft was sent to MoCI/DoR on 24 December 2021, reply to which was received during March/April 2022.

2.4 Sample Selection

Customs Bonded Warehouses (CBWs)

Since all India data of imports and exports volume/value handled through CBWs was not available, the Field Audit offices, based on the criteria given below, selected a sample of the warehouses falling under their jurisdiction.

- Volume/value of cargo, exports/imports handled, past audit objections if any, and nature of cargo handled specifically if hazardous and sensitive commodities, and other relevant information.
- The total sample size selected for audit was 50 *per cent* of the total number of Public/Private Bonded Warehouses subject to a maximum of 10 warehouses under different categories (operational/closed/exited/withdrawn) per Field Audit office.
- 100 *per cent* of Special Warehouse licensed by the Department were selected for audit.

Based on the above criteria, out of 1,035⁴ CBWs, a total of 219 CBWs under the jurisdiction of 24 Commissionerates were selected for audit by the Field Audit offices.

Free Trade Warehousing Zones (FTWZs)

There are a total of seven FTWZs notified as of March 2020 out of which, four FTWZs are operational. Further, five formal Approvals and five in-principle Approvals have been granted to FTWZs. A representative sample of seven FTWZ Developers were selected for detailed audit. Out of 222 FTWZ⁵ units, 44 units spread over seven States (Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Telangana and Uttar Pradesh) were selected for detailed audit.

2.5 Some of the Audit Criteria

Audit criteria have been derived from the existing legislation, prescribed manuals and rules, government notifications, public notices and circulars as summarized below:

⁴ Public Warehouses – 512, Private Warehouses – 343 and Special Warehouses - 180

⁵ Number of Units in M/s. F FTWZ Limited, Uttar Pradesh not available

- Customs Act, 1962;
- Customs Manual 2018;
- Customs Notifications/Circulars/Regulations etc. issued by CBIC on Warehousing;
- Foreign Trade Policy 2015-20 as updated;
- SEZ Act 2005;
- SEZ Rules 2006;
- IGST Act and Rules;
- Handbook of Procedures and its Appendices;
- Public Notices/Circulars etc. issued by the DGFT (Director General of Foreign Trade);
- Foreign Trade (Development and Regulation) Act, 1992;
- Foreign Exchange Management Act, 1999.

CHAPTER 3 CUSTOMS BONDED WAREHOUSES

3.1 Introduction

The facility of warehousing of imported goods in Customs Bonded Warehouses (CBWs), without payment of Customs duty, is permitted under the Customs Act 1962. The Customs Act and Warehousing Regulations provide for licensing of Public, Private and Special Warehouses wherein dutiable goods may be deposited by the importers. The Act also provides for the procedures and conditions under which the owner of any warehoused goods may carry on any manufacturing process or other operations in the warehouse in relation to such goods. The statutory provisions of warehousing are contained in Sections 57 to 73A of the Customs Act 1962.

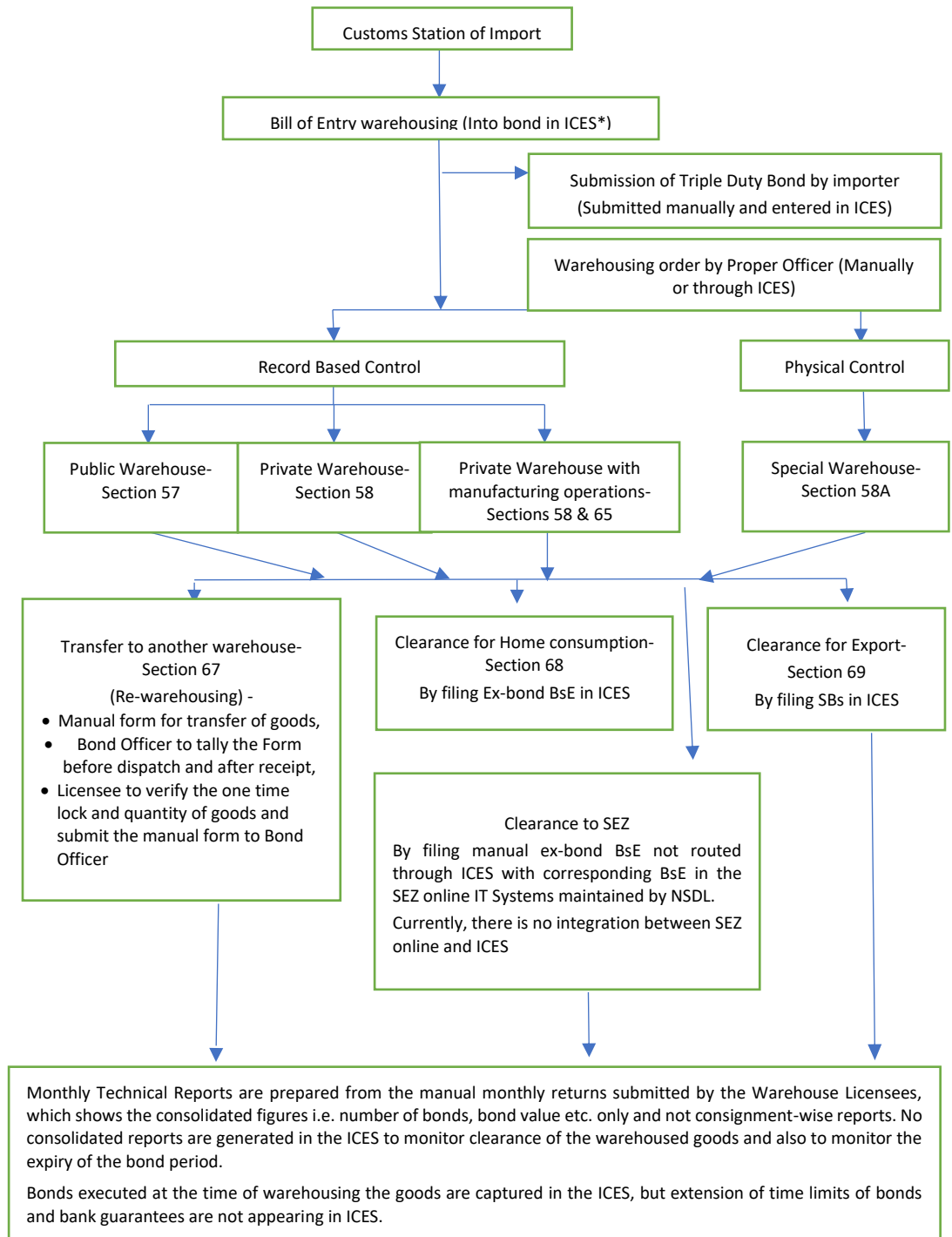
The law relating to Customs warehousing in India has been considerably liberalised with effect from 14 May 2016. Under the new regime, the concept of warehousing station has been removed. This has led to establishment of CBWs at any place, if approved by the licencing authority and the Public and Private Warehouses are no longer under the physical control of the Customs Officers, moving to record based control. Physical escorting for movement of goods from Customs Stations to warehouses, from one warehouse to another warehouse or from warehouses to Customs Stations, has been dispensed with. Other facilitation like online permission to warehousing of imports; shifting of responsibility of storage, security and removal of goods to the warehouse keeper and the importer; and online clearance of ex-bond BsE for removal of goods are added advantages to the trade in reducing the cost of Customs clearances and dwell time. A process chart for the liberalised process is depicted in **Chart 7**.

One key objective of this Performance Audit has been to assess the effectiveness of the changes made in the Warehousing Regulations 2016 in improving facilitation and self-clearance mechanism without detriment to the interest of revenue, and also to assess the adequacy of Rules, Regulations, Notifications, Circulars, etc. issued from time to time in relation to Warehouses under the Customs Act 1962.

Out of 1,035 CBWs, we selected 219 CBWs⁶ for detailed audit.

⁶ Public Warehouses- 55, Private Warehouses- 64 and Special Warehouses- 100

Chart 7: Process chart for warehousing of goods post introduction of New Warehousing Regulations



* Indian Customs EDI System

3.2 Extent of digitisation

3.2.1 Assessment of extent of digitisation of records of individual warehouses

Regulation 11 of the Warehouse (Custody and Handling of Goods) Regulations, 2016 prescribes that the licensee should maintain detailed records of the receipt, handling, storage and removal of goods into and from the warehouse and file monthly returns regarding the same.

CBIC in their Circular⁷ dated 8 June 2016 prescribed the form in which the data is required to be maintained by the licensee. Further, the data prescribed in the form shall be stored electronically and such electronic records should be kept updated, accurate and complete and shall be available at the warehouse at all times and accessible to the Bond Officer or any other authorized officer for verification. The software for maintenance of electronic records must also incorporate a feature of audit trail, which means a secure, computer generated, time-stamped electronic record that allows for reconstruction of the course of events.

In the format prescribed for monthly return, the details of receipt of goods including BE details, description of goods, value, duty assessed, quantity etc are captured; handling and storage includes details of bond and bank guarantee; Removal includes details of date of removal, purpose of removal (home consumption/deposit in another warehouse/export/sold/destruction etc), quantity cleared, value, duty, interest, balance quantity etc; details of goods stored in the warehouse where the period is expiring in the following month includes BE details, bond details, expiry/extension of bond, bank guarantee etc. Hence, it is important that the licensee should maintain the records accurately in the formats prescribed.

The supervision and control of the warehouse has been shifted from physical control to record based control. If the records are not maintained correctly by the licensee the details of goods removed from the warehouse and the purpose of removal ie home consumption/deposit in another warehouse/export/sold/destruction etc. cannot be assessed. Hence, whether the licensee has correctly paid duty and interest cannot be correctly assessed.

Further, if the above records are not correctly maintained, the amount of goods stored including value, duty and quantity in the warehouse cannot be correctly assessed. Hence, whether the licensee has submitted the correct

⁷ Circular No. 25/2016-Customs dated 8 June 2016

amount of bond and bank guarantee cannot be assessed by the Department. Bond and bank guarantees for which extension is required cannot be monitored. Possibilities of leakages, underreporting, incorrect levy of interest etc. cannot be ruled out.

Also, if the detailed records are not maintained electronically by the licensee, the process of reconciliation and monitoring of monthly returns would be a very difficult task. Checking whether the triple duty bond and bank guarantee are correctly submitted by the licensee is also a very difficult task. Further, the software for maintenance of electronic records should have features of audit trail and time-stamped electronic records which allow reconstruction of the course of events. In the absence, the authenticity of records submitted cannot be vouchsafed.

The electronic systems maintained by the licensee are standalone systems and have no linkages with ICES or SEZ online systems. Into bond BE details, bond details and bank guarantee details are initially captured in ICES. But the storage and removal details are not captured in ICES. Hence, even the electronic forms submitted by the licensee have to be manually reconciled with the into bond ICES data.

The digitisation of warehouse records was reviewed in 219 warehouses under 24 Commissionerates and it was observed in 17 Commissionerates that the above instructions were not followed by 121 licensees. The records were not maintained by these licensees in the prescribed forms and they were being maintained manually. (**Annexure 3.1**)

Audit further observed that digitisation through online filing of monthly returns using digital signatures of the warehouse keeper, as envisaged in Rule 3(2) of Warehouse (Custody and Handling of Goods) Regulations 2016, had not been achieved so far.

Ministry in their reply (March 2022) accepted the audit observation and initiated remedial action in respect of 50 warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of 39 warehouses.

Ministry has not accepted the audit observation in 32 cases and replied that five warehouses were either not operational or had not imported any goods during the period covered by audit. They had further stated that the remaining 27 warehouses have maintained their records digitally.

The reply of the Ministry is not fully acceptable as the returns have to be submitted even if there are no transactions. Further, many warehouses were

maintaining records digitally but not in the format prescribed by CBIC and digital signatures were not obtained by two warehouses in the audit sample.

3.2.2 Extent of integration of warehouse record with Customs ICE System

With the May 2016 liberalisation, there has been a paradigm shift from physical control of warehouse to record based control. This shift required monitoring of warehouse related operations purely on the basis of records provided by the warehouse licensee. The Circular dated 8 June 2016 envisaged that such electronic records should be kept updated, accurate and complete and shall be always available at the warehouse and accessible to the Bond Officer or any other authorised officer for verification.

During 2015-16 to 2019-20, for 20 Commissionerates the total number of into Bond BEs, into Bond assessable value, into bond duty assessed was 7,97,850, ₹16,32,183 crore and ₹2,30,629 crore, respectively. The total number of ex-Bond BEs, ex-Bond assessable value, ex-bond duty assessed was 18,21,114, ₹14,57,188 crore and ₹1,15,959 crore, respectively. Given the large volume of transactions, failure to exercise effective control for compliance with statutory provisions could result in a loss of duty, interest etc., which cannot, however, be quantified.

However, based on the records produced to audit, no such systematic verification of warehouse level of records was done by the Department. Periodic evaluation of the warehousing provisions for record based control in lieu of physical control would have helped in ensuring that the intended objectives are being met and for mid-course correction also in case of any deficiencies. No such mid-course evaluation/review was attempted since the introduction of the liberalised Regulation in 2016.

Audit further assessed the extent of digitisation in warehouses and its integration with Indian Customs EDI System (ICES) and observed the following lacunae:

- i. The Department was totally dependent upon the Monthly Technical Reports and monthly returns submitted by each bonded warehouse. **The monthly reports are manual and not automated.**
- ii. There was absence of structured and seamless flow of data between the IT systems maintained by the warehouses and ICES, the main IT Systems of Customs.
- iii. As per the Circular of June 2016, warehousing data was required to be maintained by the CBWs in Form A and B. This information was not integrated with ICES.

- iv. No consolidated reports are generated in ICES to monitor clearance of the warehoused goods and also to monitor the expiry of the bond period or the shelf life of the goods.
- v. Since a huge number of bonds (such as triple duty bond, bond related to transfer of ownership, waiver etc.) are being submitted on a daily basis and monthly returns filed by the warehouse keepers, the manual reconciliation of the transactions is a humungous task. Besides, adding to lot of manual records, Bond Registers are required to be manually maintained/reconciled in the absence of automation/integration with ICES.
- vi. Once the warehouse BsE are filed in ICES, ex-bonding of the goods for home consumption only will be accounted for in ICES. However, other transactions such as re-export of the warehoused goods, transfer to Special Economic Zones (SEZs), and transfer from one bonded warehouse to another bonded warehouse are totally manual and are not accounted for in ICES.
- vii. The SEZ Online IT Systems managed by NSDL which covers the SEZs was not integrated with ICES.

Initially, when goods enter warehouse, an into-bond BE is filed in ICES. When good are removed for home consumption an ex-bond BE is filed in ICES which is linked to the into-bond BE. Hence, the duty payable and interest levy able can be correctly captured. But when goods are removed for deposit in another warehouse/export/destruction etc there is no linkage with the into-bond BE initially filed in ICES. When goods are re-exported from warehouse, a SB is filed in ICES but it has no linkage with the initial into-bond BE. Transfer of goods from one warehouse to another is manual and not accounted in ICES. When goods are transferred to a SEZ, the SB is filed in SEZ online, which is not linked with ICES.

Consequently, in the absence of vital records such as license file, Form A and B, extension of warehousing period, statistical information etc. for the selected warehouses, non-integration of warehouse transactions with ICES, manual maintenance of records and non-verification of the monthly returns by the Department, Audit could not derive full assurance as to the adequacy and effectiveness of the control mechanism existing in the Department in the new record-based control regime for Customs Warehouses.

Ministry in their reply (April 2022) stated that automation till date had been done only for transactional data being fed to ICES and although warehousing data was required to be maintained electronically by the warehouse keepers, the returns to CBIC were being manually maintained by the Department.

While accepting the observation and associated recommendation, the Board stated (April 2022) that a portal would be developed for electronic filing of returns and better monitoring of receipts, issue, re-export from warehouses and would be part of the roadmap on automation.

Recommendation 1. With the move from physical control to record based IT control under the Warehousing Regulations, 2016, the Department needs to have a time bound action plan to:

- d) Devise an IT strategy for integration/reconciliation and digitisation of warehouse data with ICES, as well as with SEZ Online**
- e) Specify an appropriate electronic format in which monthly returns from warehouses shall mandatorily be submitted digitally (dispensing completely with manual reports) and integrated with ICES, and analyse such integrated data electronically for monitoring and control.**
- f) Conduct analytical review of the electronic data submitted by warehouses to identify warehouses, using a risk based approach, for detailed verification and audit.**

Without such a systematic approach, the move from physical control to record based controls of warehouses results in lack of control, leaving room for misuse and abuse of the liberalised Regulations.

Ministry, while accepting the recommendations (March 2022), has stated that the recommendations are for systemic improvement and would lead to more efficient and IT driven record based control. These recommendations would be further examined by DG (Systems) for implementation. They further added that for maintenance of records in relation to warehoused goods by licensees permitted to carry manufacturing and other operations in the warehouse under Section 65, DG (Systems) is already working on developing a module on ICEGATE and ICES. In the module, the generation of electronic monthly returns has also been taken up.

3.2.3 Deficiency in the formats prescribed for monthly return

Central Board of Indirect Taxes and Customs (CBIC) in their Circular dated 8 June 2016 prescribed the form in which the data is required to be maintained by the licensee. It was observed in audit that the form prescribed for monthly return of the receipt, storage, operations and removal of the goods in the warehouse (Form A) was deficient as the removal details do not capture the ex-bond details such as BsE number and date for home consumption. In the absence of such details, Audit could not verify the clearance of goods within

the stipulated period and correctness of interest levied where goods are kept in the warehouses beyond ninety days.

Recommendation 2. Monthly return (Form A) should be suitably modified to capture the details of ex-bond BsE/Shipping Bill as well as date to capture complete information regarding removal of goods.

Ministry has accepted the recommendation and replied (March 2022) that a suitable amendment in Form A of Circular No.25/2016-Customs dated 08 June 2016 is under examination.

3.2.4 Monitoring of submission of monthly returns

As per Regulation 11(4) of Warehouse (Custody and Handling of Goods) Regulations, 2016, a Licensee shall file with the Bond Officer, a monthly return in Form-A of the receipt, storage, operations and removal of goods in the warehouse within ten days after the close of the month to which such return relates. Further, Regulation 11(5) stipulates that the Licensee shall furnish the information relating to the expiring of warehousing goods specified in Section 61 in a particular month in Form-B to the Bond Officer on or before the 10th day of the month immediately preceding the month of such expiry.

Audit of 219 warehouses under 24 Commissionerates revealed that under 12 Commissionerates, 59 warehouse licensees had not submitted their monthly reports or had delayed in submitting these monthly returns in the prescribed format. (**Annexure 3.2**)

Since the Department's control over warehouses was shifted to record-based control instead of physical controls on warehousing activities, non-submission/delay in submission of monthly returns adversely affects the monitoring of warehouses. The Department would not know the details of removal of goods including date of removal, purpose of removal (home consumption/deposit in another warehouse/export/sold/destruction etc.), quantity cleared, value, duty, interest, balance quantity etc. Details of goods stored in the warehouse including value, duty and quantity would also not be known. Department would also not know whether triple duty bond submitted by the importer and bank guarantee are correct. Possibilities of leakages, underreporting, incorrect levy of interest cannot be ruled out.

This further re-emphasises the need for a comprehensive IT approach to digitisation and integration of warehouse data, monthly returns and ICES as well as SEZ Online.

Ministry in their reply (March 2022) accepted the audit observation and initiated remedial action in respect of 48 warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of one warehouse.

While not accepting the audit observation in respect of 10 warehouses, Ministry replied that there were no transactions in two warehouses and in one warehouse, the information pertaining to goods is accessible in the EDI System. In respect of the remaining seven warehouses, it was replied that monthly returns were regularly submitted by them.

Reply of the Ministry is not acceptable as it is mandatory to submit the monthly returns as envisaged in the Board Circular irrespective of nil transactions or not. Further, monthly returns in respect of the seven warehouses were not furnished to audit.

The present system does not immediately generate an alert if the triple duty bond and the bank guarantee do not cover the duty for the goods imported in warehouse. No report is generated by ICES to automatically warn when the bond period is expiring or stock exceeds the bond value. Hence, immediate action cannot be taken by the Department for time expired goods. Also, there is no provision in ICES to do automated age wise analysis of non-disposed goods of expired bonds. Also, it is not possible to check if the total duty on the imported goods in the warehouse is more than that permissible as per the licensee. All these are manually monitored through monthly returns.

Recommendation 3. Bond module in ICES should be modified, in a time bound manner, to capture all types of warehouse transactions such as bond to bond clearance, clearance to SEZ units etc. Further, a suitable mechanism should be put in place for online filing of extension of bonds and bank guarantees and there should be an alert when the bond and bank guarantee are expiring. The system should also be able to do age-wise analysis of time expired goods.

Ministry in their reply has stated that ICES is a transactional database for processing of imported and export goods. Movement of cargo in domestic area is not part of the ICES transactional platform. As regards coverage of SEZ units, the implementation of the same has been announced in Budget 2022 and will be taken up shortly. Further, Customs Policy Wing is actively examining measures for implementation of electronic submission of bonds and bank guarantees to Customs. This initiative is for fostering an environment of ease of doing business and to reduce usage of paper. At the initial juncture, the implementation of this initiative would subsume

various scenarios including provisional assessments under Section 18 of the Customs Act, 1962, imports under Concessional rates of duty, warehousing of goods as per Section 59 of the Customs Act, 1962, manufacture and other operations in Private Warehouse and Special Warehouse as per Section 65 of the Customs Act, imports made under Export Promotion Schemes etc.

3.2.5 Non-implementation of Warehouse code declaration in BsE

CBIC Circular No.19/2016 dated 20 May 2016 specified that all the warehouses were to be allotted with a unique code through ICES and from 20 June 2016, declared that the Warehousing Code in the BsE would become mandatory for filing Into-Bond and Ex-Bond BsE.

It was observed that the declaration of Warehouse Code had not been implemented under the Commissionerate of Customs (Air Cargo Exports), New Delhi. Declaration of Warehouse Code in the BsE would have facilitated easy identification of warehouse against the BsE and for tracking their location at any point of time.

No reply was received from the Ministry (May 2022).

3.3 Processing of applications for issue of warehouse licenses

3.3.1 Absence of standard operating procedure for antecedent verification

As per Regulation 5 of the Public, Private and Special Warehouse Licensing Regulations 2016, a warehouse license shall be granted upon the fulfilment of certain conditions e.g., the applicant is not insolvent or bankrupt, has not been convicted for an offence under any law for the time being in force, has not been penalised for an offence under the Act of Central Excise and Chapter V of the Finance Act. In this regard, the Board vide Circular No. 26/2016 dated 9 June 2016, proposed that a centralised system of verification be followed by referring the name of the applicant and Directors/Partners/Proprietors to DRI⁸ and DGGSTI⁹ for checking antecedents and the existence of any past cases, instead of referring to all formations.

This aspect was reviewed in 219 warehouses under 24 Commissionerates and it was observed in nine Commissionerates that there was no standard operating procedure for antecedent verification and different procedures were followed by different Customs Commissionerates. (**Annexure 3.3**)

⁸ DRI : Directorate of Revenue Intelligence

⁹ DGGSTI : Directorate General of GST Intelligence

Box No. 3.1 – Antecedent verification

In five Customs Commissionerates, the time taken to complete the antecedent verification ranged from 63 days to 4 years in 25 warehouses. Antecedent verification of 31 warehouses under seven Customs Commissionerates was not done after issue of license even after a lapse of more than 5 years. Further, in respect of two cases in one Customs Commissionerate, no action was initiated against the licensees on the basis of adverse antecedent report of DRI.

Ministry in their reply (March 2022) accepted the audit observation and initiated remedial action in respect of 12 warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of 11 warehouses. In respect of other 32 cases, it was replied that as per Circular 26/2016 dated 9 June 2016, the Board has proposed a centralised system for antecedent verification and there is no time limit specified for verification.

The reply is not acceptable as the time taken to complete the antecedent verification ranged from 63 days to 4 years in 25 cases and in 33 cases antecedent verification was still pending. Even though no timeframe was prescribed for antecedent verification in the Circular *ibid* and the delay did not affect the issue of license, there has to be a definite timeframe for completion of antecedent verification to have uniformity among the different Customs Commissionerates

3.3.2 Non-capturing of certain details in the application for license

For the purpose of certainty in providing of information by applicants and transparency in procedures regarding processing of applications, the CBIC has prescribed the Form to be used by an applicant seeking a license for a bonded warehouse vide Circular No.26/2016-Customs dated 09 June 2016 in consonance with the Notification of Public, Private and Special Warehouse Licensing Regulations, 2016. The form has been designed as a check list for obtaining information relevant for evaluation of the applicant at one go and ascertaining the facilities for security of goods available at the proposed site. This information is expected to enable a comprehensive assessment of the applicant and of the premises by the licensing authority.

The details in Part IV of the application contains details in respect of warehouse keeper, digital signature, IT based record, Solvency Certificate, insurance policy etc. which are to be filled by Customs Department under the signature of Bond Officer and is included as a final check and approval for license.

This aspect was reviewed in 219 warehouses under 24 Commissionerates and during audit scrutiny of licence files, it was noticed that in respect of 36 warehouses in five Commissionerates, the details in Part IV of the application form were incomplete. Further, property holding rights in respect of five warehouses in Part II were also not verified while granting licenses.

(Annexure 3.4)

As these details in application are by nature a final check before approval, non-capturing of these details showed a weakness in the system while granting approval to warehouses and disregard of the directives of the Board.

Ministry in their reply (March 2022) accepted the audit observation and noted for future compliance in respect of 18 warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of 15 warehouses.

While not accepting the audit observation in respect of three warehouses, Ministry replied that the lease deed was valid up to 2018 in one case and the property was owned by the licensee in the second case. In respect of the third case, it was replied by the Ministry that lease deed was rolled over by the lessor through their letters.

The reply of the Ministry is not acceptable as in the first case the agreement was valid up to August 2016 and the licence was issued in October 2016. In the other two cases, there was no agreement between the lessor and lessee and the lease was extended through letters issued by the lessors.

3.3.3 Grant of licence without required detail

As per Public/Private Warehouse Licensing Regulations 2016 on fulfilment of the conditions specified in the Regulation 3 and Regulation 4, the Principal Commissioner of Customs or Commissioner of Customs, as the case may be, may grant a license in respect of the Public/Private warehouse subject to such conditions as deemed necessary.

Audit examination revealed that in case of M/s. A Ltd (Private Warehouse-surrendered) and M/s. B Ltd (Public Warehouse) under Customs Commissionerate ICD Patparganj Delhi, the license value of the goods proposed to be stored was not mentioned in the license. Hence the capacity of the warehouse could not be ascertained from the license.

In the absence of such details, fulfilment of the conditions of the Warehousing Regulations viz. furnishing of Solvency Certificate from a scheduled bank and Risk Insurance Policy both for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored in the Private Warehouse at any point of time could not be established. Further, in case of losses due to any unforeseen reasons, the Customs duty in respect of the goods stored in the warehouse is also at risk.

No reply was received from the Ministry (May 2022).

3.3.4 Delay in issue of warehouse license

Board Circular dated 9 June 2016 stipulates that the Commissionerates shall undertake to examine and complete the process of granting a license within 30 days of the receipt of the application. The Bond officer must complete the process of examining the application, visiting the premises to be licensed and submitting his report to the Principal Commissioner/Commissioner within 15 days of the receipt of the application. The approval or rejection of the application by the Licensing Authority (Principal Commissioner/Commissioner) should be completed within the next 15 days.

The delay in issue of warehouses license was reviewed in 219 warehouses under 24 Commissionerates and it was observed in 12 Commissionerates that there were delays ranging from 7 days to 440 days in issue of license beyond the prescribed time- limit of 30 days in respect of 41 warehouses (**Annexure3.5**). CBWs enable importers to store imported goods without immediate payment of customs duties and thereby without blockage of working capital. This delay affects the “ease of doing business” policy of the government.

Ministry in their reply (March 2022) accepted the audit observation and noted for future compliance in respect of 17 warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of five warehouses.

Ministry has not accepted the audit observation in respect of 19 cases and replied that in most of the cases, the delay was due to late submission of compliance to deficiency memo and other documents. The reply of the Ministry is not acceptable as there was delay on the part of the Department also in processing and issuance of deficiency memo and revalidating the licences.

An illustrative case is discussed below:

Box No. 3.2 – Delay in issue of licence

M/s. C Pvt Ltd under Chennai III Commissionerate applied for warehousing license in February 2019 and license was issued only in May 2020 i.e., after 15 months. During the period of delay, the applicant had to seek permission of the Department to allow offloading of 'base oil' from a container ship that had arrived in the Chennai Harbour in the month of April 2020 into an unauthorized tank of M/s. D which neither had the warehousing license nor had applied for it. The applicant cited the detention/demurrage charges of approximately USD 20,000 per day, to the Port Authority and the National lockdown to get such permission.

Although, the permission granted by the Department obviated the problems, the fact remains that such permission was not authorised, as neither the applicant nor the holder of the tank had a warehousing license. This also resulted in the applicant extending the insurance policy taken at the time of application by another year.

Ministry, while giving a chronology of events of issuing license, has stated (March 2022) that there was no delay on the part of the Department in issue of license. The reply of the Ministry is not acceptable as even after submission of documents and clearance from DRI in November 2019, the inspection of the site was conducted by the Department only in January 2020, which was beyond the prescribed time limit.

3.3.5 Warehousing operations without valid licence

A Public Warehouse appointed under Section 57 or a Private Warehouse licensed under Section 58 as it stood immediately before the commencement of the Finance Act, 2016 (28 of 2016), may continue to carry out operations in respect of goods notified under Sub-section (2) of Section 58A for a period of three months from the date of coming into force of these Regulations.

Audit examination of the records in three Commissionerates¹⁰ revealed that three warehouses¹¹ had not complied with the aforesaid regulations and there has been considerable delay in compliance.

Ministry, while not accepting the observation in the case of M/s F Ltd., Kolkata under Commissionerate of Customs (Airport), Kolkata, replied that no operation/stock was held by the licensee since November 2016 and no warehousing operation took place.

Ministry's reply is not acceptable as scrutiny of records revealed that the licensee continued its operations till issue of the new Special Warehouse License in February 2017 and held stock of goods notified under Sub-section (2) of Section 58A as evident from the Monthly Consumption Statements of the relevant months.

Reply of the Ministry in the case of M/s. E Ltd., New Delhi under the Commissionerate, ICD Patparganj, Delhi is awaited (May 2022).

¹⁰ICD Patparganj, Delhi, Commissionerate of Customs (Airport), Kolkata & JNCH, Mumbai

¹¹ M/s. E Ltd, New Delhi, M/s. F Ltd, Kolkata and M/s. G Pvt Ltd

One case is illustrated below:

In JNCH, Mumbai, scrutiny of the license file of M/s. G Ltd., a Private Warehouse, revealed that although no license had been issued by the Customs Department, it was operating without any license. Reasons for allowing the operation of warehouse without license were not available on records.

Ministry in their reply stated that provisional licenses under Section 58 of the Customs Act, 1962 were issued to twelve tanks and the said provisional licenses were extended from time to time. However, in April 2021, M/s. G Ltd. had applied for Public Warehouse License under Section 57 and Public Warehouse license was issued in August 2021.

The contention of the Ministry is not acceptable, as there is no provision in the Regulations to issue a provisional license and the fact remained that the entity did not comply with the new Warehousing Regulations and continued its operation up to July 2021 without a proper license.

3.3.6 Delay in Surrender/cancellation of Public Bonded Warehouse license

According to Regulation 8 of the Public Warehouse Licensing Regulations, 2016, a licensee may surrender the license granted to him by making a request in writing to the Principal Commissioner of Customs or Commissioner of Customs, as the case may be subject to certain conditions.

During audit scrutiny of license files, it was seen that M/s. H Ltd. under Customs Commissionerate, ICD Patparganj, Delhi was issued a Public Bonded Warehouse License No.2/2009-10 which was valid up to August 2016. As the conditions under Regulations 2016 were not fulfilled, it was decided by the Department in February 2017 to proceed for cancellation of the license.

Since bonded goods i.e., a set of escalators were lying in the Warehouse, the surrender of license could not be considered before removal of goods. No further progress was made and the case is pending till date.

Further, inordinate delay in disposal of the goods lying in the warehouse led to blockage of Government revenue amounting to ₹14.24 lakhs (duty, fine and penalty) plus interest due to non-disposal of goods, whose warehouse bond had expired.

Similarly in Bengaluru City Customs Commissionerate, scrutiny of records revealed that three¹² licenses were not cancelled and reasons for non-cancellation were not available on records.

No reply was received from the Ministry (May 2022).

Recommendation 4. The Department needs to have a time bound action plan to develop IT systems by which the process of vetting of applications for warehouse licenses, antecedent verifications, surrender of licenses etc is done in an effective and timely manner and uniform and consistent procedures are followed to minimize unwarranted deficiencies and delays.

3.4 Instances of non-compliance in Warehouse Operations

3.4.1 Non/Short deduction of Customs Duty in the General Bond

As per Section 59 (1) of Customs Act 1962, the importer of any goods in respect of which a BE for warehousing has been presented under Section 46 and assessed to duty under Section 17 or Section 18 has to execute a bond of a sum equal to thrice the amount of duty assessed on such goods. Further, in terms of Section 59(2) of Customs Act 1962, the Assistant Commissioner/Deputy Commissioner of Customs may permit an importer to execute a general bond in respect of the warehousing of goods to be imported by him within a specified period.

Scrutiny of records of two Special Warehouses¹³ in Customs Commissionerate, Hyderabad revealed that the Bond Officer debited general bond by ₹0.18 crore and ₹161.26 crore equal to duty assessed, instead of the required triple duty amount of ₹0.55 crore and ₹483.77 crore respectively. In another case¹⁴, while debiting the triple duty of the closing stock from the newly executed general bond, one entry of ₹3 crore was omitted from debiting from the new bond. Overall this resulted in short deduction of Custom duty bond of ₹325.88 crore.

Ministry has accepted the observation and stated that both the parties have executed a triple duty Bond as per the Circular No.18/2016-Customs dated 14 May 2016, whereas they have taken credit of actual duty assessed and debited the same with the actual duty assessed instead of crediting and debiting triple duty as specified in the Circular. The correct procedure of crediting triple duty and debiting triple duty was implemented from September 2018.

¹² M/s. I Ltd, M/s. J Ltd. and M/s. K Ltd.

¹³ M/s. L Pvt Ltd and M/s. M Ltd

¹⁴ M/s. N Ltd.

In two other cases i.e. M/s. O Ltd.¹⁵, a Special Warehouse under Ahmedabad Commissionerate and M/s. P Ltd.¹⁶, under Commissioner of Customs, New Customs House, Mangaluru goods lying in the warehouse were not covered under bond in contravention of the aforesaid provisions.

In the case of M/s. O Ltd. under Ahmedabad Commissionerate, Ministry has accepted the observation and replied that Show Cause Notice has been issued in December 2021 for imposition of penalty for non-submission of bond equal to thrice the amount of duty assessed.

In the case of M/s. P Ltd. under Commissioner of Customs, New Customs House, Mangaluru, reply of the Ministry is awaited (May 2022).

3.4.2 Excess holding of goods in warehouses

At the time of grant of licenses to the warehouses under Sections 57, 58 or 58A of Customs Act 1962, the maximum stock in terms of value of goods and duty that can be stored in the warehouse is specified in the license by the Customs Department, wherein it is stipulated that the value of goods stocked in the warehouse and duty thereon should not at any point of time exceed the ceilings specified. Further, as per Para 4 (a) of the Customs Notification No. 72/2016 - Customs (NT) dated 14 May 2016, the warehouse licensee is required to provide an all risk insurance policy, that includes natural calamities, riots, fire, theft, skilful pilferage and commercial crime, in favour of the President of India for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored in the Warehouse at any point of time.

This aspect was reviewed in 219 warehouses under 24 Commissionerates and audit examination of monthly records revealed that in the case of eight warehouses under six Commissionerates, excess stock with duty amounts ranging from ₹2 lakh to ₹68.89 crore was held by warehouse licensees during the period 2015-20. As such, the excess stock would not be covered by the insurance coverage and the Department is liable to lose Customs duty in the event of disaster like fire, accident and others. (**Annexure 3.6**)

Ministry in their reply (March 2022) accepted the audit observation and noted for future compliance in respect of five warehouses, while the reply of the Ministry is still awaited (May 2022) in respect of two warehouses. Ministry has not accepted the audit observation in one case and replied that there was no revenue leakage and it was a procedural inconsistency.

¹⁵From 24.05.2017 to 07.08.2017 and 20.12.2018 to 31.05.2019

¹⁶From 24.04.2019 onwards

Ministry's reply is not acceptable as excess storage of goods in the warehouse was in violation of the licensing conditions.

One case is illustrated below:

Box No. 3.3 – Excess holding of stock

As per the conditions of license issued to M/s. R Ltd. under the jurisdiction of NCH Commissionerate, Mumbai, the stock to be held shall not exceed the duty amount of ₹27 crore. The duty amount was increased from ₹27 crore to ₹50 crore from 17 April 2017. Audit scrutiny of the monthly statement submitted by the licensee revealed excess stocking of warehoused goods ranging from ₹4 crore to ₹380 crore in terms of value and ₹42 lakh to ₹68.89 crore in terms of duty during September 2016 to March 2020.

Ministry has accepted (March 2022) that the stock exceeded the specified limit but the excess stock remained for some period. As per urgency of demand and change in product price, insurance coverage amount was increased to ₹60 crore for the period Aug-2019 to Dec-2020. The revised coverage takes care of fluctuation, if any. The current insurance coverage is for ₹90 crore.

The contention of the Ministry is not acceptable as the maximum duty on cargo to be warehoused should not exceed the limits prescribed in the license.

3.4.3 Non-payment/excess payment of MOT charges

Merchant Overtime (MOT) charges are collected in terms of Section 36 of the Customs Act 1962 read with Customs (Fees for Rendering Services by Customs Officers) Regulations, 1998 which prescribes the rates and the manner for collection of such fee. Further, Regulation 3(e) of the Special Warehouse Regulations 2016 and Circular No.20/2016–Customs dated 20 May 2016 read with Circular No.32/2016 dated 13 July 2016 provides that the licensee of a Special Warehouse shall undertake to bear the costs of Customs supervision on MOT basis or on Cost Recovery (CRC) basis.

The prescribed rates of overtime fee for services rendered by the Customs officers, as per Chapter 12 of Customs Manual are as follows:

Table 3.1

Category of officers	Fee per hour or part thereof on working days (in ₹)		Fee per hour or part thereof on holidays (in ₹)	
	6 am to 8 pm	8 pm to 6 am	6 am to 8 pm	8 pm to 6 am
Appraisers, Superintendent (Customs Preventive)	85	125	140	180
Air customs officers, Examiners & Preventive Officers	75	100	105	145
Staff	35	45	55	60

Audit observed that in five Commissionerates, there was short/irregular payment of MOT charges in respect of 14 warehouses (**Annexure 3.7**). Reasons for short/irregular payment of MOT charges were not available on records. There are also instances of excess recovery of MOT charges.

An illustrative case is narrated below:

Audit scrutiny of MOT charges collected by Chhatrapati Shivaji International Airport Commissionerate (CSIA), Mumbai from four¹⁷ warehouses revealed that MOT charges were computed at the highest rates instead of the rates applicable to working days and holidays or computed beyond 24 hours per day. This resulted in excess collection of ₹4.08 lakh in case of three warehouses. Further, it was noticed that in one unit, MOT was collected at a lower rate than the applicable rate resulting in short collection of ₹0.25 lakh. Thus, the MOT charges were not collected by the Department uniformly.

Ministry in their reply (March 2022) accepted the audit observation and recovered MOT charges of ₹65,790 in respect of one warehouse and took remedial action in respect of two warehouses, while reply of the Ministry is still awaited (May 2022) in respect of four warehouses.

Ministry has not accepted the audit observation in respect of seven warehouses and replied that there was no shortfall in MOT Charges. The contention of the Ministry is not acceptable as these licensees have paid MOT Charges at the same rate without any reference to the total number of hours. Moreover, adoption of rates without considering the block period and holidays was not correct.

3.4.4 Collection of MOT charges in place of Cost Recovery Charges

Cost Recovery Charges (CRC) are the amount recoverable from the bonded warehouses on account of the expenses incurred by the Government for the posting of Customs staff at its premises to supervise their operations. The cost of posts created has been determined at an amount equivalent to the actual salary and emoluments of the staff deployed i.e. the average pay and allowances including D.A., H.R.A etc. When one Customs officer supervises the functioning of four to five units, the cost recovery charges are shared amongst them.

Clause (e) of Regulation 3 of the Special Warehouse Regulations 2016 and Circular no. 20/2016 –Customs dated 20 May 2016 read with Circular No.32/2016 dated 13 July 2016 provide that the licensee of a Special

¹⁷M/s. S Ltd, M/s. T Ltd., M/s. U Ltd. and M/s. V Ltd.

Warehouse shall undertake to bear costs of customs supervision on MOT basis or on Cost Recovery basis. The Circular further clarifies that if the requirement of the licensee warrants the operation of the warehouse once in a week or once in a day, the cost of supervision shall be charged on MOT basis. However, if the warehouse is at such distance from the nearest Customs office or the nature and duration of work is such that, the visit of the bond officer on everyday basis, i.e. his absence from his office for an entire day or better part thereof, the licensee shall have to undertake the services on cost recovery basis. Further, in cases where the licensee requires services of a Customs officer more than once in a day, he shall have to undertake supervision on cost recovery basis. Similarly, in case where round the clock services are requested, the licensee will have to bear charges on cost recovery basis.

Under the three Commissionerates in respect of 10 Special Warehouses, Customs supervision charges were levied on MOT basis instead of CRC basis. Incorrect adoption of the mode of recovery resulted in short recovery of Customs supervision charges of ₹10.29 crore.

Some illustrative cases are discussed below:

Box No. 3.4 - MOT charges in place of CRC

i) In CSIA Commissionerate, Mumbai, although Customs officials were posted round the clock, Customs supervision charges were recovered on MOT basis instead of CRC basis in respect of six warehouses. This has resulted in short recovery of Customs supervision charges of ₹6 crore.

ii) In Commissionerate of Customs (Airport), Kolkata, in two Special Warehouses viz. M/s. W Ltd. and M/s. X Ltd. availed Customs supervision for more than six hours a day regularly. The Department recovered Customs supervision charges on MOT basis instead of CRC basis resulting in short recovery of ₹2.93 crore.

iii) In respect of M/s. Y Ltd. and M/s. Z Ltd. under Cochin Preventive Commissionerate, there was short recovery of ₹1.36 crore as the Department adopted MOT charges instead of CRC for recovery of Customs supervision charges in contravention of extant provisions.

Ministry has accepted the observation (March 2022) in the case of M/s. W Ltd. under Commissionerate (Airport), Kolkata and stated that the Department evaluated the frequency of Customs supervisions availed by the licensee and issued Show Cause Notice in February 2019 demanding supervision costs on CRC basis. Further, in the case of M/s. X Ltd., the recovery of CRC/MOT charges is under examination and action taken would be intimated in due course. For CSIA Commissionerate, Mumbai and Commissionerate (Preventive), Cochin, reply of the Ministry is awaited (May 2022).

3.5 Monitoring and Internal Control Mechanisms

3.5.1 Insufficient/deficient Solvency Certificate

As per Regulation 3(1) of Public/Private/Special Warehouse Licensing Regulations, 2016 read with Circulars No. 24/2016-Customs dated 02 June

2016 and Circular No.32/2016-Customs dated 13 July 2016, the applicant for warehouse should submit a Solvency Certificate from a Scheduled Bank.

- (i) for Rupees two crore in respect of Public Warehouse license
- (ii) for an amount equivalent to the maximum duty involved on the goods proposed to be stored at any given point of time in respect of Private/Special Bonded Warehouse licensee.

The aspect was reviewed in 219 warehouses under 24 Commissionerates and Audit scrutiny of the records revealed that in seven warehouses under five Commissionerates¹⁸, Solvency Certificates were either not produced or the Solvency Certificate produced by the warehouse keepers was for an amount less than the amount prescribed under the Warehouse License Regulations 2016. (**Annexure 3.8**)

Ministry in their reply (March 2022) accepted the audit observation and initiated action in respect of three warehouses, while reply of the Ministry is still awaited (May 2022) in respect of one warehouse.

Ministry has not accepted the audit observation in respect of three warehouses and replied that there was no specific requirement to verify the genuineness of the Solvency Certificate. In respect of another warehouse, it was replied by the Ministry that the Customs duty was well covered by Bonds and Bank Guarantees. Ministry's reply is not acceptable as the Department themselves have initiated the action of verifying the genuineness the Solvency Certificates submitted by the licensees and non-submission of Solvency Certificate was in violation of the Government directives.

Illustrative cases are discussed below:

- In ACC Export Commissionerate, New Delhi, a license was issued to M/s. AA Ltd. to operate a Public Warehouse in May 2018. Scrutiny of records indicated that a letter was issued to the bank in May 2018 to verify the genuineness of the certificate and their reply that the Solvency Certificate submitted by the licensee was not genuine was received in June 2020. Ministry has accepted the observation and stated that the licences has been cancelled in October 2020. Nevertheless, the delay in following up with the bank resulted in issuance of license to an ineligible applicant.
- In another case in Customs Commissionerate, Ahmedabad, we observed that M/s. AB Ltd. had submitted a Solvency Certificate

¹⁸ ACC Export, Delhi, ACC Zone-III, Mumbai, Customs Commissionerate, Ahmedabad, Customs Commissionerate, Bhubaneshwar and Customs Commissionerate, Hyderabad

issued by a Chartered Accountant's firm M/s. AC & Co. instead of from a Scheduled Bank. Ministry has accepted the observation and stated that action for invoking penal provisions has been initiated under the relevant provisions of Customs Act.

3.5.2 Annual renewal of Solvency Certificate

Clause 8 of Circular 26/2016 dated 9 June 2016 issued by CBIC states that the licensee is required to renew the insurance policy annually and continue to comply with solvency conditions (as applicable) and the same shall be required to be submitted annually.

The aspect of renewal of Solvency Certificate by warehouse was reviewed in 219 warehouses under 24 Commissionerates and it was observed in eight Commissionerates¹⁹ that 52 warehouse licensees failed to furnish Solvency Certificates regularly (**Annexure 3.9**).

Ministry in their reply (March 2022) accepted the audit observation and initiated action in respect of 48 warehouses. While not accepting the audit observation in respect of four warehouses, Ministry replied that Solvency Certificate was submitted by two warehouses; this response is not acceptable as the Solvency Certificate should have been obtained before issue of the license and thereafter renewed every year.

In the remaining two cases, Ministry replied that one warehouse was holding Risk Insurance Policy and the other licensee had submitted a Chartered Accountant's Certificate. The contention of the Ministry is not acceptable as the Department should have obtained Solvency Certificate before issue of the license from a Scheduled Bank and ensure its renewal every year.

3.5.3 Risk insurance policy

As per Regulation 4 of Public/Private/Special Warehouse Licensing Regulations, 2016, the applicant has to provide an all risk insurance policy that includes natural calamities, riots, fire, theft, skilful pilferage and commercial crime, in favour of the President of India for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored at any point of time. Further, as per Circular 26/2016 dated 9 June 2016, the licensee is required to renew the insurance policy annually.

¹⁹ACC Export, NCH, Delhi, Customs Commissionerate(A&G), Delhi, Customs Commissionerate (Port), Kolkata, Customs Commissionerate, Ahmedabad, Customs Commissionerate (Preventive), Vijayawada, Customs Commissionerate, Hyderabad, Customs Commissionerate, ICD Patparganj & Other ICDs, Delhi, Customs Commissionerate, Jaipur

This was reviewed in 219 warehouses under 24 Commissionerates and Audit examination of records in 13 Commissionerates²⁰ revealed that in respect of 129 warehouses, the licensees failed to comply with the Regulations and Instructions issued by the Board. This entailed the risk of losing the Customs duty on the warehoused goods in the event of any disaster in the warehouses like fire, theft etc. (**Annexure 3.10**)

Out of 129 cases, in 56 cases insurance cover was deficient at a point of time or for a period by an amount of ₹1,015.71 crore. In 73 Warehousing license cases, the same could not be quantified because the maximum value of duty on goods proposed to be stored (as per licence) was not available.

Ministry in their reply (March 2022) accepted the audit observation and initiated remedial action in respect of 63 warehouses, while reply of the Ministry is still awaited (May 2022) in respect of 66 warehouses.

Ministry has not accepted the audit observation in 17 cases and their reply is not acceptable as in seven cases, insurance policy documents were not available on record. In another seven cases, insurance policies were not regularly renewed. Out of the remaining three cases, in respect of one warehouse, Ministry replied that the license holder had applied for surrender of licence in October 2017, whereas the records revealed that the application for surrender was mooted only in March 2021. Further, there was break in insurance coverage in one case.

Recommendation 5. The Department must develop, in a time bound manner, an IT systems/module for tracking and monitoring submission and renewal of Solvency Certificate, Duty bond and Bank guarantee, and Risk insurance policy. The system should track and monitor 100 per cent duty coverage under insurance as prescribed in the rules.

Ministry in their reply (March 2022) has stated that the recommendation is noted and once the Audit Report is published, the Report will be circulated to all field formations for exercising due diligence.

²⁰ACC Export, NCH, Delhi, ACC Zone-III, Mumbai, Bengaluru City Commissionerate, Bengaluru, Customs Commissionerate, Chennai-III, Cochin Customs Commissionerate, Customs Commissionerate(Port), Kolkata, Customs Commissionerate (A&G), Delhi, Customs Commissionerate, Ahmedabad, Customs Commissionerate, Jaipur, Customs Commissionerate, ICD Patparganj & Other ICDs, Delhi, JNCH, Zone-II, Mumbai, NCH Mangaluru & NCH, Zone-I, Mumbai

3.5.4 Short execution of Bank Guarantee for extension of warehousing period

In accordance with section 59 (3) of the Customs Act 1962 read with Circular No 21/2016-Customs dated 31 May 2016, the importer has to furnish a security by way of a bank guarantee at the rate of 25 *per cent*, 50 *per cent* and 100 *per cent* of sum of duty plus interest accrued thereon for extensions beyond one year, two years and three years respectively.

In Bangalore City Commissionerate, M/s. AD Ltd., a Private Warehouse, had furnished bank guarantee of ₹1.59 lakh as against ₹3.09 lakh in respect of imports made under three BsE. This has resulted in short execution of bank guarantee and risking Government revenue.

No reply was received from Ministry (May 2022).

3.5.5 Non-disposal of goods of expired bonds

As per Sub-section 1(b) of Section 72 of Custom Act 1962, where any warehoused goods have not been removed from a warehouse at the expiration of the period during which such goods are permitted under Section 61 to remain in a warehouse, the Proper Officer may demand, and the owner of such goods shall forthwith pay, the full amount of duty chargeable on account of such goods together with interest, fine and penalties payable in respect of such goods.

Further, as per Sub-section (2), if any owner fails to pay any amount demanded under Sub-section (1), the Proper Officer may, without prejudice to any other remedy, cause to be detained and sold, after notice to the owner such sufficient portion of his goods, if any, in the warehouse, as the said officer may deem fit.

This was reviewed in 219 warehouses under 24 Commissionerates and Audit analysis of data revealed that in 35 warehouses under nine Commissionerates²¹, 525 time expired bonds/BsE involving a duty element of ₹75.75 crore were lying undisposed (**Annexure 3.11**)

Non-initiation and non-follow up had resulted in blockage of revenue. Further, this entailed risk of Custom duty loss in case of any disaster in the

²¹ACC Export, NCH, Delhi, Customs Commissionerate, ICD Patparganj & Others, Bengaluru City Commissionerate, Bengaluru, Customs Commissionerate Chennai-III, Customs Commissionerate Chennai-VII, Cochin Customs Commissionerate, Customs Commissionerate (Port) Kolkata, Customs Commissionerate, Ludhiana & JNCH, Zone-II, Mumbai

warehouses like fire, theft etc., as there would not be insurance coverage in respect of the goods whose bonds had expired.

Ministry in their reply (March 2022) accepted the audit observation and initiated remedial action in respect of 25 warehouses, while reply of the Ministry is still awaited (May 2022) in respect of eight warehouses.

Ministry's reply in two cases that reports were sent to Customs on monthly basis and there was no case where an extension was required to be taken is not acceptable as the reply is not relevant to the observation and the Monthly Technical Report for the month of March 2020 showed goods worth ₹5.50 lakh under seven Bonds were time-barred.

An illustrative case is discussed below:

M/s. AE Ltd. was issued license under Section 57 of the Customs Act 1962 to operate warehouse vide Commissioner of Customs approval dated 14 October 2016.

The licensee informed the Department that there was a huge fire in the bonded warehouse on 17 April 2018. The stock held in the warehouse at the time of fire was ₹3.93 crore with a duty liability of ₹1.79 crore which included goods worth ₹1.68 crore having a duty liability of ₹1.06 crore whose bonds were expired.

Although the surveyor assessed a loss of duty of ₹1.60 crore, the Insurance Company reduced the claim of ₹1.06 crore in respect of the goods as the bonds had expired. Further verification of the conditions attached to the insurance policy revealed that the policy did not cover the goods, as these goods remained in the bonded warehouse for a period beyond 365 days and no extension had been accorded by the Commissioner of Customs. Inaction on the part of the Department to ensure renewal of bonds/clearance of the stocks where the bonds had expired resulted in denial of insurance claim by the insurance agency and loss of Customs duty to the extent of ₹1.06 crore.

No reply was received from the Ministry (May 2022).

3.5.6 Non levy of interest on delayed removal of warehouse goods

As per Section 61(2) of Customs Act 1962, in respect of any goods warehoused under Section 60, other than capital or non-capital goods intended for use in any hundred *per cent* EOU²² or EHTP unit or STPI unit, and

²² Units undertaking to export their entire production of goods and services (except permissible sales in the DTA), may be set up under the Export Oriented Unit (EOU) Scheme, Electronic Hardware Technology Park (EHTP) Scheme or Software Technology Park (STP)

remaining in a warehouse beyond a period of ninety days, interest shall be payable at such rate as may be fixed by the Central Government under Section 47, on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of the said ninety days till the date of payment of duty on the warehoused goods.

Analysis of 40 ex-bond BsE in NCH Commissionerate, Mumbai revealed that an interest of ₹5.41 lakh payable on removal of warehoused goods beyond the period of 90 days was not computed by the ICES IT System. The reason for this System error was called for from the Department, and no reply has been furnished by the Department till date.

Ministry, while not accepting the observation (March 2022), has stated that the goods were ex-bonded under the benefit of MEIS and the duty is exempted on such goods which are imported against a duty credit scrip issued by the DGFT Regional Authority under MEIS. As there was no duty incidence, no interest was levied in the system.

The contention of the Ministry is not acceptable as the goods were not cleared without payment of duty but after debiting duty credit scrips. In such cases, where ex-bonding was beyond a period of ninety days, interest on ex-bond duty forgone has to be levied. Further, it was seen that in similar cases, interest was levied where the warehousing period was beyond ninety days.

3.5.7 Irregularities in warehousing bond management

As per Section 73 of the Customs Act 1962, when the whole of the goods covered by any bond executed under Section 59 have been cleared for home consumption or exported or transferred or are otherwise duly accounted for, and when all amounts due on account of such goods have been paid, the Proper Officer shall cancel the bond as discharged in full, and shall on demand deliver it, so cancelled, to the person who has executed or is entitled to receive it. The importer of any goods has to submit a warehousing bond under Section 59 to observe all the provisions of the Act and the rules and regulations in respect of such goods; all duties, and interest payable and to discharge all penalties incurred for violation of the provisions of the Act.

Audit scrutiny of records in four Commissionerates²³ revealed that 14,144 warehousing bonds executed under Section 59 were not cancelled by the Department in disregard of the aforesaid provisions. Further, no uniform

Scheme for manufacture of goods, including repair, re-making, reconditioning, re-engineering, and rendering of services.

²³Pr. Commissioner of Customs, ICD Tughlakabad, Commissioner of Customs, ICD Patparganj & Other ICDs, Pr. Commissioner of Customs, NCH, Delhi and Air Cargo Complex, Mumbai

prescribed procedures had been adopted by the Department. Audit further observed that the System did not capture details such as export, transfer to other warehouses and SEZs. After goods have been removed from the warehouse and duty has been paid, the bond should be cancelled in the ICES system. Non cancelling of such bonds in ICES gives an incorrect status of live bonds.

Illustrative Cases are discussed below:

In ACC, Mumbai, pursuant to Board Circular No. 18/2016 dated 14 May 2016, a local Standing Order was issued by the office of Commissioner of Customs (General) specifying the procedure for accepting bonds at the Bond section to permit the warehousing of imports in Special Warehouses viz. airline caterers and duty free shops, watching for receipt of re-warehousing certificates (RWC)²⁴ within 30 days from the Bond Officer in charge of Special Warehouse, and monitoring of filing a consolidated ex-bond BsE after clearance of all goods in respect of a bond for cancellation of bond. Thus, the Customs port of import acts as a focal point for monitoring of the warehousing periods of bonds and action to be taken in case of expiry of bonds.

Analysis of MTRs in the Bond section under ACC Mumbai revealed diverse practices for cancellation of manual bonds in case of Special Warehouses, Public and Private Warehouses, and other licensees in disregard of the prescribed procedures:

- RWCs had been not received in 32 bonds involving duty element of ₹55.73 lakh, although six bonds were more than one year old. In case of 13 bonds, RWCs were received after the expiry of 30 days, while in 12 cases no RWC was available in the register despite the fact that bonds were expired.
- In case of two Special Warehouses i.e.M/s. AF Ltd and M/s. AG Ltd, no systems and procedures had been put in place to watch receipt of RWC. Audit, further, observed that although 6,438 bonds pertaining to the period 2016-17 to 2018-19 are still live in ICES, no action has been taken by the Department for their cancellation.
- In respect of Bonds accepted for movement of goods to Public and Private Warehouses, the bonds were being closed manually in bond registers based on ex-bond BsE. In respect of 3712 cases where

²⁴ Removal of excisable goods from one factory or a warehouse to another is called as Re-warehousing and on arrival of the goods at the warehouse of destination Re-warehousing Certificate is issued. Board had prescribed maximum period of 90 days from the date of issuance of Procurement Certificate (PC) for submission of the RWC.

consignment- wise EDI bonds were accepted during 2015-18, no action was taken towards their cancellation.

In Commissionerate of Customs, Import, ICD, Tughlakabad and Commissionerate of Customs ICD Patparganj & Other ICDs, there were 2,733 and 4,194 bonds pending for cancellation. The delay in cancellation of bonds ranged from one month to more than three years.

No reply was received from the Ministry (May 2022).

3.5.8 Internal audit and inspection of bonded warehouses

Circular No. 52/98-Customs dated 27 July 1998 envisages that there should be regular audit and inspection of CBWs by the senior officers and the Custom House audit parties so that the nature, quantity, number and other relevant particulars with reference to the concerned documents are verified. The exercise could be done once in six months by audit parties supported by surprise checks by the senior officers. In the course of audit, all the consignments which continue to lie in the warehouse after expiry of the warehousing period should be taken up for scrutiny in order to guard against deterioration, substitution or other unlawful removal.

Audit scrutiny revealed that regular audit and inspection of CBWs was not carried out by the Department during the period from 2015-16 to 2019-20.

Non conduct of audit and supervision by Departmental authorities reflected lack of effective monitoring by the Department. Further, Audit also could not derive assurance whether appropriate action was taken in the event of consignments lying in warehouses after lapse of warehousing period entailing risk of deterioration, substitution or other unlawful removal of goods.

Ministry has accepted (March 2022) the observation and stated that a Committee headed by ADG (Hqrs) Audit under DG (Audit) has been constituted in January 2022 with a mandate to draft guidelines/SOPs for audit of warehouses under Section 57, 58, 58A and 65 of the Customs Act 1962. The Terms of Reference (ToR) of the Committee also includes defining specific audit parameters in view of the extant legal requirements, and determining selection criteria of units to be audited, coverage plan, periodicity of such audit, varying degree of audit dependent on risk criteria, stages of audit and related workflow/ checklists/ forms etc.

Recommendation 6. Ministry must ensure that a mechanism for internal audit and inspection of CBWs, including guidelines/SOPs for such audit, is implemented immediately.

3.5.9 Irregular storage of goods in Public/Private Bonded Warehouse

As per Circular No.26/2016 dated 09 June 2016, a Public Bonded Warehouse is strictly for warehousing of goods belonging to third parties and the applicant shall declare that goods imported by him shall not be stored in the Public Bonded Warehouse for which the application has been made. At the same time, as per Section 58 of the Customs Act, 1962, in Private Warehouses, only dutiable goods imported by or on behalf of the licensee may be deposited.

Scrutiny of records revealed two instances of irregular storage of goods in contravention to the set procedures.

- In ACC Export Commissionerate, New Delhi, M/s. AH Ltd., a Public Warehouse, the licensee had imported goods worth ₹78.63 lakh and the goods were warehoused in the Public Warehouse of the importer. This is not permissible as a Public Bonded Warehouse is strictly for warehousing of goods belonging to third parties.

No reply was received from the Ministry (May 2022).

- In JNCH Commissionerate, Mumbai, Audit examination of the MTR for August and September 2020 disclosed that M/s. AI Ltd., a Private Warehouse, had allowed storage of 7,691 MT of third-party goods worth ₹37 crore in its bonded tanks contrary to the provisions of section 58 of Customs Act, 1962.

Ministry has accepted the observation (March 2022) and stated that in certain cases third party goods were also deposited in the Private Bonded Warehouses licensed provisionally. However, the goods warehoused are identical goods of liquid bulk. No revenue loss had occurred to Customs, though there has been procedural/technical infraction. Further, the licensee was asked to apply for a Public Warehouse License under Section 57 of the Customs Act 1962 and Public Warehouse License was issued to the licensee.

3.6 Instances of other irregularities

3.6.1 Difference in assessable value at the time of ex-bonding

CBIC Circular No. 46/2017-Customs dated 24 November 2017, stipulates that the value of imported goods, for purposes of charging Customs duty, is to be determined as per Section 14 of the Customs Act, 1962 at the time of import i.e. at the time of filing of the into-bond BsE. As such, there is no provision to vary the assessable value of the goods at the ex-bond stage unless they are such goods on which tariff valuation applies.

Audit observed 30 instances in respect of M/s. AJ Pvt Ltd under JNCH Commissionerate, Mumbai where there were variations in assessable value of warehoused goods ranging from ₹0.76 lakh to ₹12.46 lakh at the time of ex-bonding. However, such variation in assessable value of warehoused goods at the time of ex-bonding was not in order.

No reply was received from the Ministry (May 2022).

3.7 Conclusion

The law relating to Customs Warehousing in India has been considerably liberalised with effect from May 2016 and the concept of warehousing station has been removed which has led to establishment of CBWs at any place. The warehouses are no longer under the physical control of the Customs officers and have moved to record based control. The details of goods removed from the warehouse and the purpose of removal ie home consumption/deposit in another warehouse/export/sold/destruction etc cannot be assessed. Hence, whether the licensee has correctly paid duty and interest cannot be correctly assessed. Whether the licensee has submitted the correct amount of bond and bank guarantee cannot be correctly assessed by the Department. If the records are not maintained electronically by the licensee, the process of reconciliation and monitoring of monthly returns would be a very difficult task.

Audit observed that the Department was totally dependent upon the manual, non-automated Monthly Technical Reports and monthly returns submitted by each bonded warehouse. There was absence of a structured and seamless flow of data between IT systems maintained by the individual warehouses and ICES. Further, warehouses were required to maintain data in Form A and B which were not integrated with ICES. No consolidated reports were generated in ICES to monitor clearance of the warehoused goods and also to monitor the expiry of the bond period or the shelf life of the goods.

While ex-bonding of goods for home consumption is accounted for in the ICES, other transactions such as re-export of the warehoused goods, transfer to SEZ, and transfer from one bonded warehouse to another bonded warehouse were totally manual and were not captured in ICES. The SEZ Online IT System (managed by NSDL) was not integrated with ICES.

No enabling provision had been made for recording extension of time limits of bonds and bank guarantees in ICES once initial time-limits are expired. Moreover, warehouse bonds were also not cancelled in the system once goods had been completely removed from warehouse.

Audit observed that 59 warehouse licensees had not submitted their monthly reports or delayed submission of these monthly returns in the prescribed format. 121 licensees had either not maintained records in digital format, or records were not maintained in the prescribed forms.

During issue of license, there were instances of delay in antecedent verification and in 31 cases antecedent verification was still pending. In respect of 36 warehouses, the details in Part IV of the application form were incomplete and property holding rights in respect of five warehouses in Part II were also not verified while granting licenses. There were delays ranging from 7 days to 440 days in issue of licence beyond the prescribed time- limit of 30 days in respect of 41 warehouses. Audit observed that three warehouses were operating without a valid license.

It was observed that in case of eight warehouses, there was excess holding of goods was there, with the duty on excess stock ranging from ₹2 lakh to ₹68.89 crore.

Audit observed that in 14 warehouses there was short/irregular payment of MOT (Merchant Overtime) charges. In 10 Special Warehouses, Customs supervision charges were incorrectly levied on MOT basis instead of cost recovery charge basis, resulting in short recovery of Customs supervision charges of ₹10.29 crore.

In 129 warehouses, the licensees failed to comply with the regulations and instructions regarding Risk insurance policy issued by the Board. Out of 129 cases, in 56 cases insurance cover was deficient at a point of time or for a period by an amount of ₹1,015.71 crore. In 73 Warehousing license cases, the same could not be quantified because maximum value of duty on goods proposed to be stored (as per licence) was not available. This entailed risk of loss of the Customs duty on the warehoused goods in the event of any disaster in the warehouses like fire, theft etc. Further, in 35 warehouses, 525 time expired bonds/BsE involving a duty element of ₹75.75 crore were lying undisposed. Also, regular audit and inspection of CBWs was not carried out by the Department during the period from 2015-16 to 2019-20.

CHAPTER 4

FREE TRADE WAREHOUSING ZONES (FTWZs)

4.1 Introduction

Audit examined whether the establishment and operationalization of FTWZs was duly aligned with the objectives of the policy for FTWZ and also assessed the control system and monitoring and coordination mechanism were adequate and effective.

Performance Audit was conducted at the premises of the Development Commissioner (DC) (SEZ) offices, based on the files and records relating to project and monitoring files maintained therein, for monitoring of FTWZ developers and units therein.

Annual monitoring on the functioning and performance of the units in the FTWZs is carried out by the Unit Approval Committee (UAC). The performance of the FTWZ units/Developers is being monitored annually through the Annual Performance Reports (APRs) in case of units and Half-yearly/Quarterly returns in case of Developers, which are required to be filed digitally. Based on such review, the DCs may take corrective measures to enable the defaulting units to fulfil their obligations as per the SEZ Act/Rules. For any violation, the DC is empowered to initiate action under the Foreign Trade (Development and Regulation) Act, 1992, which includes issue of Show Cause Notice (SCN), levy of penalty, cancellation of the Letter of Permission (LoP), etc. The applicable customs duty forgone on such violations is to be recovered by the Department.

A representative sample of seven FTWZ Developers were selected (four operational and three non-operational). Out of 222 FTWZ units, 44 units spread over seven States (Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Telangana and Uttar Pradesh) were selected for detailed audit.

4.2 Guidelines/Policies for FTWZs

FTWZ Policy, as a part of the Foreign Trade Policy (FTP) 2004-2009 is governed by the SEZ Act 2005 and SEZ Rules 2006 to leverage India's strategic geographical location and cost and skill arbitrage. It was noticed that the SEZ Act 2005 and SEZ Rules 2006 do not contain any separate guidelines /policies and specific rules in respect of FTWZ.

The Department agreed with the observation and replied (September 2020) that no such specific chapter guidelines/rules in respect of FTWZ were incorporated in SEZ Act 2005. However, the details/documents required for

setting up of FTWZ in terms of SEZ Act 2005 were issued vide a letter dated 07 January 2019. Further, DoC stated (December 2020) that in the SEZ Act 2005, an FTWZ is defined as a SEZ wherein mainly trading, warehousing and other activities related thereto are carried on. It also stated that recently a proviso in Rule 24(3) of SEZ Rules on admissibility of drawback or any other similar scheme was added that may be helpful to enhance the performance of FTWZs.

DOC stated (March 2022) that FTWZ is not a scheme. FTWZ as defined under Section 2(n) of the SEZ Act 2005 means a SEZ wherein mainly trading/warehousing and other related activities are carried on. As such, FTWZs are a category of SEZs. Consequently, all provisions of SEZ law are applicable to FTWZs *mutatis mutandis* and where necessary, specific provisions for facilitating FTWZs have also been provided under SEZ law. Hence, there has not been any requirement for formulating a separate set of specific guidelines / policies/ rules.

Audit is of the view that a separate set of specific guidelines/policies/rules for setting up of FTWZ may need to be formulated, which will enable potential Developers to understand the policy in a more coherent manner.

In her Budget speech 2022, the Hon'ble Finance Minister indicated that the Special Economic Zones Act would be replaced with a new legislation that would enable the States to become partners in 'Development of Enterprise and Service Hub'. This would cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.

4.3 Review/evaluation of the FTWZ policy

The Ministry was asked whether any policy changes, evaluation/ review were carried out by the Ministry to attract developers for setting up of FTWZs. Department of Commerce (DoC) stated (December 2020) that Rule 5 of the SEZ Rules, 2006 (Notification dated 17.12.2019) has been amended and now all existing notified SEZs (including FTWZ) having land area of 50 hectare or more shall be deemed to be multi-sector Special Economic Zones.

Therefore, it is recommended that the Department should evaluate/review the scheme, to determine why enough private players are not showing interest in the scheme and appropriate policy changes, if required, may be made accordingly to attract developer for setting up more FTWZs.

4.4 Instances of irregularity in granting approval for FTWZ

As per Section 9 of the SEZ Act, 2005, the duties, powers and functions of the Board of Approval shall include granting of approval or rejecting proposals or modifying such proposals for establishment of the SEZs and also granting approval of the authorized operations to be carried out in the SEZs by the Developer.

Further as per Sub-Rule 2(d) of Rule 5 of SEZ Rules, 2006, if a Developer, subsequent to approval or notification of a SEZ, acquires more contiguous and vacant land which makes the total area available, including the area already notified as SEZ, more than the minimum area required for another class of SEZ, the Board of Approval may consider such cases on a case to case basis for allowing conversion to another class of SEZ by subsuming such already approved or notified SEZs.

In DC VSEZ, Telangana, it was observed that M/s. A Limited (Developer) approached the DC for grant of approval for setting up an FTWZ within the existing SEZ. Approval was granted by DC in contravention to Section 9 of SEZ Act, 2005 and Rule 5 of SEZ Rules, 2006 without forwarding the proposal to the Board of Approval (BOA).

DoC stated (March 2022) that the DC is being advised to take appropriate action for corrective measures.

4.5 Non-amendment of Rule 18(5) of SEZ Rules 2006

Section 55(1) of the SEZ Act 2005, empowers the Central Government to make rules for carrying out the provisions of the SEZ Act. The procedure for making such Rule is laid down under Section 55(3) of the SEZ Act. As per Rule 18(5) of the SEZ Rules 2006, an FTWZ unit can hold goods only on account of a foreign supplier. Government issued instructions ²⁵(July 2010) allowing FTWZ units to hold goods on behalf of Domestic Tariff Area (DTA) suppliers and buyers. However, even after 10 years of issuance of the above Instruction, the SEZ Rules, 2006, were not amended to include this provision.

DoC stated (March 2022) that policy related to SEZs in India is reviewed on time to time basis. This issue is under deliberation with the Department of Revenue (DoR) for incorporating necessary changes in the SEZ Rules.

²⁵F.No. D.12/4/2010-SEZ (Instruction No. 60) dated 06.07.2010

4.6 Instance of short levy of duty due to adoption of incorrect tariff values

Section 30 of the SEZ Act 2005, provides for domestic clearance by units subject to the conditions specified in the rules made by the Central Government in this behalf,

(a) Any goods removed from an SEZ to the DTA shall be chargeable to duties of customs including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported; and

(b) the rate of duty and tariff valuation, if any, applicable to goods removed from a SEZ should be at the rate and tariff valuation in force as on the date of such removal, and where such date is not ascertainable, on the date of payment of duty.

Further, as per Section 51 of the SEZ Act 2005, the provisions of the SEZ Act 2005 have overriding effect. The provisions of the SEZ Act 2005 shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than the SEZ Act 2005.

In the case of M/s. B Ltd., a FTWZ unit in M/s. B1 SEZ, Andhra Pradesh, it was noticed during test check of Bills of Entry (BsE) for DTA sales made on behalf of their clients that during the period 2017-18 to 2019-20, the Department assessed the duties by applying the Tariff values notified by CBIC for gold and silver which were effective as on the date of filing of BsE for DTA sales instead of those prevailing as on the date of removal of goods or on the date of payment of duties as stipulated in the SEZ Act, 2005. Adoption of incorrect Tariff value prevailing on the date of filing BsE instead of the date of Out of Charge/Date of payment of duty resulted in short levy of duty to the tune of ₹6.03 crore.

DoC stated (March 2022) that M/s. B1 SEZ is a Port in terms of Rule 53(2) of the Customs Act 1962 and in terms of Rule 47(4) and 48(2) of SEZ Rules 2006, that are framed under Section 30 of the SEZ Act 2005, the rate of duty and tariff valuation for goods cleared from an SEZ/ FTWZ are to be under the provisions of the Customs Act, 1962 and as per Section 15 of the Customs Act 1962, the date of presentation of Bill of Entry is the date for determining rate of duty and tariff valuation, which is being followed. Further, it will deny a level playing field for the SEZ importers when compared to the direct importers where the date of presentation of Bill of Entry (Home Consumption) is the date for assessment.

The reply of the DoC is not tenable as Section 30 of SEZ Act 2005 clearly mentions that the rate of duty and tariff valuation should be those prevailing on the date of removal of goods and where such date is not ascertainable, on the date of payment of duty.

Further, Section 15(1) of Customs Act stipulates that if a Bill of Entry has been presented before the date of entry inwards of the goods imported, the Bill of Entry shall be deemed to have been presented on the date of such entry inward or arrival as the case may be. Hence, date of physical removal of goods shall be taken into account as stipulated in Section 30 of the SEZ Act 2005.

4.7 Inconsistency in data as per Annual Performance Report (APR) and SEZ Online data

In DC Offices, Karnataka and Maharashtra, it was noticed that imports and exports and the figures of sales reported in APRs of the units did not tally with SEZ Online data maintained by NSDL as discussed below:

- Out of 44 FTWZ units, in seven cases, APR export data was less than the SEZ Online data while in eight cases, APR export data was more than the SEZ Online data. No reconciliation of the data was made by the Department during monitoring of NFE performance of the unit **(Annexure 4.1)**.
- Out of 44 FTWZ /SEZ units, APR import data in twelve cases was less than the SEZ Online data, while in four cases, APR import data was more than the SEZ Online data. No reconciliation of the data was made by the Department during monitoring of NFE performance of the unit **(Annexure 4.2)**.
- Out of 44 FTWZ units, although APR data in five cases indicated nil DTA sales, SEZ Online data reflected DTA sales. In the remaining six cases, DTA sale data as per APR was less than the SEZ Online data of DTA sales. No reconciliation of the data was made by the Department during monitoring of NFE performance of the unit **(Annexure 4.3)**.

DoC stated (March 2022) that the data in respect of imports and exports from SEZ Online includes the transactions made by their foreign as well as domestic clients. As per MoCI Instruction (July 2010) the export and import figures pertaining to clients of service provider units may not be considered towards the calculation of NFE. The actual APR figures submitted by the service provider units include the income generated by providing warehousing services, CHA services, other similar facilities, etc. Therefore, APR figures would not match the SEZ Online figures.

Audit is aware of and notes the possible reasons for inconsistency in data. However, the data from APRs and SEZ Online needs to be reconciled by the Department, to draw assurance as to the accuracy of the NFE calculated by the units; in the instant case such NFE reconciliation could be after excluding the export and import figures of clients of service provider units.

Recommendation 7. The Department needs to consider the possibility of integration of the SEZ Online IT systems with ICEGATE/ICES, the Customs portal maintained and managed by DG Systems.

DoC stated (January 2022) that integration of SEZ Online System with ICEGATE for real time sharing of data and use of EDT RMS for providing inputs to SEZ Customs is underway and necessary support from DG Systems, CBIC is requested in this regard.

4.8 Instance of incorrect Calculation of Net Foreign Exchange (NFE)

Rule 53 of the SEZ Rules, 2006 stipulates that the unit shall achieve Positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production according to the following formula:

$$\text{Positive Net Foreign Exchange} = A - B > 0$$

where A is Free on Board (FoB) value of exports and B is the sum total of CIF value of all imported inputs and CIF value of all imported capital goods, and value of all payments made in foreign exchange by way of export commission, royalty, fees, dividends, interest on external commercial borrowings during first five-year period or any other charges.

It was noticed in three cases mentioned below (two cases in DC SEEPZ, Maharashtra and one case in DC VSEZ Telangana), that the NFE was not calculated correctly as per the above rule.

Table: 4.1 (₹ in crore)

SI No.	State	FTWZ/SEZ	Name of unit	Period	NFE as per APR	Correct NFE	Difference
1	Maharashtra	M/s. C1 Panvel	M/s. C Ltd.,	2016-17 to 2019-20	568.28	180.49	387.80
2		M/s. C1 Panvel	M/s. D Ltd.,	2014-15 to 2018-19	33.60	16.19	17.41
3	Telangana	M/s. A Ltd.	M/s. E. Ltd.,	2015-16 to 2019-20	2.93	-3.04	5.98

The DC office failed to detect this and accepted the APRs filed by the unit. The incorrect calculation was attributable to non-consideration of other outflows in foreign exchange and non-inclusion of certain imports as seen from the import data available on SEZ Online which resulted in incorrect calculation of NFE. One case is illustrated below:

Box No. 4.1 - Incorrect calculation of NFE

M/s. C Ltd., in DC SEEPZ, Maharashtra had debited royalty payment, interest on External Commercial Borrowings, foreign travel, technical fees, in its books of accounts during 2016-17 to 2019-20. If these payments were to be considered for calculation of NFE, the cumulative NFE would have been negative.

DoC in respect of M/s. C Ltd., Mumbai stated (March 2022) that the commented expenses which are debited in the account of the respective year, but not debited for calculation of NFE, are the expenses pertaining to their domestic unit and not that for their FTWZ unit. Hence, the same may not be considered for calculation of NFE. In respect of M/s. D Ltd. Ltd., Mumbai it was stated that the NFE remains positive even after considering expenses in foreign exchange on account of documentation and warehouse rent paid to Indian entity in India. In respect of M/s. E Ltd, Telangana, now with the observations of Audit, NFE is being calculated on the APRs submitted online which are certified by the Chartered Accountant.

In respect of M/s C Ltd., Mumbai, it is not clear how the expenses debited to P & L Account like royalty, interest on external commercial borrowing, technical services fee, foreign travelling etc. could be termed as purely domestic unit's expenses. However, Audit calculation as above involves reworking of NFE proportionately in the ratio of revenue generated by various units. DC SEEPZ Mumbai replied (April 2022) a reminder dated 25.03.2022 has been issued to the unit for submission of clarification.

In case of M/s. D Ltd., Mumbai and M/s. E Ltd, Telangana, the Department has accepted the findings.

4.9 Instances of irregular sanction of Duty Drawback

As per Rule 30(8) read with 24(3) of the SEZ Rules, 2006, drawback or any other similar benefit under the Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time, against supply of goods by DTA supplier shall be admissible where payments for the supply are made from the Foreign Currency Account of the FTWZ unit.

The Specified Officer (SO), M/s. B1 SEZ, Andhra Pradesh sanctioned duty drawback to DTA agencies on Bills of Export to FTWZ under Section 74 of the

Customs Act 1962 read with Re-export of Imported Goods (Drawback of Customs Duties) Rules 1995, in four cases amounting to ₹0.82 crore as detailed below:

Table: 4.2 (₹ in lakh)

Name of the FTWZ unit	DTA Agencies	Bill of Export No. and date	Amount of Drawback Sanctioned
M/s. F Ltd.	M/s. G Ltd	189 dated 29/12/2016	30.76
		190 dated 29/12/16	1.93
		191 dated 29/12/16	2.32
	M/s. H Ltd.	98 dated 20/06/17	47.35
		Total	82.36

It was seen that Rule 30(8), read with Rule 24(3) of SEZ Rules 2006, was not complied as the Bills of Export were filed by the FTWZ unit on behalf of DTA agencies and there was no payment to DTA agencies from the Foreign Currency Account which resulted in irregular sanction of Duty Drawback.

DoC stated (March 2022) that the goods were initially imported into India (DTA) and later exported to the FTWZ unit and therefrom exported out of country. The duties paid at the time of import have been sanctioned in terms of Section 74 of the Customs Act, 1962 (i.e. Re-Export of Duty paid goods) after re-export of the same out of India and receipt of the foreign currency. The FTWZ unit in this case is a service unit that collects service charges only in foreign currency and is not responsible for the transaction between the exporter and buyer–importer of the foreign country. Therefore, receiving the transacted amount in foreign currency through the FTWZ service unit Account does not arise.

The reply of the DoC is not acceptable since as per Rules 30(8) and 24(3), of SEZ Rules, 2006, drawback or any other similar benefit against supply of goods by DTA supplier is admissible only when payments for such supply are made from the Foreign Currency Account of the FTWZ unit. Further, it is pertinent to mention that there is no provision either in the SEZ Act, 2005 or in the SEZ Rules, 2006 to sanction drawback to clients of FTWZ units.

4.10 Performance of Free Trade Warehousing Zones (FTWZs)

Section 5(1) of SEZ Act, 2005, provides that the Central Government, while notifying any area as a SEZ or an additional area to be included in the SEZ and discharging its functions under this Act, shall be guided by the following, namely:

- i) Generation of additional economic activity
- ii) Promotion of exports of goods and services
- iii) Promotion of investment from domestic and foreign sources
- iv) Creation of employment opportunities

v) Development of infrastructure facilities

Comparison of exports/investments/employment/NFE provided by the developers in their QPRs/HPRs filed for the period 2015-16 to 2019-20 and APRs submitted by FTWZ units to DC offices as part of their monitoring mechanism with the projections made by them while applying for the fresh or renewal of LoA, revealed the following:

4.10.1 Shortage of exports vis-à-vis projections

Audit scrutiny of APRs of selected FTWZ units during the period 2015-16 to 2019-20 revealed that out of 44 test checked FTWZ units, 29 units did not achieve the projected export target. The shortfall of achievement ranges from ₹ 0.12 crore (one *per cent*) to ₹ 346.15 crore (100 *per cent*).

Out of the 29 units, 22 units had a shortfall of more than 50 *per cent* of the projected export target (**Annexure 4.4**)

4.10.2 Shortfall in actual investment vis-à-vis projected investment

It was noticed in respect of all selected developers of the operational FTWZs that the total investment fell short of the Projected Investment as under:

Table: 4.3

S. No.	State	Developer Name	Investment (₹ in crore)			Percentage of Shortfall
			Projected	Actual	Shortfall	
1.	Maharashtra	M/s. I Ltd	1,456	126.73	1,329.27	91.30
2.	Uttar Pradesh	M/s. J Ltd	14.45	8.50	5.95	41.18
3.	Tamil Nadu	M/s. K Ltd	1,450	604.85	845.15	58.29
4.	Ahmedabad	M/s. L Ltd	1.20	0.60	0.60	50

Audit scrutiny of applications for setting up of units in FTWZs and their latest Performance Reports revealed that out of the 44 test checked FTWZ units, in 6 cases (**Annexure 4.5**), the amount of actual investment fell short of the projections. The shortfall ranges from ₹ 0.21 crore (17.14 *per cent*) to ₹ 5.41 crore (100 *per cent*).

4.10.3 Generation of employment

The half yearly and quarterly progress report of the FTWZ developers does not capture the actual employment, due to which the DC Offices cannot monitor the actual employment generated against projected employment in the case of developer.

Table: 4.4

S. No.	State	Developer Name	Employment	
			Projected	Actual
1.	Maharashtra	M/s. I Ltd	36,000	Actual Employment figures are not captured in Half Yearly/Quarterly Progress report
2.	Uttar Pradesh	M/s. J Ltd	220	
3.	Tamil Nadu	M/s. K Ltd	50	
4.	Ahmedabad	M/s. L Ltd	3,000	

In case of the selected FTWZ units, Audit examination disclosed that out of 44 FTWZ units, 22 units (**Annexure 4.6**) failed to achieve the targeted employment generation. The shortfall ranges from nine employees (10 per cent) to 120 employees (100 per cent).

4.10.4 Shortfall in Net Foreign Exchange earnings (NFE) vis-à-vis projections

Audit scrutiny of APRs of 44 selected FTWZ units which completed the block period during 2015-16 to 2019-20 revealed that in respect of 24 units (**Annexure 4.7**), actual Net Foreign Exchange (NFE) earned during the Block had fallen short of projections made by the units. The percentage of shortfall in respect of realisation of NFE by the 24 units ranged from ₹ 0.80 crore (0.94 per cent) to ₹ 5.85 crore (232.04 per cent).

DoC stated (March 2022) in reply to para 4.10.1 to 4.10.4 that Rule 19 (6B) of SEZ Rules, 2006 was amended (March 2019) which considered the criteria of export performance and the employment generation in the last block period. In view of the amendments made in the SEZ Act and Rules, at the time of renewal of LoA, due emphasis is accorded to the efforts made and the results achieved or status of the criteria, including export performance and employment generated during the last block. Further, it is also pertinent to note that no penal provision is prescribed in the SEZ law on non-achievement of projected business plans and the said position is aligned with the larger export facilitation mandate of SEZs.

The fact, however, remains that though projections are not binding, they do serve as benchmarks for assessing a unit's performance. No records were available to show that current operations were being pegged with the intended scale of operations and consequently no attempts were on record regarding corrective action initiated to understand the possible reasons for the shortfall so as to realise the full potential of FTWZs. Absence of any monitoring or study in order to redress possible reasons for the shortfall makes the "projected figures" redundant. Hence, audit is of the view that the Department needs to analyse the reasons for such shortfalls as part of monitoring the performance of FTWZ and take possible steps to improve the same.

Internal Control and Monitoring Mechanism

The SEZ Act 2005 and SEZ Rule 2006 provides for monitoring of developers and units under SEZ through the Unit Approval Committee under the chairmanship of Development Commissioner. The performance of the units/Developers is being monitored annually through the APRs in the case of units and HPRs/QPRs in the case of Developers. Based on such review, the DCs may take corrective measures to enable the defaulting units to fulfil their obligations as per the SEZ Act/Rules. For any violation, the DC is empowered to initiate action under the Foreign Trade (Development and Regulation) Act, 1992, which includes issue of SCN, levy of penalty, cancellation of the Letter of Permission (LoP), etc. The applicable Customs duty forgone on such violations is to be recovered by the Department.

Audit verified criteria such as adherence to prescribed procedures for internal/special audit, system of data management, accounting, and internal reporting to assess the effectiveness of internal controls and found the following deficiencies:

4.11 Non-Conduct of audit in FTWZs

Rule 79 prescribes (with effect from August 2016) that all the authorized operations under the SEZ Act 2005 and related transactions in SEZs and units in the SEZ shall be audited by the Customs officers from a panel drawn by the Jurisdictional Development Commissioner in consultation with the Jurisdictional Chief Commissioner of Customs and Central Excise.

No audit had been conducted during 2015-16 to 2019-20 by the offices of DC located at Ahmedabad, Bengaluru, Hyderabad and Mumbai.

DoC stated (March 2022) that audit is being regularly conducted in one unit (M/s.C1 Mumbai). In respect of KASEZ, Ahmedabad, Chief Commissioners Office (CCO) Customs is yet to empanel officers for conducting audit. No audit had been undertaken in CSEZ, Bengaluru and audit got delayed in Hyderabad. In DC SEEPZ, Mumbai a proposal was submitted (Feb 2021) to audit FTWZ units under rule 79 of SEZ Rules, 2006 and audit of M/s.C1 FTWZ is still under way (April 2022) and a letter was issued by the DC office to the Commissioner of Customs (Audit) to expedite the matter.

Failure to conduct internal audit as prescribed in the rules is fraught with the risk of undetected misrepresentation of facts by FTWZ developers/units.

Recommendation 8. Ministry should ensure that periodic audit of the SEZ units by Customs officers in accordance with Rule 79 of the SEZ Rules is conducted in all SEZs.

4.12 Review of Annual Performance Reports (APRs)

Rule 22(3) of SEZ Rule 2006, stipulates that the units shall submit APR in Form I, to the Development Commissioner and the Development Commissioner shall place the same before the Approval Committee for consideration. Rule 54 read with Annexure I states that the annual review of performance of unit and compliance with the conditions of approval shall be done by the UAC on the basis of APRs which needs to be certified by an independent Chartered Accountant and submitted before the end of the second quarter of the following Financial Year.

As per condition 7 of BLUT (Form H) furnished by the unit, in cases where APR is not submitted within 180 days from the close of the Financial Year in the prescribed form or in the case of submission of wrong information, the permission granted for carrying out the authorized operations may be withdrawn and/or permission for further imports and sales in the DTA may be stopped. Monitoring of performance is done by the UAC based on APRs and the units with Negative NFE for 1st and 2nd year are to be kept on a watch list. SCN needs to be issued at the end of 3rd year and penal action is to be initiated at the end of 5th year.

The deficiencies observed in this regard are discussed below:

4.12.1 Failure to file APRs

In DC SEEPZ, Mumbai, it was observed that two units failed to file APRs within the stipulated time as tabulated below:

Table: 4.5

Name of the unit	State	APR not filed for FY	Remarks
M/s. M Ltd	Maharashtra	2018-19	No action was initiated by the Department.
M/s. N Ltd	Maharashtra	2015-16	

DoC stated (March 2022) that DC SEEPZ, Mumbai has issued SCN to the concerned units for their failure to file APRs.

4.12.2 Delay in submission of APRs

Abnormal Delay in filing of APRs was noticed in the case of seven FTWZ units out of 44 test checked units (three units in Andhra Pradesh, three units in Karnataka and one unit in Telangana). The delay in filing APRs ranged from five days to 1,450 days (**Annexure 4.8**).

DC Office, Telangana replied (April 2021) that a SCN was issued and adjudicated imposing penalty of ₹ 25,000 for non-submission of APR, certified by the Chartered Accountant, within the stipulated time. DC Office, Andhra Pradesh replied (Feb 2021) that the observation is noted and would be complied with in future.

DoC stated (March 2022) that SCNs were issued for delay for all the three units and adjudicated with penalty. The reply did not relate to the audit finding in respect of three units in Karnataka

4.12.3 Instance of acceptance of non-certified APRs

In DC SEZ, Karnataka, it was observed that two APRs were submitted without being certified by an Independent Chartered Accountant. DoC stated (March 2022) that the units have now submitted CA Certified APRs for the respective Financial Years.

4.12.4 Submission of revised APRs

In DC SEEPZ, Mumbai one unit submitted APR for FY 2013-14 in June 2014 showing NFE of ₹0.06 crore. Although the APR was filed for FY 2013-14, a SCN was issued calling for APRs from 2012-13 to 2016-17. The unit submitted a revised APR for FY 2013-14 in December 2017 showing a different NFE at ₹ 0.49 crore. Though there is no provision in the extant rule to file revised APR, the same was accepted by the DC office.

DoC stated (March 2022) that appropriate action against the unit for submission of revised APRs is being initiated as per the provisions of the SEZ Act 2005 and SEZ Rules 2006.

Recommendation 9. The Department need to implement 100 per cent digital submission of Annual Performance Reports in the case of units and HPRs/QPRs in respect of developers and not allowing, any manual submission. This will promote transparency and evolve effective monitoring.

4.13 Instances of failure to submit registered lease deed by FTWZ units

Rule 18(2)(ii) provides that a copy of the registered lease deed shall be furnished to the Development Commissioner concerned within six months from the issuance of the Letter of Approval and failure to do so, the Approval Committee may take action to withdraw the Letter of Approval after giving an opportunity of being heard.

It was noticed in DC SEEPZ, Maharashtra out of the 56 LoA issued, only four lease deeds were registered.

DoC in respect of DC SEEPZ stated (March 2022) that letters were issued in 2017 to all the unit holders for execution of registered lease deed and the same was intimated to the developer too. It is understood from the developer that 30 *per cent* of the units have executed the agreement and for the rest, this office is continuously following up with the units and developer.

4.14 Delay in disposal of applications received for setting up of units

Rule 18(1) prescribes that the Unit Approval Committee shall approve or approve with modification or reject a proposal within 15 days of its receipt.

It was observed in DC SEEPZ, Maharashtra that in respect of 52 out of 62 applications received for setting up of units in FTWZs, there were delay ranging from 2 days to 100 days in disposal.

It was observed in DC MEPZ, Tamil Nadu in 13 out of 15 applications received for setting up of units in FTWZ, there were delays ranging from one day to 24 days in disposal. (**Annexure 4.9**).

DoC stated (March 2022) that on receipt of the proposals, deficiencies/discrepancies, if any noticed are conveyed to the applicant. Only on receipt of complete documents and relevant permissions, the subjected proposal is placed before the Approval committee.

The fact remains that delay in disposal was observed in a large percentage of applications received.

4.15 Delay in assessment of Bills of Entry

In DC SEEPZ, Maharashtra, analysis of SEZ Online data revealed 328 BsE filed during the period 2015-16 to 2019-20 were either pending assessment or assessed but not yet out of charge. The delay ranged from 258 days to 1,788 days (**Annexure 4.10**).

DoC stated (March 2022) that since all the BsE are 2-5 years old, the present status of the BsE is being ascertained from the concerned units to minimise the pendency.

4.16 Failure to monitor return of goods removed temporarily out of FTWZ

Rule 51 of SEZ Rules 2006 stipulates that the temporarily removed goods shall be brought back to the SEZ within 120 days from removal or within the

extended time where such extension granted. Failure to bring back the goods makes the units liable for payment of duty on such goods.

An analysis of data available in the SEZ Online system in DC SEEPZ, Maharashtra revealed that during the period 2017-18 to 2019-20, in respect of 11 cases (**Annexure 4.11**), although goods were temporarily removed out of FTWZ for display, repairs and others, these goods have not come back to the FTWZ till date even after a lapse ranging from 266 to 1,329 days from the date of removal. Details of any extension granted, or duty levied were not available online. Department should watch and monitor the return of goods temporarily removed as there is a risk of disposing off the goods in the local market without payment of duty.

DoC stated (March 2022) that since all the TR (Temporary Removal of Goods) are 1-4 years old, the present status of the TR is being ascertained from the concerned units to close the pendency.

4.17 Instances of erroneous transactions made by trading/service units in Indian Rupee (INR)

As per Proviso under Rule 18(5) of SEZ Rules 2006, all transactions by a unit in FTWZ or unit in FTWZ set up in other SEZ shall only be in convertible foreign currency. The MoCI, Government of India (GoI), also clarified in Instruction No.60²⁶, dated 6 July 2010 that FTWZ can hold the goods on behalf of foreign suppliers and buyers and DTA supplier and buyer as well, subject to fulfilment of provisions made in Rule 18(5) of SEZ Rules, 2006.

In case of two units in DC B1 SEZ, Andhra Pradesh and one unit in DC VSEZ, Telangana, it was observed from the Sales and Purchases (available on SEZ Online) done on behalf of their clients during the period 2015-16 to 2019-20 those 1,676 sales transactions were made to DTA, EOU and STPI having money value of ₹416.08 crore, which was in 'INR'. Further, one unit also made DTA procurements in respect of 17 transactions with a value of ₹ 0.18 crore as detailed below:

Table: 4.6

(₹ in crore)

Name of the FTWZ/SEZ	Name of the Unit	No. of Purchase transactions made in 'DTA'	Value	No. of Sales transactions in 'DTA'	Value
B1 SEZ P. Ltd. Andhra Pradesh	F Ltd	-	-	1,666	415.68
	O Ltd	-	-	1	0.01
M/s. A Ltd	E Ltd	17	0.18	9	0.38
Total		17	0.18	1,676	416.08

²⁶Instruction No. 60/F.No. D.12/4/2010-SEZ dated 06.07.2010

The above transactions in 'INR' by Trading/Service FTWZ units were in contravention to Rule 18(5) of the SEZ Rules 2006 which specifically stipulated that all the transactions should be in convertible foreign currency only.

DoC in respect of B1 Ltd. stated (March 2022) that cases where DTA importer import the goods supplied by a foreign supplier and further sells it to another DTA buyer in India, in such a scenario, while the receipt/payment of the consideration between the foreign supplier and DTA importer would be in forex, the receipt/payment of the consideration between the DTA importer and DTA buyer would be in INR only because the transaction is between two DTA entities. It is pertinent to mention that the Service Charges paid to the FTWZ unit by their Clients, irrespective of whether they are foreign Clients or DTA Clients, is in Foreign Exchange only. In respect of M/s. A Ltd., VSEZ has already taken necessary action

The reply of DoC in respect of B1 SEZ P. Ltd. Andhra Pradesh is not acceptable as Rule 18(5) of SEZ Rules, 2006 allows FTWZ units to hold goods on account of their foreign clients and DTA clients subject to the condition that all transactions would only be in convertible foreign currency, as also reiterated in MoCI's instruction (July 2010).

4.18 Incomplete information on SEZ Online

Rule 47 of the SEZ Rules, 2006 lays down the conditions subject to which goods may be removed from a SEZ/FTWZ to the DTA. Rule 47(1) provides that a unit may sell goods and services including rejects or wastes or scraps or remnants or broken diamonds or by-products arising during the manufacturing process or in connection therewith, in the DTA on payment of Customs duties under Section 30.

In DC SEEPZ, Maharashtra, analysis of reports generated on SEZ Online in respect of two units²⁷ revealed that during the period 2017-18 to 2019-20, the units had made several clearances to 'DTA' without payment of duty. The report generated indicated duty as payable; however, no duty was paid, whereas the column on exemptions claimed was also blank. Reasons for non-payment of duty were not available on-line.

DoC stated (March 2022) that letters have been issued to the units (June 2021) followed by reminders during February/March 2022. It was also stated that certain BsE has been mistakenly 'Assessed with Duty foregone' instead

²⁷M/s. P Ltd and M/s. M Ltd.

of 'Assessed with Duty Paid' in the SEZ Online system, but the duty has been paid before providing Out of Charge in the system, as evidenced by the Duty challan endorsed at the time of clearance. A few BsE were randomly verified and it was found that exemption notification had been mentioned in the randomly selected BsE. As the BsE are more than 3 years old and it is a work in progress to track each case.

4.19 Conclusion

FTWZs are a special category of SEZ introduced as Foreign Trade Policy (FTP) 2004-2009. Even after 14 years, only seven FTWZs have been notified as of March 2020. Out of the seven notified FTWZs only four are in operation. It was noticed that the SEZ Act 2005 and SEZ Rules 2006 contain no separate guidelines/policies or any specific rules in respect of FTWZ. Further, the Department has not conducted any evaluation/review of the scheme, to determine why enough private players are not showing interest in the scheme, and accordingly appropriate policy changes, if required, to attract developers for setting up more FTWZs.

Government issued instructions in July 2010 allowing FTWZ units to hold goods on behalf of Domestic Tariff Area (DTA) suppliers and buyers. However, no amendment was made in the SEZ Rules, 2006 which still stipulate that an FTWZ unit can hold goods only on account of a foreign supplier.

Audit noticed instances of short levy of duty on domestic clearance due to adoption of incorrect tariff value; incorrect calculation of NFE due to non-consideration of other outflow (like royalty payment, business support fee, technical service fee and foreign travelling expenses); instances of irregular sanction of duty drawback where payments were not made from the Foreign Currency Account of the FTWZ unit.

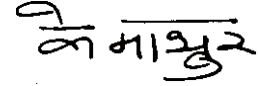
Comparison of projected targets of exports/investments/employment/NFE against the actual achievements showed shortfall in performance of developers and units. The Department needs to analyse the reasons for such shortfalls as part of monitoring the performance of FTWZs and take possible steps to improve the same.

Rule 79 of SEZ Rules 2006 prescribes audit by the Customs Officers of all authorized operations and related transactions in SEZs and units in SEZs. No such audit was conducted by DC Offices located at Ahmedabad, Bengaluru, Hyderabad and Mumbai.

Review of APRs revealed instances of failure to file APRs, delay in submission of APRs, acceptance of non-certified APRs and submission of revised APRs indicating different NFE, though there is no provision in the extant rule for filing revised APR.

New Delhi

Dated: 8 August 2022



(Kartikaye Mathur)

Principal Director (Customs)

Countersigned



New Delhi

Dated: 8 August 2022

(Girish Chandra Murmu)

Comptroller and Auditor General of India

ANNEXURES

Annexure 1.1								
Chief Commissionerate wise warehousing transaction								
(Reference: Para No. 1.3.1 of the report) (₹ in crore)								
Sr. No.	Name of Chief Commissionerate	Year	Number of Into Bond BEs	Into Bond Assessable Value	Into Bond Duty Assessed	Number of Ex-Bond BEs	Ex-Bond Assessable Value	Ex-Bond Duty Assessed
1	Chief Commissioner of Customs, Delhi	2015-16	30528	9714.47	1888.17	69068	3270.37	849.99
		2016-17	27843	7585.58	1813.03	61578	3268.02	965.33
		2017-18	14733	4934.37	1905.26	59626	3578.09	1061.43
		2018-19	12446	5767.74	2651.80	70589	4169.97	1427.62
		2019-20	10204	5334.73	2610.89	82140	3890.25	1461.10
2	Chief Commissioner of Central Tax, Bhopal	2015-16	35	29.98	6.45	9	12.86	1.28
		2016-17	53	55.18	12.62	15	30.42	5.75
		2017-18	32	64.35	13.15	22	36.08	6.79
		2018-19	30	55.35	11.52	14	26.47	5.14
		2019-20	18	14.85	3.28	11	18.35	3.38
3	Chief Commissioner of Customs, Mumbai Zone-I	2015-16	2779	40893.68	2328.16	12077	40061.63	1516.88
		2016-17	2661	46280.88	2346.68	10645	44825.86	1518.84
		2017-18	2672	50346.26	2624.59	9106	50473.77	1833.92
		2018-19	2577	72561.75	2949.29	9593	71750.27	2335.28
		2019-20	2326	60305.82	2245.85	8353	59182.63	1716.78
4	Chief Commissioner of Customs (Preventive), Patna	2015-16	91	32.18	2.33	200	4.52	0.80
		2016-17	129	38.20	2.62	221	5.05	0.78
		2017-18	78	23.83	5.09	342	14.52	2.19
		2018-19	81	21.59	6.13	429	20.09	5.04
		2019-20	91	17.99	7.07	533	17.41	6.13
5	Chief Commissioner of GST & Customs, Hyderabad	2015-16	11967	3971.61	179.71	2755	725.52	93.66
		2016-17	8177	1931.32	176.55	8184	475.50	56.45
		2017-18	1863	560.77	189.46	14724	435.63	78.83
		2018-19	1574	474.76	192.30	7879	408.31	83.49
		2019-20	1480	441.05	222.79	4052	328.53	64.14
6	Chief Commissioner of Customs & Central Taxes, Meerut	2015-16	2315	1636.40	283.93	2401	1249.41	127.33
		2016-17	3152	1965.07	360.80	2814	1532.34	176.61
		2017-18	2158	1885.09	403.35	3174	1365.50	280.63
		2018-19	2001	1963.43	560.99	3262	2235.55	565.21

Sr. No.	Name of Chief Commissionerate	Year	Number of Into Bond BEs	Into Bond Assessable Value	Into Bond Duty Assessed	Number of Ex-Bond BEs	Ex-Bond Assessable Value	Ex-Bond Duty Assessed
		2019-20	1637	1410.45	410.06	2899	1336.04	333.07
7	Chief Commissioner of Customs, Mumbai Zone-II	2015-16	38432	24503.76	5400.14	55078	14168.64	3163.81
		2016-17	30389	20142.06	5849.38	75379	14628.65	3616.85
		2017-18	27680	21408.83	7266.04	90225	18171.12	4802.27
		2018-19	27581	26476.74	10491.95	86645	23254.08	6003.11
		2019-20	25565	24944.96	9987.30	84098	22286.75	5121.75
		2015-16	32084	42069.22	4373.73	43289	32834.07	2887.66
8	Pr. Commissioner of Customs, Chennai	2016-17	24842	42170.38	4835.04	47908	37665.93	3382.21
		2017-18	21957	45813.59	6390.98	48766	44337.67	4036.04
		2018-19	24170	59420.16	9526.45	54484	57538.09	5235.13
		2019-20	22689	51359.73	7949.68	51812	49719.28	4316.25
		2015-16	10931	25233.88	6207.86	46280	20442.62	3080.25
9	Chief Commissioner of Customs, Ahmedabad	2016-17	10902	27504.67	7260.42	51171	22794.43	2984.99
		2017-18	11066	65063.12	13615.10	44310	61840.19	6266.23
		2018-19	12221	51546.51	20019.17	44894	48540.76	9593.90
		2019-20	13629	50499.97	19599.78	47371	48091.39	8150.12
		2015-16	27312	13339.59	905.76	3976	1886.04	304.56
10	Chief Commissioner of Customs, Mumbai Zone-III	2016-17	14151	8915.68	934.71	3346	2351.35	406.64
		2017-18	8522	8976.24	1348.54	4679	5463.25	997.76
		2018-19	11791	8808.68	1459.67	6741	2950.41	595.90
		2019-20	13858	9792.29	1684.64	7911	3079.08	620.16
		2015-16	4238	3027.43	600.04	2220	1208.92	236.54
11	Chief Commissioner of CGST & Customs, Thiruvananthapuram	2016-17	2897	2294.11	519.40	2399	1627.95	224.72
		2017-18	1621	1703.76	498.45	1887	1489.99	259.02
		2018-19	1551	1955.63	578.07	2247	1791.97	328.16
		2019-20	2213	1670.45	523.14	2298	1467.89	265.60
		2015-16	3105	6787.48	932.86	2657	1576.75	325.72
12	Chief Commissioner of Customs, Kolkata	2016-17	3263	4817.79	1624.26	2581	3181.13	307.42
		2017-18	1683	3083.53	1040.17	2394	3145.62	501.66
		2018-19	1166	4980.80	1880.01	2499	4635.64	688.49

Sr. No.	Name of Chief Commissionerate	Year	Number of Into Bond BEs	Into Bond Assessable Value	Into Bond Duty Assessed	Number of Ex-Bond BEs	Ex-Bond Assessable Value	Ex-Bond Duty Assessed
		2019-20	1402	7837.85	3248.47	2899	7465.78	931.13
13	Chief Commissioner of Customs, Bengaluru	2015-16	93071	46610.43	1439.63	19432	33620.91	677.26
		2016-17	46152	37666.80	1355.89	112072	31378.81	847.76
		2017-18	14931	37032.79	1688.02	108268	37751.63	1019.09
		2018-19	12440	51706.04	2420.89	64243	50097.95	1225.50
		2019-20	11289	38408.17	2263.29	61914	38755.33	1030.25
14	Chief Commissioner of CGST, Vishakhapatnam	2015-16	4479	32542.52	2722.04	4839	27912.91	944.27
		2016-17	3443	36450.47	3375.58	7517	33937.45	1428.37
		2017-18	3598	39491.16	4941.58	8736	37172.94	1786.45
		2018-19	3322	49445.11	6571.68	9888	48575.91	2295.12
		2019-20	3423	41342.25	6184.69	8741	37677.95	1426.57
15	Chief Commissioner of Customs, Bhubaneswar	2015-16	125	42409.33	91.51	130	41797.77	97.32
		2016-17	154	58311.07	125.78	154	57431.82	125.07
		2017-18	149	68596.91	135.04	145	67529.85	133.63
		2018-19	1	63.14	6.47	8	2855.43	5.31
		2019-20	15	179.50	35.97	14	113.14	20.61
16	Chief Commissioner of GST & Customs, Guwahati	2015-16	0			0		
		2016-17	0			0		
		2017-18	0			0		
		2018-19	0			0		
		2019-20	0			0		
17	Chief Commissioner of Customs (Preventive), Tiruchirappalli.	2015-16	2313	14385.44	2883.77	3847	13235.91	1336.43
		2016-17	2131	14640.33	2973.60	4023	13829.19	1281.46
		2017-18	3005	17811.39	2755.38	4107	12347.38	1196.39
		2018-19	2662	5651.07	1984.48	4480	5164.27	789.56
		2019-20	2318	3850.80	1668.65	4369	3844.08	671.69
18	Chief Commissioner of CGST, Pune	2015-16	1437	1071.70	166.24	3385	588.01	103.01
		2016-17	1236	856.28	164.63	3713	670.61	101.79
		2017-18	894	1265.34	256.58	2475	1170.95	181.42
		2018-19	714	815.21	263.66	2001	901.13	146.36
		2019-20	602	431.84	122.42	1708	464.79	97.01
19		2015-16	248	96.00	17.61	223	41.19	10.22
		2016-17	329	228.98	30.34	321	140.99	19.29

Sr. No.	Name of Chief Commissionerate	Year	Number of Into Bond BEs	Into Bond Assessable Value	Into Bond Duty Assessed	Number of Ex-Bond BEs	Ex-Bond Assessable Value	Ex-Bond Duty Assessed
	Chief Commissioner of Customs (Preventive), Delhi	2017-18	204	94.45	21.64	244	59.01	12.63
		2018-19	169	133.76	46.31	267	110.54	34.40
		2019-20	205	150.12	69.81	558	160.16	63.56
20	Chief Commissioner of Customs, Nagpur	2015-16	1430	1645.70	319.34	3839	1380.39	226.85
		2016-17	1318	1195.97	254.69	3208	966.58	168.62
		2017-18	786	576.37	152.88	1784	546.27	120.99
		2018-19	374	415.70	111.97	729	371.96	74.47
		2019-20	241	143.29	41.50	573	200.17	42.83

Annexure 3.1				
Assessment of extent of digitisation of records of individual warehouses				
(Reference: Para No. 3.2.1 of the report)				
Sl. No.	Customs Commissionerate	Number of warehouses	Type of warehouse	Irregularity
1	Ahmedabad	7	Private & Special	Non-maintenance of records in digital form and non obtaining of digital signature.
2	Jodhpur	2	Private & Special	Non-maintenance of records in digital form.
3	NCH Mangaluru	4	Public & Private	Returns were filed manually.
4	ACC, Bengaluru	20	Special	Returns were filed manually.
5	Ludhiana	12	Public, Private & Special	Non-maintenance of records in digital form.
6	Chennai III	17	Public, Private & Special	Non-maintenance of records in digital form, absence of audit trail and non obtaining of digital signature
7	Chennai VII	5	Special	Non-maintenance of records in digital form, absence of audit trail and non obtaining of digital signature
8	Cochin	1		Returns were filed manually.
9	ACC Export, NCH, Delhi	13	Special & Public	Non-maintenance of records in digital form and thus absence of audit trail.
10	ICD Patparganj & other ICDs , Delhi	4	Private	Non-maintenance of records in digital form and thus absence of audit trail.
11	Airport & General, New Delhi	15	Special	Improper maintenance of stock records in Form A. Digital signature was not obtained
12	Hyderabad	1	Special	Non-maintenance of records in digital form.
13	Vijayawada (Preventive)	2	Special	Non-maintenance of records in digital form.
14	Lucknow	3	Public & Special	Non-maintenance of records in digital form and non obtaining of digital signature.
15	NCH, Zone I, Mumbai	2	Public & Special	Improper maintenance of stock records in Form A
16	JNCH, Zone II, Mumbai	6	Public	Improper maintenance of stock records in Form A
17	ACC, Zone III, Mumbai	7	Special	Non-maintenance of records in Form A & Form B and manual filing of returns.
	Total	121		

Annexure 3.2			
Monitoring of submission of monthly returns			
(Reference: Para No. 3.2.4 of the report)			
Sl. No.	Customs Commissionerate	Number of warehouse	Irregularity
1	Ahmedabad	2	Non submission of monthly returns in Form A & Form B.
2	Jodhpur	4	Non submission of monthly returns in Form A & Form B.
3	ACC, Bengaluru	2	Non submission of monthly returns in Form A & Form B regularly.
4	BCC, Bangalore	7	Non submission of monthly returns in Form A & Form B regularly.
5	Chennai III	18	Non submission of monthly returns in Form A & Form B regularly.
6	Hyderabad	8	Non submission of monthly returns in Form A & Form B regularly.
7	Visakhapatnam	4	Non submission of monthly returns in Form A & Form B regularly.
8	Vijayawada (Preventive)	2	Non submission of monthly returns in Form A & Form B regularly.
9	Bhubaneswar	2	Non submission of monthly returns in Form A & Form B regularly.
10	Kolkata (Port)	6	Monthly return for September 2019 was submitted with a delay of 5 days.
11	Lucknow	3	Non submission of monthly returns in Form A & Form B.
12	Ludhiana	1	Delay in filing of monthly returns in 9 instances, ranging from 1 to 40 days.
	Total	59	

Annexure 3.3			
Absence of standard operating procedure for antecedent verification			
(Reference: Para No. 3.3.1 of the report)			
Sl. No.	Customs Commissionerate	Name of Warehouse	Irregularities
1	BCC, Bengaluru	3	Antecedent verification was not done after issue of licence/No action was initiated against the licensee on the basis of adverse antecedent report of DRI.
2	NCH, Bengaluru	1	Antecedent verification was not done after issue of licence.
3	Ludhiana	7	Clearances were not received from the investigating agencies nor department pursued the matter.
4	ACC Export, NCH, Delhi	32	Delay in antecedent verification/Antecedent verification was not done after issue of licence.
5	Airport & General, New Delhi	4	Delay in antecedent verification/Antecedent verification was not done after issue of licence.
6	ICD Patparganj & other ICDs , Delhi	3	Antecedent verification was not done after issue of licence.
7	Hyderabad	2	Clearances were not received from the investigating agencies nor department pursued the matter.
8	Vijayawada (Preventive)	3	Antecedent verification was not done after issue of licence.
9	Kolkata (Port)	3	Antecedent verification was not done after issue of licence/No action was initiated against the licensee on the basis of adverse antecedent report of DRI.
	Total	58	

Annexure 3.4				
Non Capturing of details in the application for license				
(Reference: Para No. 3.3.2 of the report)				
Sl. No.	Customs Commissionerate	Number of Warehouse	Type of Warehouse	Irregularity
1	NCH, Bengaluru	1	Private	The lease agreement of the warehouse had expired since December 2018. Thus, goods were stored in a place where the licensee had no legal right/ ownership on the land.
2	ACC Export, NCH, Delhi	13	Public, Private & Special	Part IV of the license application was not captured/ incomplete/ License was granted without verification of validity of property holding rights in Part II of the application form.
3	Airport & General, New Delhi	14	Special	Part IV of the license application was not captured/ incomplete.
4	ICD Patparganj & other ICDs , Delhi	2	Private & Public	Part IV of the license application was not captured/ incomplete.
5	Port, Kolkata	6	Public, Private & Special	Part IV of the license application was not captured/ incomplete.
	Total	36		

Annexure 3.5			
Delay in issue of Warehousing license			
(Reference: Para No. 3.3.4 of the report)			
Sl No.	Customs Commissionerate	Number of Warehouses	Delay in days
1	Ahmedabad	7	8 to 260
2	Jodhpur	2	35 to 80
3	NCH, Mangaluru	1	219
4	BCC, Bengaluru	8	12 to 117
5	Ludhiana	3	7 to 76
6	Chennai III	1	424
7	ACC Export, NCH, Delhi	6	13 to 75
8	Airport & General, New Delhi	1	50
9	ICD Patparganj & other ICDs , Delhi	1	97
10	Vijayawada (Preventive)	5	15 to 87
11	Bhubaneshwar	1	149
12	Kolkata (Port)	5	30 to 440
	Total	41	

Annexure 3.6				
Excess holding of goods in warehouses				
(Reference: Para No. 3.4.2 of the report)				
Sr. No.	Customs Commissionerate	Name of Warehouse	Month	Excess in duty limit (₹ in crore)
1	Ahmedabad	A1	Jul 2016 & Jan 2019	1.29 to 2.19
2	Hyderabad	A2	Jan 2018 to June 2018	0.61 to 5.14
3	Kolkata (Port)	A3	Feb 2020	0.04
4	JNCH, Zone II, Mumbai	A4	July-Aug 2015 & Jan 2016	NA
5	JNCH, Zone II, Mumbai	A5	Jul 2018 to Mar 2020	20.61 to 44.07
6	NCH, Zone I, Mumbai	A6	Sept 2016 to Mar 2020	0.42 to 68.89
7	NCH, Zone I, Mumbai	A7	May & June 2019	0.07
8	ACC Export, NCH, Delhi	A8	Nov 2016 to Jan 2019	0.02 to 11.54

Annexure 3.7				
Non-payment/excess payment of MOT charges				
(Reference: Para No. 3.4.3 of the report)				
Sl No.	Customs Commissionerate	Name of the warehouse	Irregularity	Tax Effect (in ₹)
1	Ahmedabad	B1	MOT charges not paid by the warehouse.	Not ascertainable
2	Jaipur	B2	Audit noticed that records/registers/ files related to MOT charges was not maintained by department.	Not ascertainable
3	Jaipur	B3	Audit noticed that records/registers/ files related to MOT charges was not maintained by department.	Not ascertainable
4	Chennai VII	B4	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	5,958
5	Chennai VII	B5	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	19,578
6	Chennai VII	B6	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	19,656
7	Chennai VII	B7	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	22,596
8	Chennai VII	B8	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	6,615
9	Chennai VII	B9	Short payment of MOT charges in November 2016. Moreover, MOT was paid at the same rate for all the years from 2016 to 2020.	22,596
10	Bhubaneswar	B10	No demand was raised by the department for Cost recovery charge/ MOT charges from August 2017 onwards.	Not ascertainable
11	ACC, Zone III, Mumbai	B11	Excess collection of MOT charges from April 2015 to November 2019.	3,61,880
12	ACC, Zone III, Mumbai	B12	Less collection of MOT charges from April 2015 to December 2019.	25,380
13	ACC, Zone III, Mumbai	B13	Excess collection of MoT charges from May 2018 to March 2020.	16,200

SI No.	Customs Commissionerate	Name of the warehouse	Irregularity	Tax Effect (in ₹)
14	ACC, Zone III, Mumbai	B14	Excess collection of MoT charges.	30,240

Annexure 3.8			
Insufficient/deficient Solvency Certificate			
(Reference: Para No. 3.5.1 of the report)			
Sr. No.	Customs Commissionerate	Name of the Warehouse	Irregularity
1	Ahmedabad	C1	Licensee submitted Solvency Certificate issued by a Chartered Accounting Firm and not from a scheduled bank.
2	ACC Export, NCH, Delhi	C2	The genuineness of the Solvency Certificate was not verified at the time of issue of license in 2018 and later on in 2020 it was found to be forged/fabricated.
3	ACC Export, NCH, Delhi	C3	The verification of Solvency Certificate was done after more than two years and the bank intimated that they could not verify the genuineness of such old solvency certificate.
4	ACC Export, NCH, Delhi	C4	The verification of Solvency Certificate was done after more than three years and the bank intimated that they could not confirm the genuineness the Solvency Certificate.
5	Hyderabad	C5	Solvency Certificate of ₹10 lakh was furnished instead of ₹12 crore
6	Bhubaneswar	C6	Solvency Certificate of ₹2.00 crore from a scheduled bank was not submitted.
7	ACC, Zone III, Mumbai	C7	Solvency Certificate of ₹25 crore and Customs duty insurance of ₹70 crore were furnished by the licensee, however, in certain months duty of bonded goods exceeded the limit of Solvency Certificate. (Oct and Nov, 2017, Feb 2019 and March 2020).

Annexure 3.9				
Annual renewal of Solvency Certificate				
(Reference: Para No. 3.5.2 of the report)				
Sl No.	Customs Commissionerate	Name of the Licensee	Date of the license	Whether renewed annually
1	Ahmedabad	D1	05.12.2019	No
2	Ahmedabad	D2	10.06.2016	No
3	Ahmedabad	D3	01.07.2016	No
4	Ahmedabad	D4	22.01.2019	No
5	Ahmedabad	D5	07.12.2018	No
6	Jaipur	D6	03.09.2017	No
7	ACC Export, NCH, Delhi	D7	23.02.2017	No
8	ACC Export, NCH, Delhi	D8	17.08.2016	No
9	ACC Export, NCH, Delhi	D9	29.05.2018	No
10	ACC Export, NCH, Delhi	D10	06.06.2017	No
11	ACC Export, NCH, Delhi	D11	17.09.2019	No
12	ACC Export, NCH, Delhi	D12	13.12.2018	No
13	ACC Export, NCH, Delhi	D13	14.03.2019	No
14	ACC Export, NCH, Delhi	D14	10.10.2016	No
15	ACC Export, NCH, Delhi	D15	14.06.2019	No
16	ACC Export, NCH, Delhi	D16	2017	No
17	ACC Export, NCH, Delhi	D17	27.01.2016	No
18	ACC Export, NCH, Delhi	D18	02.07.2018	No
19	ACC Export, NCH, Delhi	D19	29.12.2016	No
20	ACC Export, NCH, Delhi	D20	23.05.2018	No
21	ACC Export, NCH, Delhi	D21	10.07.2017	No
22	ACC Export, NCH, Delhi	D22	01.10.2016	No
23	ACC Export, NCH, Delhi	D23	07.05.2018	No
24	ACC Export, NCH, Delhi	D24	17.10.2016	No
25	ACC Export, NCH, Delhi	D25	21.11.2016	No
26	ACC Export, NCH, Delhi	D26	16.04.2018	No
27	ACC Export, NCH, Delhi	D27	23.02.2017	No
28	ACC Export, NCH, Delhi	D28	30.08.2016	No
29	ACC Export, NCH, Delhi	D29	03.10.2016	No
30	ACC Export, NCH, Delhi	D30	24.08.2016	No
31	ACC Export, NCH, Delhi	D31	01.03.2018	No
32	ACC Export, NCH, Delhi	D32	08.08.2016	No
33	ACC Export, NCH, Delhi	D33	03.07.2017	No
34	ACC Export, NCH, Delhi	D34	29.09.2016	No
35	ACC Export, NCH, Delhi	D35	05.10.2016	No
36	ACC Export, NCH, Delhi	D36	15.02.2017	No
37	ACC Export, NCH, Delhi	D37	05.08.2016	No
38	ACC Export, NCH, Delhi	D38	28.09.2016	No
39	ACC Export, NCH, Delhi	D39	01.03.2018	No
40	ACC Export, NCH, Delhi	D40	08.11.2016	No

SI No.	Customs Commissionerate	Name of the Licensee	Date of the license	Whether renewed annually
41	ACC Export, NCH, Delhi	D41	27.11.2018	No
42	ACC Export, NCH, Delhi	D42	11.09.2015	No
43	ACC Export, NCH, Delhi	D43	23.08.2016	No
44	Airport & General, New Delhi	D44	05.07.2016	No
45	ICD Patparganj & other ICDs , Delhi	D45	22.11.2016	No
46	Hyderabad	D46	17.10.2017	No (Oct 2019 to March 2020)
47	Vijayawada (Preventive)	D47		No (Nov 2018 to Oct 2019)
48	Vijayawada (Preventive)	D48		No (July 2017 to March 2020)
49	Kolkata (Port)	D49	18.08.2016	No (Jan 2018 to Dec 2018)
50	Kolkata (Port)	D50	11.02.2016	No (Jan 2020 to Dec 2020)
51	Kolkata (Port)	D51	20.06.2016	No (Oct 2016 to Jan 2018)
52	Kolkata (Port)	D52	20.06.2016	No (May 2017 to March2019)

Annexure 3.10			
Risk insurance policy			
(Reference: Para No. 3.5.3 of the report)			
S.No	Customs Commissionerate	Name of the warehouse	Irregularity
1	ACC Export, NCH, Delhi	E1	Non renewal of Risk Insurance Policy
2	Airport & General, New Delhi	E2	Non renewal of Risk Insurance Policy
3	ACC Export, NCH, Delhi	E3	Risk Insurance policy amount was less than the amount of duty involved on the goods.
4	ACC Export, NCH, Delhi	E4	Risk Insurance policy amount was less than the amount of duty involved on the goods.
5	ACC Export, NCH, Delhi	E5	Non renewal of Risk Insurance Policy & Risk Insurance policy amount was less than the amount of duty involved on the goods.
6	ACC Export, NCH, Delhi	E6	Non renewal of Risk Insurance Policy & Risk Insurance policy amount was less than the amount of duty involved on the goods.
7	ACC Export, NCH, Delhi	E7	Non renewal of Risk Insurance Policy
8	ACC Export, NCH, Delhi	E8	Non renewal of Risk Insurance Policy
9	ACC Export, NCH, Delhi	E9	Non renewal of Risk Insurance Policy
10	ACC Export, NCH, Delhi	E10	Non renewal of Risk Insurance Policy
11	ACC Export, NCH, Delhi	E11	Non renewal of Risk Insurance Policy
12	Airport & General, New Delhi	E12	Non renewal of Risk Insurance Policy
13	Airport & General, New Delhi	E13	Non renewal of Risk Insurance Policy
14	ACC Export, NCH, Delhi	E14	Inadequate coverage in Risk Insurance Policy
15	ACC Export, NCH, Delhi	E15	Inadequate coverage in Risk Insurance Policy
16	ACC Export, NCH, Delhi	E16	Inadequate coverage in Risk Insurance Policy
17	ACC Export, NCH, Delhi	E17	Inadequate coverage in Risk Insurance Policy
18	ACC Export, NCH, Delhi	E18	Inadequate coverage in Risk Insurance Policy
19	ACC Export, NCH, Delhi	E19	Inadequate coverage in Risk Insurance Policy
20	Airport & General, New Delhi	E20	Inadequate coverage in Risk Insurance Policy
21	Airport & General, New Delhi	E21	Inadequate coverage in Risk Insurance Policy
22	Airport & General, New Delhi	E22	Inadequate coverage in Risk Insurance Policy

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
23	Airport & General, New Delhi	E23	Inadequate coverage in Risk Insurance Policy
24	ACC Export, NCH, Delhi	E24	No insurance for the period 29.08.2017 to 30.12.2017 and after 29.12.2018.
25	ACC Export, NCH, Delhi	E25	No insurance for the period 04.09.2017 to 08.05.2018.
26	ACC Export, NCH, Delhi	E26	No insurance for the period 20.07.2017 to 23.07.2017 & 23.07.2019 to 01.08.2019
27	ACC Export, NCH, Delhi	E27	No insurance for the period 15.08.2019 to 23.08.2019 (7 days).
28	ICD Patparganj& other ICDs , Delhi	E28	No insurance for the period 30.08.2017 to 26.04.2018.
29	ACC Export, NCH, Delhi	E29	Licence was granted to licensee but insurance policy for two years 2016-17 to 2017-18 was not in the name of the licensee
30	ACC Export, NCH, Delhi	E30	Insurance policy for 2016-17 covered building 1 and 3 but subsequent policies did not cover building no.1 which was also used for warehousing goods.
31	Ahmedabad	E31	Non renewal of Risk Insurance Policy
32	Ahmedabad	E32	Non renewal of Risk Insurance Policy
33	Ahmedabad	E33	Non renewal of Risk Insurance Policy
34	Ahmedabad	E34	Non renewal of Risk Insurance Policy
35	Ahmedabad	E35	Insufficient insurance cover after 14 June 2018.
36	Jaipur	E36	Non renewal of Risk Insurance Policy for the period 29-07-2017 to 31-03-2020.
37	Jaipur	E37	Insufficient insurance cover for the period 15.07.2016 to 14.07.2017 and non renewal of policy for the period 15-07-2017 to 03-09-2017.
38	Kolkata (Port)	E38	Non submission of Risk Insurance Policy for enhanced duty amount.
39	Kolkata (Port)	E39	License granted on the basis of Special Contingency Policy.
40	Kolkata (Port)	E40	The Insurance Policies accepted for granting Special Bonded Warehouse Licence in the present case thus failed to maintain the very essence of the All Risk Insurance Policy.
41	Kolkata (Port)	E41	The Insurance Policies accepted for granting Special Bonded Warehouse Licence in the present case thus failed to maintain the very essence of the All Risk Insurance Policy.

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
42	NCH, Zone I, Mumbai	E42	Customs Duty Package Policy for the period 09.08.2016 to 08.08.2021 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
43	NCH, Zone I, Mumbai	E43	Customs Duty Package Policy for the period 10.08.2016 to 12.08.2021 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
44	JNCH, Zone II, Mumbai	E44	Customs Duty Package Policy for the period 16.08.2019 to 15.08.2020 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
45	JNCH, Zone II, Mumbai	E45	Customs Duty Package Policy for the period 12.08.2016 to 11.08.2017 and 09.10.2020 to 08.10.2021 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
46	JNCH, Zone II, Mumbai	E46	No insurance coverage for the period 17.11.2018 to 22.11.2018 and 22.11.2019 to 10.01.2020.
47	JNCH, Zone II, Mumbai	E47	Instead of ₹100 crore insurance coverage for the period 04.11.2017 to 03.11.2018 and 04.11.2018 to 03.11.2019 was ₹80 crore and ₹50 crore respectively. Further, in case of loss due to theft, skillful pilferage and commercial crime it covered only 25 <i>per cent</i> of sum insured of ₹50 crore
48	ACC, Zone III, Mumbai	E48	Customs Duty Package Policy for the period Sept 17 to Sept 19 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to burglary, skillful theft, skillful pilferage, leakage and contamination, acts of Commercial crime.
49	ACC, Zone III, Mumbai	E49	Customs Duty Package Policy for the period Aug 19 to Aug 20 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to burglary, skillful theft, skillful pilferage, leakage and contamination, acts of Commercial crime.

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
50	ACC, Zone III, Mumbai	E50	Commercial crime liability policy for ₹16.80 lakh for the period FY June 19 to May 20, and June 20 to May 21 excluded computer fraud/crime, counterfeiting or forgery, terrorism. Burglary (House breaking) Insurance for ₹16.80 lakh for the periods, June 2016 to May 20. But Unexplained losses and losses discovered at the time inventory excluded. Any direct/indirect loss due to infectious/contagious disease-Covid-19.
51	ACC, Zone III, Mumbai	E51	Customs Duty Package Policy for the period Aug 16 to Aug 17 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
52	ACC, Zone III, Mumbai	E52	Customs Duty Package Policy for the period Aug 17 to Aug 18 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
53	ACC, Zone III, Mumbai	E53	Customs Duty Package Policy for the period Aug 17 to Aug 18 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
54	ACC, Zone III, Mumbai	E54	Customs Duty Package Policy for the period Aug 17 to Aug 18 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
55	ACC, Zone III, Mumbai	E55	Customs Duty Package Policy for the period Aug 16 to July 17 covered only 25 <i>per cent</i> of sum insured in case of loss occurred due to theft, skillful pilferage and commercial crime.
56	ACC, Zone III, Mumbai	E56	Duty of goods stored for March 2018, March 2019 June 2019 and March 2020 exceeded the insurance coverage of ₹30 crore.
57	ACC, Zone III, Mumbai	E57	There were 18 incidents where duty of goods stored exceeded the insurance coverage.
58	ACC, Zone III, Mumbai	E58	There were 6 incidents where duty of goods stored exceeded the insurance coverage.

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
59	ACC, Zone III, Mumbai	E59	There were 8 incidents where duty and value of goods stored exceeded the insurance and general bond coverage.
60	ACC, Zone III, Mumbai	E60	The general bond taken for ₹80 lakh fell short to cover goods stored in Jan 2019 by ₹7,949/- .
61	ACC, Zone III, Mumbai	E61	1.The bond executed u/s 59(2) of the Customs Act towards duty free removal of soiled linen, cutlery, crockery and commissary items from the Aircraft and re-shipping to the same aircraft or to any other aircraft. This bond was valid only for the period 14.8.2016 to 13.8.2017. This was not renewed or fresh bond executed, though activity being continued thereafter. 2. The bond executed u/s 59(2) of the Customs Act towards loading and offload the bonded material in suitable trolleys, which would be double locked and moved under Customs supervision from bonded area to the aircraft and back. The bond was valid for the period 13.8.2016 to 17.8.2017. The bond was not renewed or fresh bond executed, though such activity continued thereafter.
62	Chennai III	E62	No detail
63	Chennai III	E63	No policy for 2015-16,2018-19 & 2019-2020
64	Chennai III	E64	No detail
65	Chennai III	E65	No detail
66	Chennai III	E66	No policy for 2017-18 & 2019-2020
67	Chennai III	E67	No detail
68	Chennai III	E68	No detail
69	Chennai III	E69	No detail
70	Chennai III	E70	No policy for 2015-16, 2016-17 and 2018-19.
71	Chennai III	E71	No policy for 2015-16 & 2016-17.
72	Chennai III	E72	No policy for 2015-16 & 2016-17
73	Chennai III	E73	No policy for 2017-18, 2018-19 2019-2020
74	Chennai III	E74	No policy for 2019-2020
75	Chennai III	E75	No policy for 2019-2020
76	Chennai III	E76	No policy for 2017-18, 2018-19 and 2019-20
77	Cochin	E77	No valid license for warehouse for the period 1.11.2017 to 31.10.2019 was available in the file.

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
78	Cochin	E78	Copy of the insurance policy for the period 01.04.2017 to 31.05.2019 was not available in the file.
79	BCC, Bengaluru	E79	Variation in value in policy and value of duty of goods stored & Insurance not renewed from 25.01.2020 to till date
80	BCC, Bengaluru	E80	Variation in value in policy and value of duty of goods stored. Insurance not renewed from 2018-19 to till date
81	BCC, Bengaluru	E81	Variation in value in policy and value of duty of goods stored
82	BCC, Bengaluru	E82	Insurance not furnished for 2018-19
83	BCC, Bengaluru	E83	Insurance not furnished for 2017-18
84	BCC, Bengaluru	E84	Insurance not furnished for 2016-17
85	BCC, Bengaluru	E85	Insurance not furnished for 2016-17 and 2017-18
86	BCC, Bengaluru	E86	Insurance not furnished for 2017-18 to till date
87	BCC, Bengaluru	E87	Insurance not furnished for 2017-18
88	BCC, Bengaluru	E88	Insurance not furnished from 2017-18 to till date
89	BCC, Bengaluru	E89	Insurance not furnished for 2017-18
90	BCC, Bengaluru	E90	Insurance not furnished for 2017-18
91	BCC, Bengaluru	E91	Insurance not furnished for 2017-18
92	BCC, Bengaluru	E92	Insurance not furnished for 2017-18
93	BCC, Bengaluru	E93	Insurance not furnished for 2017-18
94	BCC, Bengaluru	E94	Insurance not furnished for 2019-20
95	BCC, Bengaluru	E95	Insurance not furnished for 2016-17 and 2017-18
96	BCC, Bengaluru	E96	Insurance not furnished for 2017-18
97	BCC, Bengaluru	E97	Insurance not furnished for 2017-18 and 2019-20
98	BCC, Bengaluru	E98	Insurance not furnished for 2017-18, 2018-19 and 2019-20
99	BCC, Bengaluru	E99	Insurance not furnished for 22.09.2019 to till date
100	BCC, Bengaluru	E100	Insurance not furnished for 08.09.2018 to till date
101	BCC, Bengaluru	E101	Insurance not furnished for 12.6.2020 to till date
102	BCC, Bengaluru	E102	Insurance not furnished for 15.08.2020 to till date
103	BCC, Bengaluru	E103	Insurance not furnished from 01.01.2017 to 10.09.2018
104	BCC, Bengaluru	E104	Insurance not furnished from 15.07.2017 to 11.08.2019
105	BCC, Bengaluru	E105	Insurance not furnished from 27.07.2017 to 18.08.2018

S.No	Customs Commissionerate	Name of the warehouse	Irregularity
106	BCC, Bengaluru	E106	Insurance not furnished from 17.06.2017 to 07.10.2017
107	BCC, Bengaluru	E107	Insurance not furnished from 04.10.2016 to 29.08.2019
108	BCC, Bengaluru	E108	Insurance not furnished from 17.06.2017 to 07.10.2017
109	BCC, Bengaluru	E109	Insurance not furnished from Aug 2016 to Aug 2018
110	BCC, Bengaluru	E110	Insurance not furnished from April 17 to Aug 18
111	BCC, Bengaluru	E111	Insurance not furnished from 20.10.2019 to till date
112	BCC, Bengaluru	E112	Insurance not furnished from 27.03.2019 to till date
113	BCC, Bengaluru	E113	Insurance not furnished from 03.08.2017 to till date
114	BCC, Bengaluru	E114	Insurance not furnished from 26.08.2016 to 25.08.2018
115	BCC, Bengaluru	E115	No All-risk Insurance from 01.01.2016 to 31.12.2016
116	BCC, Bengaluru	E116	No All-risk Insurance from 15.07.2016 to 14.07.2017
117	BCC, Bengaluru	E117	No All-risk Insurance from 17.06.2016 to 16.06.2017
118	BCC, Bengaluru	E118	No All-risk Insurance from 30.06.2016 to 29.06.2017
119	BCC, Bengaluru	E119	No All-risk Insurance from 03.08.2018 to 19.10.2018
120	BCC, Bengaluru	E120	No All-risk Insurance from 27.03.2018 to 26.03.2019
121	BCC, Bengaluru	E121	No All-risk Insurance from 01.10.2016 to 06.08.2017
122	BCC, Bengaluru	E122	No All-risk Insurance
123	NCH, Mangaluru	E123	Insurance not furnished from 19.12.2017 to till date
124	NCH, Mangaluru	E124	Insurance not furnished from 13.12.2018 to till date
125	NCH, Mangaluru	E125	Insurance not furnished from 11.02.2020 to till date
126	NCH, Mangaluru	E126	Insurance not furnished from 24.11.2018 to 07.01.2019
127	NCH, Mangaluru	E127	Insurance not furnished from 10.8.2017 to 09.8.2019
128	NCH, Mangaluru	E128	Insurance not furnished Not available prior to 01.06.2020
129	NCH, Mangaluru	E129	Insurance not furnished for part period

Annexure 3.11							
Non disposal of goods of expired bonds							
(Reference: Para No. 3.5.5 of the report)							
Sl. No.	Customs Commissionerate	Name of Warehouse	No of Bonds/ BEs	Extension	Notice u/s 72 (Y/N)	Extension valid as of 31/03/2020	Assessed Duty involved (₹ in lakh)
1	BCC, Bengaluru	F1	131	No	No	No	356
2	Chennai III	F2	1	Not known	Not known	No	7.03
3	Chennai III	F3	2	Not known	Not known	No	170.25
4	Chennai VII	F4	2	Not known	Not known	No	121.91
5	Chennai VII	F5	37	Not known	Not known	No	98.3
6	Cochin	F6	1	Not known	Not known	No	0.33
7	ACC Export, NCH, Delhi	F7	91	Yes	Yes	Not applicable	616
8	ACC Export, NCH, Delhi	F8	29	Yes	Yes	No	417
9	ICD Patparganj & other ICDs, Delhi	F9	47	Yes	Not known	No	22.91
10	ACC Export, NCH, Delhi	F10	1	Yes	No	No	32
11	Kolkata (Port)	F11	3	No	No	No	122.31
12	Kolkata (Port)	F12	1	No	No	No	2.94
13	Kolkata (Port)	F13	1	No	No	No	176
14	Kolkata (Port)	F14	3	No	No	No	20.98
15	Kolkata (Port)	F15	1	No	No	No	29.95
16	Kolkata (Port)	F16	10	No	No	No	1195.77
17	Kolkata (Port)	F17	1	No	No	No	11.91
18	Kolkata (Port)	F18	1	No	Yes (20.10.2016)	Not applicable	53.85
19	Kolkata (Port)	F19	1	No	Yes (25.09.2018)	Not applicable	590.53
20	Kolkata (Port)	F20	1	No	Yes (12.06.2018)	Not applicable	7.02
21	Kolkata (Port)	F21	3	No	Yes (24.10.2019)	Not applicable	774.68
22	Kolkata (Port)	F22	1	No	Yes (31.03.2020)	Not applicable	2.16
23	Kolkata (Port)	F23	1	No	Yes (31.03.2020)	Not applicable	7.79
24	Kolkata (Port)	F24	2	No	Yes (31.03.2020)	Not applicable	7.25

Sl. No .	Customs Commission erate	Name of Warehouse	No of Bonds/ BEs	Extens ion	Notice u/s 72 (Y/N)	Extensio n valid as of 31/03/2020	Assessed Duty involved (₹ in lakh)
25	Kolkata (Port)	F25	1	No	Yes (31.03.2020)	Not applicable	0.58
26	Kolkata (Port)	F26	2	No	Yes (31.03.2020)	Not applicable	5.09
27	Kolkata (Port)	F27	1	No	Yes (31.03.2020)	Not applicable	0.68
28	Kolkata (Port)	F28	1	No	Yes (31.03.2020)	Not applicable	14.54
29	Ludhiana	F29	10	No	No	No	98.67
30	Ludhiana	F30	1	No	No	No	11.53
31	JNCH, Zone II, Mumbai	F31	10	No	No	No	63.65
32	JNCH, Zone II, Mumbai	F32	3	No	No	No	24.52
33	JNCH, Zone II, Mumbai	F33	2	No	No	No	21.87
34	JNCH, Zone II, Mumbai	F34	7	No	No	No	51.5
35	JNCH, Zone II, Mumbai	F35	115	No	No	No	2,437.8
		Total	525				7,575.3

Annexure 4.1					
(Reference: Para No. 4.7 of the report)					
Difference in value of exports as per APR data vis-à-vis NSDL data/Accounts Data					
(₹ in lakh)					
S. No	State	Name of the FTWZ Unit	Value of exports		Difference
			As per APR	As per SEZ online data/Accounts	
1	Maharashtra	A1	10,263.48	4,51,188.23	-4,40,924.75
2		A2	19,637.89	11,072.26	8,565.63
3		A3	11,380.39	6,2974.05	-51,593.24
4		A4	1,240.08	165.02	1,075.06
5		A5	9,72,229.43	9,990.02	9,62,239.58
6		A6	43,514.11	41,805.45	1,708.66
7		A7	18,623.4	18,273.44	350.59
8		A8	3,531.97	2,2861.24	-20,943.06
9		A9	3,15,273.92	1,05,158.76	2,10,115.16
10		A10	5,731.32	5,825.35	-94.03
11		A11	10,666.85	21,4862.37	-2,04,195.52
12	Karnataka	A12	8,608.07	8,551.61	57.06
13		A13	1,791.5	1,850.01	-58.51
14		A14	531.05	564.75	-33.7
15		A15	1,771.02	932.37	838.65

Annexure 4.2					
(Reference: Para No. 4.7 of the report)					
Difference in value of imports as per APR data vis-à-vis EDI data/Accounts Data					
(₹ in lakh)					
S. No	State	Name of the FTWZ Unit	Value of imports		Difference
			As per APR	As per SEZ online data/Accounts	
1	Maharashtra	B1	0	10,47,271.23	-10,47,271.23
2		B2	19,473.79	19,000.91	-1,351.8
3		B3	0	7,72,035.12	-7,72,035.12
4		B4	1,269.96	1,754.36	-904.69
5		B5	92,6518.3	9,19,395.74	-3,995.43
6		B6	28,008.38	34,073.99	-6,065.61
7		B7	13,754.14	65,921.87	-56,658.48
8		B8	0	1,25,742	-1,25,742
9		B9	2,93,768.9	2,93,559.98	-6,091.65
10		B10	5,744.5	2,542.49	2,590.39
11		B11	0	10,04,561.64	-10,04,561.64
12	Karnataka	B12	7,612.09	8,140.46	-528.37
13		B13	27.45	34.89	-7.44
14		B14	447.64	406.02	41.62
15		B15	458.82	451.67	7.15
16		B16	1,278.79	1,237.8	40.55

Annexure 4.3					
(Reference: Para No. 4.7 of the report)					
Difference in value of DTA sales as per APR data vis-à-vis EDI data/Accounts Data					
(₹ in lakh)					
S. No	State	Name of the FTWZ Unit	Value of DTA Sales		Difference
			As per APR	As per SEZ on-line data	
1	Maharashtra	C1	0	5,99,819.23	-5,99,819.23
2		C2	0	9,057.58	-9,057.58
3		C3	2,622.31	10,95,902.76	-10,93,280.45
4		C4	1,235.18	2,475.82	-1,240.64
5		C5	0	12,58,032.36	-12,58,032.36
6		C6	360.79	482.78	-121.99
7		C7	195.18	40,734.51	-31,744.7
8		C8	33.84	1,46,651	-1,46,617.16
9		C9	0	2,19,251.42	-2,19,251.42
10		C10	52.26	57.07	-4.81
11		C11	0	9,64,713.91	-9,64,713.91

Annexure 4.4								
(Reference: Para No. 4.10.1 of the report)								
Shortfall in Exports vis-à-vis Projections (₹ in lakh)								
S. No	State	Name of FTWZ	Name of the Unit	Year/Block	Projected exports	Actual Exports	Shortfall	%age shortfall
1	Gujarat	A FTWZ	D1	2018-19	167.82	21.49	146.33	87
2	Karnataka	B SEZ	D2	Not Available	2048	909.82	1138.18	56
3			D3	Not Available	720	531.08	188.92	26
4			D4	2016-17	2426	813.55	1612.45	66
				2017-18	3100	1390.65	1709.35	55
5			D5	2016-17	700	648.23	51.77	7
				2017-18	800	498.83	301.17	38
				2018-19	900	377.5	522.5	58
				2019-20	365	149.62	215.38	59
6			Tamil Nadu	C FTWZ	D6	2016-17	2600	1093.97
7	D7	2018-19			1630	0	1630	100
8	Telangana	D FTWZ	D8	2015-20	3670	293.16	3376.84	92
9			D9	2015-20	2636	745.48	1890.52	72
10	Andhra Pradesh	E SEZ (Multi Product)	D10	2015-16	201.5	46.89	154.61	77
11			D11	2018-20	6872	6615.17	256.83	4
12	Maharashtra	F (FTWZ) Panvel	D12	2018-19	829	391.56	437.44	53
				2019-20	5082	4956.13	125.87	2
13			D13	2019-20	5802.14	168.44	5633.7	97
14			D14	2016-17	24718.86	289.7	24429.16	99
				2017-18	29254.89	100.98	29153.91	100
				2018-19	34755.46	140.23	34615.23	100
				2019-20	800	0	800	100
15			D15	2018-19	1100	0	1100	100
				2019-20	3000	1.34	2998.66	100
16			D16	2015-16	4000	7	3993	100
				2016-17	4000	2190.77	1809.23	45
				2017-18	8820	4074.68	4745.32	54
				2018-19	9261	4393.06	4867.94	53
				2019-20	61240.64	32667.7	28572.94	47
17			D17	2015-16	67364.71	49811.4	17553.31	26
				2016-17	2511.66	1121.84	1389.82	55
18			D18	2015-16	3522.72	1182.96	2339.76	66
				2016-17	4040.96	2483.57	1557.39	39
	2017-18	4389.46		3371.23	1018.23	23		
	2018-19	48300		7992.63	40307.37	83		
19	D19	2016-17	369.05	205.51	163.54	44		
20	D20	2015-16	488.07	370.72	117.35	24		

Annexure 4.4								
(Reference: Para No. 4.10.1 of the report)								
Shortfall in Exports vis-à-vis Projections (₹ in lakh)								
S. No	State	Name of FTWZ	Name of the Unit	Year/Block	Projected exports	Actual Exports	Shortfall	%age shortfall
				2017-18	1088	1051.57	36.43	3
21			D21	2017-18	1337.05	1325.35	11.7	1
				2019-20	73	0	73	100
22			D22	2018-19	399.89	170.58	229.31	57
				2019-20	459.87	74.31	385.56	84
23			D23	2015-16	13.71	4.33	9.38	68
				2016-17	26.8	15.05	11.75	44
				2017-18	37.41	3.27	34.14	91
24			D24	2015-16	948.72	62.95	885.77	93
				2016-17	1091.03	99.44	991.59	91
25			D25	2018-19	3105	173.79	2931.21	94
				2019-20	3960	167.99	3792.01	96
26			D26	2017-18	1020	87.71	932.29	91
				2018-19	1122	406.17	715.83	64
				2019-20	1234.02	113.11	1120.91	91
27			D27	2018-19	1020	0	1020	100
				2019-20	1122	234.29	887.71	79
28			D28	2015-16	156	95.56	60.44	39
				2016-17	202.8	113.32	89.48	44
29			D29	2015-16	2921.34	204.57	2716.77	93

Annexure 4.5							
(Reference: Para No. 4.10.2 of the report)							
Shortfall in investment vis-à-vis Projections							
₹ in lakh							
S No	State	Name of FTWZ	Name of unit	Value of Investment		Shortfall	Percentage of Shortfall
				Projected	Actual		
1	Maharashtra	A Panvel	E1	563.34	123.07	440.27	78.15
2			E2	541.32	0	541.32	100
3	Tamil Nadu	B FTWZ	E3	57.51	4.97	52.54	91.36
4			E4	42	30.14	11.86	28.24
5	Telangana	C FTWZ	E5	425.2	308.82	116.38	27.37
6	Andhra Pradesh	D SEZ (Multi Product) Chittoor	E6	125	103.58	21.42	17.14

Annexure 4.6								
(Reference: Para No. 4.10.3 of the report)								
Shortfall in generation of employment vis-à-vis projection								
S No	State	Name of FTWZ	Name of the Unit	FY	Projected Employment	Actual Employment	Shortfall	Percentage of shortfall
1	Gujarat	A FTWZ	F1		8	5	3	38
2	Tamil Nadu	B FTWZ	F2		40	4	36	90
3			F3		15	4	11	73
4	Maharashtra	C Panvel	F4	2015-16	120	52	68	57
				2016-17	120	41	79	66
				2017-18	120	41	79	66
				2018-19	120	0	120	100
				2019-20	120	0	120	100
5			F5	2015-16	2	0	2	100
				2016-17	2	0	2	100
6			F6	2015-16	93	71	22	24
				2016-17	93	28	65	70
				2017-18	93	84	9	10
				2018-19	93	23	70	75
				2019-20	93	26	67	72
7	F7	2015-16	2	0	2	100		
		2016-17	2	0	2	100		
		2017-18	2	0	2	100		
		2018-19	2		2			
8	F8	2016-17	55	3	52	95		
		2017-18	55	15	40	73		
		2018-19	55	16	39	71		
		2019-20	55	16	39	71		
9	F9	2015-16	4	2	2	50		
		2016-17	4	0	4	100		
		2017-18	4	2	2	50		
10	F10	2017-18	2	0	2	100		
		2018-19	2	0	2	100		
11	F11	2015-16	7	3	4	57		
		2016-17	7	4	3	43		
		2017-18	7	6	1	14		
		2018-19	7	5	2	29		
		2019-20	7	6	1	14		
12		F12	2019-20	2	0	2	100	
13	Telangana	D SEZ	F13	2015-16	17	11	6	35
				2016-17	17	8	9	53

				2017-18	17	4	13	76		
				2018-19	17	3	14	82		
				2019-20	17	3	14	82		
14	Andhra Pradesh	E SEZ Multi Product Chittoor	F14	2018-19	10	6	4	40		
15				2019-20	14	6	8	57		
16			F15	2017-18	65	50	15	23		
			F16	2015-16	20	1	19	95		
17	U.P	F FTWZ	F17	2015-16	12	5	7	58		
				2016-17	12	5	7	58		
				2017-18	12	5	7	58		
				2018-19	12	5	7	58		
				2019-20	12	6	6	50		
18					F18	2015-16	2	1	1	50
						2016-17	2	1	1	50
						2017-18	2	1	1	50
19					F19	2018-19	25	3	22	88
						2019-20	25	3	22	88
20					F20	2018-19	10	3	7	70
						2019-20	10	4	6	60
21			F21	2015-16	2	0	2	100		
				2016-17	2	0	2	100		
22			F22	2015-16	130	8	122	94		

Annexure 4.7								
(Reference: Para No. 4.10.4 of the report)								
Shortfall in NFE Vis-à-vis projections								
S No.	State	Name of FTWZ	Name of the Unit in FTWZ	Year	NFE		Short fall if any	Percentage of shortfall
					Projected	Actual		
1	Maharashtra	A FTWZ	G1	2018-19	1100	0	1100	100.00
				2019-20	1300	0	1300	100.00
2			G2	2015-16	252.12	-332.9	585.02	232.04
				2016-17	327.74	-423.98	751.72	229.36
3			G3	2015-16	2432.94	710.8	1722.14	70.78
				2016-17	3494.84	1182.96	2311.88	66.15
				2017-18	4040.69	2484	1556.69	38.53
4			G4	2015-16	151.68	72.37	79.31	52.29
				2017-18	250	111.26	138.74	55.50
5			G5	2016-17	7245	-3182.68	10427.68	143.93
				2017-18	25200	-	19711.45	44911.45
6			G6	2015-16	207.00	1.34	205.66	99.35
				2016-17	252.00	7	245	97.22
				2018-19	8,820.00	4,074.68	4745.32	53.80
	2019-20	9,261.00		4,393.06	4867.94	52.56		
7	G7	2016-17	-1277.61	142.03	-1419.64	111.12		
		2017-18	5297.75	263.16	5034.59	95.03		
		2018-19	8528	71.98	8456.02	99.16		
		2019-20	1565.81	128.46	1437.35	91.80		
8	G8	2015-16	8,537.17	8,456.73	80.44	0.94		
		2016-17	9,390.89	2,229.04	7161.85	76.26		
		2019-20	2762.7	2580.86	181.84	6.58		
9	G9	2019-20	200.56	86.54	114.02	56.85		
10	Karnataka	B SEZ Belgaum	G10	2015-20	528.08	462.2	65.88	12.48
11			G11	2015-20	93.92	89.33	4.59	4.89
12			G12	2015-20	487	315.99	171.01	35.11
13	Telangana	C SEZ Limited, Hyderabad	G13	2015-16	332	244.35	87.65	26.40
				2016-17	350	333.28	16.72	4.78
				2017-18	372	57.27	314.73	84.60
				2018-19	375	30.58	344.42	91.85
14			G14	2019-20	382	46.048	335.952	87.95
				2015-16	198	88.65	109.35	55.23
				2016-17	238	30.36	207.64	87.24
				2017-18	286	85.91	200.09	69.96
				2018-19	337	19.07	317.93	94.34
				2019-20	397	69.17	327.83	82.58

S No.	State	Name of FTWZ	Name of the Unit in FTWZ	Year	NFE		Short fall if any	Percentage of shortfall
					Projected	Actual		
15	Tamil Nadu	D FTWZ	G15	2016-17	375.9	276.01	99.89	26.57
16			G16	2018-19	1579	0	1579	100.00
17	Andhra Pradesh	E SEZ (Multi Product), Chittoor	G17	NA	1556	1379.33	176.67	11.35
18			G18	2015-16	141	41.79	99.21	70.36
19	U.P	F FTWZ	G19	2019-20	78.01	53.69	24.32	31.18
20			G20	2015-16	17.53	0.34	17.19	98.06
				2016-17	22.07	2.24	19.83	89.85
21			G21	2015-16	751.47	46.92	704.55	93.76
				2016-17	864.2	64.68	799.52	92.52
22			G22	2018-19	175	0	175	100.00
23			G23	2015-16	44.16	14.62	29.54	66.89
				2016-17	54.71	11.62	43.09	78.76
24			G24	2015-16	446.34	204.57	241.77	54.17

Annexure 4.8						
(Reference: Para No. 4.12.2 of the report)						
Delay in submission of APRs						
S No	State	Name of the SEZ Unit	Period of Return	Due Date	Date of Submission	Delayed Submission in days
1	Karnataka	H1	2015-16	30-Sep-16	29-Jun-17	270
			2018-19	30-Sep-19	09-Oct-20	365
2		H2	2015-16	30-Sep-16	15-Apr-19	930
			2016-17	30-Sep-17	15-Apr-19	570
			2017-18	30-Sep-18	03-Jul-20	660
3		H3	2015-16	30-Sep-16	05-Oct-18	720
			2016-17	30-Sep-17	05-Oct-18	365
			2017-18	30-Sep-18	05-Oct-18	5
			2018-19	30-Sep-19	23-Sep-20	365
4		Telangana	H4	2015-16	29-Jun-16	18-Jun-20
	2016-17			27-Sep-17	18-Jun-20	995
	2017-18			27-Sep-18	18-Jun-20	630
	2018-19			27-Sep-19	18-Jun-20	265
5	Andhra Pradesh	H5	2017-18	27-Sep-18	13-Mar-19	167
			2018-19	27-Sep-19	13-Nov-19	47
6		H6	2017-18	27-Sep-18	19-Feb-19	145
			2018-19	27-Sep-19	04-Oct-19	7
7		H7	2016-17	27-Sep-17	09-Jan-18	104
			2018-19	27-Sep-19	04-Sep-20	343

Annexure 4.9								
(Reference: Para No. 4.14 of the report)								
Delay in disposal of applications received for setting up of Units								
S No	State	Name of FTWZ	Name of the applicant	Date of receipt of application	Date of UAC meeting	Date of disposal of application	Total time taken	
1	Tamil Nadu	A FTWZ	J1	27-Mar-15	24-Apr-15	05-May-15	39	
2			J2	13-May-15	29-May-15	06-Mar-15	20	
3			J3	21-Aug-16	24-Aug-16	09-Jun-16	16	
4			J4	08-Jun-16	24-Aug-16	09-Jul-16	22	
5			J5	13-Apr-18	27-Apr-18	05-Sep-18	26	
6			J6	08-Jul-18	24-Aug-18	09-Jun-18	30	
7			J7	15-Nov-18	28-Nov-18	13-Dec-18	28	
8			J8	28-Jan-19	27-Feb-19	18-Mar-19	21	
9			J9	03-Nov-19	29-Mar-19	04-May-19	25	
10			J10	05-Oct-19	27-May-19	06-Apr-19	25	
11			J11	01-Jul-20	24-Jan-20	02-May-20	29	
12			J12	01-Apr-20	24-Jan-20	02-May-20	32	
13			J13	01-Feb-20	24-Jan-20	02-May-20	34	
14	Maharashtra	B FTWZ	J14	23-Oct-17	17-Jan-18	14-Feb-18	115	
15			J15	26-Sep-17	05-Dec-17	20-Dec-17	86	
16			J16	09-Oct-17	05-Dec-17	20-Dec-17	73	
17			J17	27-Feb-18	27-Mar-18	10-May-18	73	
18			J18	26-Aug-19	16-Sep-19	09-Oct-19	70	
19			J19	11-Jun-18	28-Jun-18	16-Aug-18	67	
20			J20	17-Apr-15	05-Jun-15	16-Jun-15	61	
21			J21	25-May-18	28-Jun-18	24-Jul-18	61	
22			J22	26-Oct-15	26-Nov-15	23-Dec-15	59	
23			J23	12-Sep-17		09-Nov-17	59	
24			J24	16-Nov-18	27-Dec-18	08-Jan-19	54	
25			J25	14-Feb-17	17-Mar-17	06-Apr-17	52	
26			J26	17-Feb-17	17-Mar-17	06-Apr-17	49	
27			J27	25-Sep-17	Not furnished by dept			46
28			J28	20-Dec-16	13-Jan-17	02-Feb-17	45	
29			J29	21-Mar-17	24-Apr-17	03-May-17	44	
30			J30	30-Jul-18	23-Aug-18	11-Sep-18	44	
31			J31	09-Mar-16	-	20-Apr-16	43	
32			J32	07-Sep-16	23-Sep-16	19-Oct-16	43	
33			J33	14-Dec-16	13-Jan-17	24-Jan-17	42	
34			J34	30-Jan-18	22-Feb-18	12-Mar-18	42	
35			J35	22-Apr-16	20-May-16	01-Jun-16	41	
36			J36	09-Sep-16	23-Sep-16	19-Oct-16	41	
37			J37	12-Apr-18	02-May-18	21-May-18	40	
38			J38	20-Dec-16	13-Jan-17	25-Jan-17	37	
39			J39	23-Nov-16	05-Dec-16	27-Dec-16	35	
40			J40	05-Mar-16	18-Mar-16	07-Apr-16	34	

S No	State	Name of FTWZ	Name of the applicant	Date of receipt of application	Date of UAC meeting	Date of disposal of application	Total time taken
41			J41	12-May-17	30-May-17	14-Jun-17	34
42			J42	18-Apr-18	02-May-18	21-May-18	34
43			J43	23-Oct-17	-	24-Nov-17	33
44			J44	31-Jan-20	27-Feb-20	03-Mar-20	33
45			J45	02-Jun-16	17-Jun-16	01-Jul-16	30
46			J46	02-Jun-16	17-Jun-16	01-Jul-16	30
47			J47	04-Jan-17	13-Jan-17	01-Feb-17	29
48			J48	04-Jan-17	13-Jan-17	01-Feb-17	29
49			J49	12-Sep-17	-	10-Oct-17	29
50			J50	22-Mar-18		19-Apr-18	29
51			J51	18-Nov-19	-	16-Dec-19	29
52			J52	16-Jun-18	-	13-Jul-18	28
53			J53	17-Jul-18	27-Jul-18	13-Aug-18	28
54			J54	02-Jul-16	15-Jul-16	28-Jul-16	27
55			J55	25-Oct-16	07-Nov-16	21-Nov-16	27
56			J56	12-Jul-18		07-Aug-18	27
57			J57	17-Sep-18	27-Sep-18	12-Sep-18	26
58			J58	21-Sep-15	-	14-Sep-15	25
59			J59	05-Oct-19	-	29-Oct-19	25
60			J60	08-Jun-16	17-Jun-16	01-Jul-16	24
61			J61	05-Jul-16	15-Jul-16	28-Jul-16	24
62			J62	25-Oct-16	07-Nov-16	18-Nov-16	24
63			J63	21-Nov-18	30-Nov-18	12-Dec-18	22
64			J64	08-Jul-19	-	29-Jul-19	21
65			J65	21-Jan-19	-	06-Feb-19	17

Annexure 4.10					
(Reference: Para No. 4.15 of the report)					
Delay in assessment and out of charge of Bill of Entry					
Report of Bill of Entry transactions (Submitted but not Assessed)					
S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
1	171600206396	K1	3077	29-Jan-16	1,770
2	171601331204	K2	2806	7-Jun-16	1,640
3	171602402915	K3	4406	12-Oct-16	1,513
4	171602668996	K4	5337	7-Nov-16	1,487
5	171602669560	K5	5337	7-Nov-16	1,487
6	171602802626	K6	2735	21-Nov-16	1,473
7	171602868673	K7	1807	30-Nov-16	1,417
8	171700184320	K8	4406	23-Jan-17	1,408
9	171700448533	K9	1807	23-Feb-17	1,379
10	171701347532	K10	2806	3-Jun-17	1,279
11	171702067386	K11	1807	14-Aug-17	1,207
12	171702068311	K12	1807	14-Aug-17	1,207
13	171702469842	K13	5337	23-Sep-17	1,167
14	171702694144	K14	2783	23-Oct-17	1,137
15	171702789672	K15	5827	30-Oct-17	1,130
16	171703016063	K16	5827	21-Nov-17	1,108
17	171703051925	K17	5827	24-Nov-17	1,105
18	171703318964	K18	2806	22-Dec-17	1,077
19	171800342033	K19	3209	12-Feb-18	1,025
20	171801162551	K20	4406	7-May-18	941
21	171803457545	K21	3209	27-Dec-18	707
22	171803458772	K22	3209	27-Dec-18	707
23	171900238403	K23	4406	29-Jan-19	674
24	171900680070	K24	6355	16-Mar-19	628
25	171900716083	K25	4406	19-Mar-19	625
26	171502966375	K26	4406	11-Jan-16	1,788
27	171600008333	K27	4406	12-Jan-16	1,787
28	171600106790	K28	4406	27-Jan-16	1,772
29	171600144111	K29	2151	20-Jan-16	1,772
30	171600144914	K30	2151	20-Jan-16	1,772
31	171600157072	K31	4406	27-Jan-16	1,772
32	171600200321	K32	4406	2-Feb-16	1,766
33	171600261696	K33	3077	4-Feb-16	1,764
34	171600276503	K34	3075	5-Feb-16	1,763
35	171600456230	K35	1807	29-Feb-16	1,665
36	171600526020	K36	4406	8-Mar-16	1,731
37	171600565426	K37	4406	14-Mar-16	1,724
38	171600646814	K38	2806	21-Mar-16	1,718

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
39	171600690332	K39	4406	28-Mar-16	1,711
40	171600746575	K40	4406	4-Apr-16	1,704
41	171600746656	K41	4406	1-Apr-16	1,707
42	171600758066	K42	2151	5-Apr-16	1,596
43	171600771451	K43	2151	5-Apr-16	1,596
44	171600802144	K44	2806	18-Apr-16	1,690
45	171600813506	K45	4406	11-Apr-16	1,697
46	171600834565	K46	4406	12-Apr-16	1,693
47	171600857400	K47	4406	18-Apr-16	1,690
48	171600870954	K48	3077	18-Apr-16	1,690
49	171600878875	K49	4406	18-Apr-16	1,686
50	171600919641	K50	3077	22-Apr-16	1,686
51	171601020205	K51	4406	4-May-16	1,674
52	171601037053	K52	3077	5-May-16	1,673
53	171601057655	K53	1807	6-May-16	1,672
54	171601060481	K54	1807	9-May-16	1,669
55	171601083651	K55	1807	10-May-16	1,668
56	171601087954	K56	1807	11-May-16	1,667
57	171601102083	K57	4406	17-May-16	1,660
58	171601208936	K58	5337	26-May-16	1,651
59	171601231804	K59	4406	27-May-16	1,648
60	171601243144	K60	1807	27-May-16	1,651
61	171601274003	K61	4406	2-Jun-16	1,644
62	171601284750	K62	4406	6-Jun-16	1,641
63	171601297276	K63	4406	30-Jun-16	1,616
64	171601306461	K64	4406	6-Jun-16	1,639
65	171601340116	K65	4406	11-Jun-16	1,634
66	171601356931	K66	4406	11-Jun-16	1,630
67	171601369100	K67	4406	11-Jun-16	1,634
68	171601412511	K68	2693	16-Jun-16	1,626
69	171601446391	K69	4406	21-Jun-16	1,625
70	171601477482	K70	2806	25-Jul-16	1,592
71	171601478495	K71	2806	25-Jul-16	1,592
72	171601478812	K72	2806	25-Jul-16	1,592
73	171601492860	K73	4406	25-Jun-16	1,,622
74	171601596773	K74	4102	8-Jul-16	1,606
75	171601597230	K75	2806	8-Jul-16	1,609
76	171601652316	K76	2735	14-Jul-16	1,603
77	171601979986	K77	4406	22-Aug-16	1,564
78	171601998842	K78	4406	23-Aug-16	1,563
79	171602027446	K79	3027	25-Aug-16	1,560
80	171602029244	K80	3027	25-Aug-16	1,560

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
81	171602084824	K81	4406	2-Sep-16	1,553
82	171602111925	K82	4406	20-Sep-16	1,535
83	171602113863	K83	4406	7-Sep-16	1,548
84	171602139332	K84	4406	8-Sep-16	1,540
85	171602289305	K85	2735	24-Sep-16	1,531
86	171602365896	K86	4406	6-Oct-16	1,512
87	171602409462	K87	1807	15-Nov-16	1,479
88	171602411746	K88	1807	21-Oct-16	1,503
89	171602455415	K89	4406	14-Oct-16	1,511
90	171602477863	K90	4406	17-Oct-16	1,508
91	171602487560	K91	5337	20-Oct-16	1,504
92	171602511334	K92	5337	25-Oct-16	1,499
93	171602686603	K93	4406	17-Nov-16	1,477
94	171602733245	K94	5337	15-Nov-16	1,478
95	171602790096	K95	4406	25-Nov-16	1,469
96	171602816910	K96	2735	22-Nov-16	1,471
97	171602852411	K97	4406	26-Nov-16	1,468
98	171602889614	K98	4406	30-Nov-16	1,464
99	171603052073	K99	2806	31-Dec-16	1,428
100	171700034774	K100	5337	10-Jan-17	1,423
101	171700038090	K101	5337	10-Jan-17	1,423
102	171700038613	K102	5337	10-Jan-17	1,423
103	171700039324	K103	5337	10-Jan-17	1,423
104	171700039663	K104	5337	10-Jan-17	1,423
105	171700039873	K105	5337	10-Jan-17	1,423
106	171700050690	K106	5337	10-Jan-17	1,423
107	171700050992	K107	5337	10-Jan-17	1,423
108	171700051515	K108	5337	10-Jan-17	1,423
109	171700051913	K109	5337	10-Jan-17	1,423
110	171700052344	K110	5337	10-Jan-17	1,423
111	171700110186	K111	2763	27-Jan-17	1,406
112	171700259636	K112	5337	2-Feb-17	1,399
113	171700298534	K113	4406	6-Feb-17	1,394
114	171700325602	K114	4406	9-Feb-17	1,393
115	171700326943	K115	4406	8-Feb-17	1,394
116	171700473125	K116	4406	25-Feb-17	1,377
117	171700474341	K117	4406	24-Feb-17	1,378
118	171700487722	K118	4406	27-Feb-17	1,375
119	171700489166	K119	4406	28-Feb-17	1,374
120	171700562191	K120	4406	7-Mar-17	1,367
121	171700569670	K121	4406	21-Mar-17	1,352
122	171700595301	K122	4406	10-Mar-17	1,364

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
123	171700597541	K123	4406	10-Mar-17	1,364
124	171700610406	K124	4406	14-Mar-17	1,357
125	171700655350	K125	5337	17-Mar-17	1,357
126	171700676991	K126	4406	18-Mar-17	1,356
127	171700703064	K127	4406	22-Mar-17	1,352
128	171700730644	K128	4406	23-Mar-17	1,351
129	171700735500	K129	2735	24-Mar-17	1,350
130	171700735511	K130	2735	24-Mar-17	1,350
131	171600475771	K131	3523	17-Jul-17	1,234
132	171700879066	K132	4406	7-Apr-17	1,333
133	171700953830	K133	4406	17-Apr-17	1,326
134	171701012011	K134	4406	22-Apr-17	1,321
135	171701022054	K135	1807	25-Apr-17	1,109
136	171701056914	K136	5827	2-May-17	412
137	171701115504	K137	5337	13-May-17	1,298
138	171701169570	K138	4406	9-May-17	1,304
139	171701468470	K139	4406	9-Jun-17	1,273
140	171701526474	K140	5995	16-Jun-17	1,265
141	171701537560	K141	5337	19-Jun-17	1,263
142	171701576351	K142	5337	23-Jun-17	1,258
143	171701610986	K143	4406	24-Jun-17	1,258
144	171701690646	K144	4406	4-Jul-17	1,248
145	171701720901	K145	2993	6-Jul-17	1,245
146	171701739624	K146	4406	10-Jul-17	1,241
147	171701773213	K147	4406	13-Jul-17	958
148	171701789195	K148	2763	14-Jul-17	1,238
149	171701898933	K149	5995	28-Jul-17	1,218
150	171701983456	K150	4406	2-Aug-17	1,219
151	171701997331	K151	4406	17-Aug-17	1,204
152	171702027873	K152	4406	7-Aug-17	1,214
153	171702097906	K153	2735	16-Aug-17	1,205
154	171702172515	K154	3166	22-Aug-17	1,198
155	171702216501	K155	4406	29-Aug-17	1,192
156	171702262513	K156	4406	2-Sep-17	1,184
157	171702288332	K157	3209	6-Sep-17	1,184
158	171702315525	K158	4406	8-Sep-17	1,182
159	171702317743	K159	4406	8-Sep-17	1,182
160	171702328066	K160	4406	9-Sep-17	1,179
161	171702331706	K161	5337	11-Sep-17	1,178
162	171702332292	K162	5337	11-Sep-17	1,178
163	171702332480	K163	5337	11-Sep-17	1,178
164	171702337424	K164	2687	11-Sep-17	1,179

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
165	171702345194	K165	4406	12-Sep-17	1,178
166	171702400225	K166	3209	19-Sep-17	1,171
167	171702427105	K167	5337	20-Sep-17	1,170
168	171702556023	K168	4406	4-Oct-17	1,156
169	171702585235	K169	3209	6-Oct-17	1,154
170	171702586296	K170	4406	12-Oct-17	1,134
171	171702600075	K171	3209	9-Oct-17	1,136
172	171702641176	K172	4406	12-Oct-17	1,147
173	171702662935	K173	4406	16-Oct-17	1,144
174	171702687586	K174	3209	17-Oct-17	1,108
175	171702704025	K175	4406	20-Oct-17	1,140
176	171702737555	K176	2783	25-Oct-17	1,134
177	171702753666	K177	5337	25-Oct-17	1,134
178	171702760596	K178	3209	30-Oct-17	1,130
179	171702761204	K179	3209	26-Oct-17	1,134
180	171702801270	K180	4406	31-Oct-17	1,129
181	171702863592	K181	4406	6-Nov-17	1,123
182	171702863636	K182	5337	6-Nov-17	1,122
183	171702871255	K183	4406	7-Nov-17	1,111
184	171702946052	K184	3209	16-Nov-17	1,113
185	171702980142	K185	1807	17-Nov-17	1,112
186	171702985381	K186	5337	18-Nov-17	1,111
187	171703032325	K187	4406	22-Nov-17	1,107
188	171703039395	K188	4406	23-Nov-17	1,106
189	171703183621	K189	4406	8-Dec-17	1,091
190	171703187876	K190	5827	8-Dec-17	302
191	171703241636	K191	4406	14-Dec-17	1,085
192	171703241710	K192	4406	14-Dec-17	1,085
193	171703274783	K193	3209	18-Dec-17	1,081
194	171703282133	K194	5337	18-Dec-17	1,081
195	171703311113	K195	3209	21-Dec-17	1,078
196	171703328263	K196	4406	22-Dec-17	1,077
197	171703329991	K197	5337	22-Dec-17	1,077
198	171703391790	K198	4406	30-Dec-17	1,069
199	171703393046	K199	4406	30-Dec-17	1,069
200	171800058706	K200	4406	8-Jan-18	1,060
201	171800065360	K201	5929	9-Jan-18	1,059
202	171800119805	K202	4406	16-Jan-18	1,052
203	171800191651	K203	4406	22-Jan-18	1,045
204	171800227196	K204	4406	25-Jan-18	1,041
205	171800304071	K205	4406	5-Feb-18	1,032
206	171800304185	K206	4406	5-Feb-18	1,032

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
207	171800348790	K207	4406	20-Feb-18	1,017
208	171800369123	K208	4406	9-Feb-18	1,028
209	171800422290	K209	4406	14-Feb-18	1,023
210	171800472620	K210	4406	5-Mar-18	1,003
211	171800482711	K211	4406	22-Feb-18	1,015
212	171800486686	K212	4406	21-Feb-18	1,016
213	171800582892	K213	4406	6-Mar-18	1,002
214	171800678000	K214	5337	15-Mar-18	994
215	171800701715	K215	4406	17-Mar-18	992
216	171800721411	K216	5337	20-Mar-18	989
217	171800722063	K217	5337	20-Mar-18	989
218	171800730673	K218	2806	21-Mar-18	988
219	171800811803	K219	4406	29-Mar-18	976
220	171800843513	K220	2806	3-Apr-18	975
221	171800919990	K221	4406	8-May-18	940
222	171801095981	K222	3209	3-May-18	945
223	171801138364	K223	4406	5-May-18	943
224	171801195005	K224	4406	9-May-18	939
225	171801197444	K225	4406	16-May-18	932
226	171801209005	K226	3209	14-May-18	934
227	171801232551	K227	3209	14-May-18	923
228	171801268940	K228	4406	16-May-18	932
229	171801307613	K229	4406	23-May-18	925
230	171801388942	K230	4406	29-May-18	919
231	171801493065	K231	3209	11-Jun-18	906
232	171801517705	K232	4406	12-Jun-18	905
233	171801538440	K233	3209	13-Jun-18	904
234	171801553280	K234	4406	15-Jun-18	902
235	171801601775	K235	5337	20-Jun-18	897
236	171801701595	K236	4406	30-Jun-18	884
237	171801709973	K237	3209	29-Jun-18	887
238	171801832624	K238	5337	16-Jul-18	871
239	171801832930	K239	5929	16-Jul-18	870
240	171801847512	K240	4406	17-Jul-18	870
241	171801879395	K241	3166	25-Jul-18	861
242	171801982321	K242	3209	28-Jul-18	859
243	171802001055	K243	5929	2-Aug-18	854
244	171802085221	K244	5337	13-Aug-18	843
245	171802085556	K245	5337	13-Aug-18	843
246	171802085906	K246	5337	13-Aug-18	843
247	171802092932	K247	5337	13-Aug-18	843
248	171802110303	K248	5337	13-Aug-18	843

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
249	171802236933	K249	5337	25-Aug-18	831
250	171802237283	K250	5337	25-Aug-18	831
251	171802238576	K251	5337	25-Aug-18	831
252	171802240621	K252	5337	25-Aug-18	831
253	171802279342	K253	3209	6-Sep-18	818
254	171802507096	K254	4406	22-Sep-18	803
255	171802579270	K255	6215	26-Sep-18	799
256	171802579712	K256	6215	26-Sep-18	799
257	171802775535	K257	4406	16-Oct-18	778
258	171802822494	K258	3209	23-Nov-18	740
259	171802822785	K259	3166	23-Oct-18	772
260	171802879102	K260	3209	30-Oct-18	765
261	171802881972	K261	4406	12-Nov-18	748
262	171802940330	K262	4406	2-Nov-18	762
263	171802965250	K263	4406	6-Nov-18	755
264	171802990634	K264	2806	12-Nov-18	749
265	171803156862	K265	3209	27-Nov-18	737
266	171803157260	K266	3209	27-Nov-18	737
267	171803157912	K267	3209	27-Nov-18	737
268	171803158144	K268	3209	27-Nov-18	737
269	171803158354	K269	3209	27-Nov-18	737
270	171803158446	K270	3209	27-Nov-18	737
271	171803158656	K271	3209	27-Nov-18	737
272	171803158726	K272	3209	27-Nov-18	737
273	171803159054	K273	3209	27-Nov-18	737
274	171803159216	K274	3209	27-Nov-18	737
275	171803455294	K275	3209	26-Dec-18	696
276	171803464313	K276	4406	21-Jan-19	682
277	171900095651	K277	5337	15-Jan-19	688
278	171900118880	K278	3209	18-Jan-19	682
279	171900192030	K279	4406	24-Jan-19	679
280	171900253943	K280	4406	29-Jan-19	674
281	171900335423	K281	4406	7-Feb-19	665
282	171900480146	K282	4406	25-Feb-19	636
283	171900611175	K283	4406	18-Mar-19	626
284	171900803594	K284	5337	2-Apr-19	611
285	171900826580	K285	4406	1-Apr-19	612
286	171901001790	K286	5337	18-Apr-19	595
287	171901002335	K287	5337	18-Apr-19	595
288	171901161810	K288	3209	8-May-19	567
289	171901322202	K289	4406	24-May-19	559
290	171901373114	K290	5337	28-May-19	555

S.No	Request ID	Entity Name	Entity Id	Submission Date	No. of days pending
291	171901386635	K291	3209	3-Jun-19	549
292	171901394416	K292	2687	31-May-19	552
293	171901464534	K293	4406	7-Jun-19	545
294	171901484510	K294	2806	11-Jun-19	541
295	171901499604	K295	4406	11-Jun-19	540
296	171901673786	K296	4406	29-Jun-19	523
297	171901800184	K297	3209	15-Jul-19	507
298	171901800394	K298	3209	15-Jul-19	507
299	171901800604	K299	3209	15-Jul-19	507
300	171901801385	K300	3209	15-Jul-19	507
301	171901801621	K301	3209	15-Jul-19	507
302	171901801816	K302	3209	15-Jul-19	507
303	171901811701	K303	3209	15-Jul-19	507
304	171901880975	K304	3209	29-Jul-19	482
305	171902216172	K305	5337	27-Aug-19	464
306	171902263610	K306	4406	31-Aug-19	457
307	171902301686	K307	3209	5-Sep-19	451
308	171902307824	K308	2687	6-Sep-19	453
309	171902316084	K309	3209	9-Sep-19	451
310	171902494002	K310	3209	26-Sep-19	363
311	171902582924	K311	4406	7-Oct-19	423
312	171902759453	K312	3209	4-Nov-19	395
313	171902761741	K313	6355	31-Oct-19	398
314	171902858746	K314	3209	6-Nov-19	381
315	171903105205	K315	3209	4-Dec-19	359
316	171903130976	K316	5337	6-Dec-19	363
317	171903221884	K317	4406	14-Dec-19	353
318	171903303843	K318	3209	23-Dec-19	345
319	171903327503	K319	5827	25-Dec-19	342
320	172000032396	K320	3209	6-Jan-20	332
321	172000505110	K321	3209	27-Feb-20	280
322	172000510651	K322	3209	7-Mar-20	271
323	172000565785	K323	3209	7-Mar-20	269
324	172000677866	K324	4406	17-Mar-20	261
325	172000701460	K325	5827	18-Mar-20	259
326	172000708950	K326	4406	19-Mar-20	259
327	172000708972	K327	5337	20-Mar-20	258
328	172000715703	K328	4406	20-Mar-20	258

Annexure 4.11									
(Reference: Para No. 4.16 of the report)									
Temporary Removal And Sub Contracting Status Report from 1-Apr-17 to 31-Mar-20									
S. No.	Request ID	Challan Number	Challan Date	SEZ Name	Currency	Date of removal	Due date of receipt	No of days since removal	Last status date
1	481700196622	9000039	04-Apr-17	L1	USD	4-Apr-17	02-Aug-17	1,329	6-Nov-17
2	481700497714	9000075	23-Aug-17	L2	EURO	23-Aug-17	21-Dec-17	1,188	23-Aug-17
3	481700696374	9000143	28-Nov-17	L3	USD	28-Nov-17	29-Mar-18	1,091	11-Dec-17
4	481800523492	9000158	29-Aug-18	L4	USD	28-Aug-18	29-Dec-18	818	25-Oct-18
5	481800790413	9000265	14-Dec-18	L5	EURO	14-Dec-18	25-Apr-19	710	9-Apr-19
6	481900205231	9000052	26-Mar-19	L6	USD	25-Mar-19	25-Jul-19	609	22-Aug-19
7	482000055600	9000019	29-Jan-20	L7	EURO	28-Jan-20	29-May-20	300	20-Jul-20
8	482000060286	9000015	24-Jan-20	L8	POUND STERLING	24-Jan-20	23-May-20	304	24-Jan-20
9	482000073494	9000023	04-Feb-20	L9	EURO	29-Jan-20	3-Jun-20	299	4-Feb-20
10	482000086691	9000024	06-Feb-20	L10	EURO	5-Feb-20	6-Jun-20	292	7-Feb-20
11	482000164030	9000036	02-Mar-20	L11	USD	2-Mar-20	1-Jul-20	266	3-Mar-20

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