

OVERVIEW

This report contains three reviews and 251 paragraphs involving non levy/short levy of customs duty of Rs.7430.74 crore. Some of the important audit findings included in the report are highlighted below:

I. General

- Budget estimate 2003-04 was pitched at Rs.49,350 crore. The actual realisation fell short of budget estimates by Rs.737 crore.

{Paragraph 1.1}

- The amount of duty foregone under the various export promotion schemes during the year was Rs.39,704 crore which was 82 per cent of the total customs receipts.

{Paragraph 1.4.1}

- Duty foregone during 2003-04 under adhoc exemptions which had increased seven times compared to previous year was Rs.258 crore.

{Paragraph 1.4.2}

II. Review on Import general manifest (IGM)/export general manifest (EGM)

- Non-receipt of 14,093 IGMs by manifest clearance Department (MCD) from import Department (ID) in 24 Commissionerates revealed lack of coordination/effective follow up action on their part.

{Paragraph 2.4}

- Non-levy of penalty for non/belated receipt of IGMs/EGMs amounted to Rs.63.23 crore.

{Paragraphs 2.5 & 2.11.2}

- There was 94 per cent increase in pendency of IGMs at MCD at the end of 2002 compared to 1999 in 23 Commissionerates. Age analysis of 82,505 IGMs revealed that 42 per cent were pending for more than three years in 15 Custom houses.

{Paragraph 2.6}

- Non-closure of IGMs/non-disposal of unclaimed, un-cleared goods and non-payment of duty where bills of entry were filed led to blockage of revenue of Rs.280.66 crore.

{Paragraphs 2.6.1, 2.6.2 & 2.6.4}

- In four Commissionerates, 430 IGMs, in which bonds for Rs.71.06 crore were executed were pending disposal due to non receipt of landing certificates.

{Paragraph 2.6.5}

- Revenue loss occurred due to non-levy of penalty of Rs.17.05 crore for short landed goods and duty of Rs.1.09 crore for pilfered goods.

{Paragraphs 2.6.6 & 2.6.8}

- There were 11,600 out-turn-statements (OTS) in respect of 19,420 IGMs in five Commissionerates not received by MCD. 30,386 letters of call (LOC) were pending in two Commissionerates as on 31 December 2003,

{Paragraphs 2.7 & 2.8}

- Absence of provision in the Customs Act for recovery of duty on shortage between ullage and stored quantity entailed loss of duty amounting to Rs.15.47 crore.

{Paragraph 2.10.1}

- In 23 Commissionerates, 91,900 EGMs were pending closure at the end of 2002. 14,322 had not been filed in eight Custom houses and 2721 were filed late in three Custom houses.

{Paragraphs 2.11.1 & 2.11.2}

III. Review on Inland container depots (ICD)

- Customs revenue of Rs.2400 crore remained unprotected against risk of loss, pilferage etc. due to non/deficient execution of bond/Bank guarantee (BG) by custodians for storage of import cargo, by carriers for transshipment of export cargo, non renewal of BG, and insufficient insurance coverage of goods at ICD/container freight station (CFS).

{Paragraphs 3.4, 3.4.1, 3.4.2 & 3.5}

- Non-disposal of unclaimed/un-cleared/confiscated, imported/export goods involved blockage of customs revenue to the extent of Rs.287.96 crore.

{Paragraphs 3.7, 3.7.2 & 3.7.5}

- Delay in disposal of unclaimed/un-cleared and confiscated goods and injudicious decision of custodian caused loss of Rs.2.96 crore.

{Paragraphs 3.7.1, 3.7.3 & 3.7.4}

- Department failed to protect duty of Rs.12.49 crore by not forfeiting bonds on account of non receipt of landing certificates.

{Paragraph 3.11}

- Non receipt of transference copies of shipping bills within 90 days for exports made between April 2000 and March 2003 entailed recovery of drawback amounting to Rs.344 crore.

{Paragraph 3.11.2}

- Test check revealed in 27 ICDs of 10 Commissionerates absence of system of reconciliation of containers. Neither gateway port nor custodians furnished periodical details.

{Paragraph 3.12}

- Failure to re-export 2404 containers imported without payment of duty in five Commissionerates entailed recovery of duty amounting to Rs.23.57 crore.

{Paragraph 3.13}

- Non forwarding of General Remittance (GR) forms to Reserve Bank of India (RBI) by the Department reflected lack of mechanism to monitor the realization of foreign exchange and to ensure the correctness of export incentives of Rs.681 crore paid on such exports.

{Paragraph 3.14.1}

IV. Recovery of arrears of revenue

- Of the 7345 confirmed demand cases involving Rs.1539.02 crore in 34 Commissionerates, pending as on 31 December 2003, 4230 cases involving Rs.412.24 crore were pending for more than three years. Blocked revenue arrears were 32.36 per cent of revenue assessed in these Commissionerates.

{Paragraph 4.4}

- Sixty nine per cent of pendency lay with the Department. Recovery proceedings had not been initiated in 1844 cases involving Rs.127.79 crore though no appeals were pending.

{Paragraphs 4.4.1 & 4.6}

- Benefits envisaged by creation of a special recovery cell in each Commissionerate for speedy recovery of revenue arrears had not materialised.

{Paragraph 4.5}

- Inaccurate reporting of pendency involving Rs.321.54 crore in 1396 cases was found, indicating failure of reporting/monitoring mechanism.

{Paragraphs 4.7}

- Certificate action under the Act had been initiated only in 3347 out of 7345 cases in 18 Commissionerates with a delay of one to 15 years involving Rs.270.70 crore, of which only Rs.10.50 crore had been recovered.

{Paragraph 4.11}

- In 835 cases in four Commissionerates involving Rs.307.40 crore, failure to invoke provisions of Attachment of Property rules were noticed.

{Paragraph 4.12}

- Penalties amounting to Rs.281.65 crore imposed in 8559 cases were pending realisation, of which Rs.147.21 crore in 6909 cases constituting 52 per cent were pending for more than three years.

{Paragraph 4.13}

V. Irregularities in assessments

- Dutiable imported goods were incorrectly classified and assessed to duty at lesser rates leading to short levy of Rs.3.11 crore in 12 cases.

{Paragraphs 5.1 to 5.3}

- Extending the benefit of exemption notifications to dutiable goods not covered by them resulted in short collection of duty of Rs.6.85 crore in 38 cases.

{Paragraphs 6.1 to 6.5}

- Short levy on account of undervaluation of assessable goods in 9 cases amounted to Rs.29.10 crore.

{Paragraphs 7.1 & 7.2}

- Additional duty leviable under Section 3 of the Tariff Act amounting to Rs.1.85 crore was not levied/short levied in 13 cases.

{Paragraphs 8.1 to 8.3}

VI. Recoveries from defaulting export houses

- Non levy/loss of customs revenue of Rs.795.27 crore due to failure to recover benefits of export incentives under schemes like Advance Licensing Schemes and EOU from defaulting exporters.

{Paragraphs 9.1 to 9.6}

VII. Other irregularities

- Non levy of penalty/national contingent calamity duty, provisional assessment, excess payment of drawback and non levy of anti dumping duty etc. led to loss of Rs.103.82 crore in 70 cases.

{Paragraphs 10.1 to 10.13}