SUPREME AUDIT INSTITUTION OF INDIA
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Report of the Comptroller and Auditor General of India on Customs for the period ended March 2024

Union Government
Department of Revenue (Indirect Taxes–Customs)
Report No. 25 of 2026
(Compliance Audit - Civil)

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Laid on the table of Lok Sabha and Rajya Sabha on ………………..

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PREFACE

This Report for the period ended March 2024 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 compliance audit of the Department of Revenue – Customs under the Ministry of Finance, and Director General of Foreign Trade under Ministry of Commerce and Industry.

The Government has made significant investment in Indian Customs EDI System (ICES) with a goal of a comprehensive, paperless, fully automated customs clearance system and availability of transactional information in the form of electronic data. Consequently, Audit attempted to conduct hundred *per cent* review of data, instead of test check of transactions in a few locations. The availability of complete data would also reduce the requirement of physical visits of Audit to the Customs premises for test check of transactions. However, since the Department did not provide complete data for Pan-India transactions, Audit was carried out in the traditional method in 47 out of 70 Customs Commissionerates.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2023-24 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports.

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

EXECUTIVE SUMMARY

Customs duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution). Customs receipts form part of the indirect tax revenue of the Government. Duties of Customs are levied under the Customs Act 1962, and the rates of duties are governed under the Customs Tariff Act and notifications issued from time to time. Department of Revenue (DoR) under Ministry of Finance (MoF) is responsible for administration of Indirect Union Taxes, through the Central Board of Indirect Taxes and Customs (CBIC). The levy and collection of Customs duty and cross-border preventive functions are administered by the CBIC through 70 Customs Commissionerates across the country.

During FY 24, exports worth ₹36.18 lakh crore (4.96 crore transactions) through 413 Customs ports (206-EDI, 22-Non-EDI, and 185-SEZ ports) and imports worth ₹56.16 lakh crore worth of imports (4.35 crore transactions) through 441 Customs ports (191-EDI, 10-Non-EDI, and 240-SEZ ports) took place.

During FY 24, Audit issued 195 inspection reports to the respective Commissionerates/ Regional Authorities containing 1,684 observations and carrying a total revenue implication of ₹472 crore.

This report contains four chapters. Chapter I provides a brief description of functions of Department of Revenue and Department of Commerce and an overview of high level statistical information regarding Customs receipts, India's Imports and Exports, performance of Special Economic Zones (SEZs), arrears of Customs receipts and results of the Department's internal audit. Chapters II describes the CAG's audit mandate, scope and results of audit efforts. Chapter III is a Subject specific compliance Audit (SSCA) on topic 'Rebate of State and Central Taxes and Levies (RoSCTL) Scheme' and Chapter IV contains significant audit findings of Non-compliance to provisions of Customs Act, Customs Tariff notifications and Export Promotion Schemes of Foreign Trade Policy.

Chapter I: Overview- Customs Revenue

Customs receipts recorded a year-on-year (YoY) growth of 9.25 *per cent* in FY 24. Over the five-year period from FY 20 to FY 24, Customs receipts increased by 113 *per cent* in FY 24 compared to FY 20. During this period, customs receipts as a percentage of GDP exhibited a varying trend, ranging between 0.54 *per cent* and 0.85 *per cent*. Similarly, customs receipts as a proportion of Gross Tax Revenue (GTR) fluctuated between 5.44 *per cent* and 7.37 *per cent* over the same period.

{Paragraphs 1.6.1 and 1.6.2}

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Imports contracted by 2.33 *per cent* in FY 24, while exports posted a marginal decline of 0.07 *per cent* during the same period.

{Paragraph 1.7.4}

In addition to earnings of foreign exchange and development of infrastructure, SEZs have achieved significant local area impact in terms of direct as well as indirect employment, emergence of new activities, changes in consumption pattern and social life. Exports from SEZs increased from ₹7.97 lakh crore in FY 20 to ₹13.55 lakh crore in FY 24, registering an overall growth of 70.01 *per cent*.

{Paragraphs 1.9.1 and 1.9.2}

During FY 24, total investment in SEZs amounted to ₹7.07 lakh crore, generating employment for 31.94 lakh persons. Investment increased by 23.72 *per cent* (₹7.07 lakh crore) over FY 20 levels (₹5.72 lakh crore), while employment recorded a growth of 42.70 *per cent* during the same period.

{Paragraph 1.9.3}

Arrears of Customs duties increased steadily during FY 20 to FY 24. The total Customs revenue arrears pending as of March 2024 stood at ₹1,10,643 crore, reflecting an increase of 49.52 *per cent* over March 2023 (₹55,853 crore). Overall, Customs duty arrears grew by 145.59 *per cent* in FY 24 (₹1,10,643 crore) compared to FY 20 (₹45,052 crore). Age analysis of arrears not under dispute revealed that out of total ₹25,540 crore, ₹4,330 crore (16.95 *per cent*) was lying unrecovered for more than five years.

{Paragraphs 1.11.3 and 1.11.9}

Out of 20 Zones having Customs Duties, arrears of ₹1,10,643 crore as of 31 March 2024, 10 Zones accounted for 90.81 *per cent* (₹1,00,480 crore). There were 11,920 defaulters in 20 Zones (as of 31 March 2024) from whom Customs revenue of ₹7,992 crore was due for recovery. The pendency of arrears and slow recovery may be attributed to vacancies under various categories of post. The Ministry needs to take effective steps for strengthening the Department's recovery mechanism.

{Paragraphs 1.11.7 to 1.11.10}

Chapter II: CAG's Audit mandate and extent of Audit

This current report contains 106 audit observations (including one Subject Specific Compliance Audit) with revenue implication of **₹667 crore** noticed during FY 24. The Ministries/Department responded in 105 out of 106 audit observations issued and accepted 104 audit observations, conveying rectification measures, involving a money value of ₹54 crore, in the form of issue of SCNs, adjudication of SCNs and recovery of ₹21 crore in 56 cases of incorrect assessment of Customs Duties.

{Paragraph 2.6}

Chapter III: Subject Specific Compliance Audit (SSCA) on 'Rebate of State and Central Taxes and Levies (RoSCTL) Scheme'

A Subject Specific Compliance audit was conducted to assess adherence to prescribed rules and procedures, effectiveness of internal controls, and overall implementation of the RoSCTL scheme by the Directorate General of Foreign Trade and the Customs.

Audit findings comprising systemic and compliance issues involving revenue of **₹603.08 crore** are reported to the Ministry. The Ministry of Finance and the Ministry of Commerce & Industries reported partial recoveries amounting to **₹62.40 lakh**.

Audit observed that:

(i) From a systemic perspective, Audit observed that although the issuance of RoSCTL scrips had been automated, significant shortcomings and validation weaknesses persisted, indicating that automation failed to achieve its intended objectives of procedural simplification and ease of doing business.

Key systemic deficiencies included Irregular or excess issuance of scrips, including to entities placed in the Denied Entity List, issuance of scrips without proper intent or beyond actual entitlement, availing of dual export benefits and delays in e-scrip creation within regulatory timelines. These deficiencies had revenue implications aggregating **₹130.39 crore (₹97.62 crore** under DGFT and **₹32.77 crore** under Customs).

(ii) From a compliance perspective, Audit identified inadmissible and irregular grant of benefits totalling **₹472.69 crore** (**₹158.63 crore** under DGFT and **₹314.06 crore** under Customs) arising from non-realisation or delayed realisation of export proceeds, misclassification of exported products, adoption of incorrect incentive rates due to erroneous schedules, application of incorrect exchange rates and delayed or inaccurate issuance of scrolls.

Audit recommended that:

(i) DGFT should strengthen monitoring and supervisory controls to prevent issuance of scrips to entities in the Denied Entity List and fix accountability for irregular issuance, without proper justification (Para 3.7.1).

(ii) The DGFT system should ensure processing of applications only by the jurisdictional RAs. Automated validations may be considered to the extent feasible to ensure correct application of RoSCTL benefits, supported by audit trails and exception reporting (Para 3.8.4).

(iii) The Customs Automated System may be integrated with the DGFT portal to automatically restrict RoSCTL benefits for IECs in the Denied Entity List, while permitting such benefits only in cases where an abeyance order has been issued and is in force (Paras 3.12.1).

(iv) The follow up mechanism to monitor realisation of export proceeds under FEMA, 1999, needs to be enhanced to facilitate recovery of ineligible RoSCTL credits with interest in cases of not realising export proceeds (Para 3.13.1).

(v) The Department may consider enhancing the validation controls, to the extent feasible, to prevent misclassification and excess incentive claims (Para 3.13.2).

(vi) The Department may ensure that the EDI system applies the exchange rates prevailing on the LEO date to calculate RoSCTL benefits, to prevent excess payments (Para 3.13.3).

(vii) The Department should ensure timely generation of scrolls through system monitoring to facilitate prompt disbursal of RoSCTL benefits (Para 3.13.4).

{Paragraphs 3.1 to 3.16}

Chapter IV: Non-compliance to provisions of Customs Act, Customs Tariff, notifications and Export Promotion Schemes of Foreign Trade Policy

Test audit of 47 Customs Commissionerates, 13 Regional Authorities of DGFT and eight Development Commissioners revealed instances of under assessments of applicable Customs duties due to misclassification of imported goods, incorrect application of notifications and violations of prescribed rules, procedures framed to give effect to the provisions of the Foreign Trade Policy.

The cases of non-compliance noticed during audit could be broadly categorized as follows:

- Misclassification of imports (**Paragraphs 4.4.1 to 4.4.15**)
- Incorrect application of notifications (**Paragraphs 4.5.1 to 4.5.12**)
- Non-compliance to provisions of Export Promotion Schemes **(Paragraphs 4.6.1 to 4.6.9).**
- Other irregularities (**Paragraphs 4.7.1 to 4.7.2**)

Of the total revenue of ₹64 crore due from importers/ exporters reported in 105 cases, the Department had accepted 104 cases and reported recoveries aggregating ₹20 crore in 56 cases.

{Paragraphs 4.4.1 to 4.7.2}

Glossary of terms and abbreviations

Abbreviation	Expanded Form
AA	Advance Authorization
ACC	Air Cargo Complex
ACU	Asian Clearing Unit
ADD	Anti-Dumping Duty
ADGFT	Additional Director General of Foreign Trade
AEO	Authorized Economic Operator
ANF	Aayat Niryat Form
AO	Assessing Officer
BCD	Basic Customs Duty
BE	Bill of Entry
BE	Budget Estimates
BO	Back Office
BoA	Board of Approval
BRC	Bank Realization Certificate
CA	Charted Accountant
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CC	Commissionerate of Customs
CE	Central Excise
CKD	Complete Knock Down
Commissionerate	Commissionerate of Customs
CPC	Central Product Classification
CRA	Customs Receipt Audit
CSEZ	Cochin Special Economic Zone
CTH	Customs Tariff Heading
CVD	Countervailing Duty
DC	Direct Current
DC	Development Commissioner
DC	Deputy Commissioner of Customs
DEL	Denied Entity List
DG	Director General
DGFT	Directorate General of Foreign Trade
DoC	Department of Commerce
DoR	Department of Revenue
DPC	Duty Power and Conditions
DRI	Directorate of Revenue Intelligence
DTA	Domestic Tariff Area
ECM	Electronic Control Module
EDI	Electronic Data Interchange
EEFC	Exchange Earners' Foreign Currency

Abbreviation	Expanded Form
EO	Export Obligation
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods
EXIM	Export and Import
FEMA	Foreign Exchange Management Act
FOB	Free on Board
FTP	Foreign Trade Policy
FTDR Act	Foreign Trade (Development and Regulation) Act
FY	Financial Year
GDP	Gross Domestic Product
GeM	Government e-Marketplace
GoI	Government of India
GST	Goods and Services Tax
GTR	Gross Tax Revenue
HBP	Hand Book of Procedures
HSN	Harmonized System of Nomenclature
ICD	Inland Container Depot
ICES	Indian Customs Electronic Data Interchange System
IEC	Importer Exporter Code
IGST	Integrated Goods and Service Tax
INR	Indian Rupee
ITC (HS)	Indian Trade Classification (Harmonized System)
IT/ITES	Information Technology/ Information Technology Enabled System
JDGFT	Joint Director General of Foreign Trade
JNCH	Jawaharlal Nehru Customs House
KASEZ	Kandla Special Economic Zone
LCD	Liquid Crystal Display
LEO	Let Export Order
MEIS	Merchandise Exports from India Scheme
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance
MOU	Memorandum of Understanding
NFE	Net Foreign Exchange
NSEZ	Noida Special Economic Zone
OIO	Order in Original
OM	Office Memorandum
PA	Performance Audit
PBA	Premises Based Audit
PCA	Post Clearance Audit
PN	Public Notice
PH	Personal Hearing
PNC	Pre Notice Consultation
Pr.CCA	Principal Chief Controller of Accounts

Abbreviation	Expanded Form
Prev.	Preventive
PVC	Poly Vinyl Chloride
₹	Rupee
RA	Regional Authority
RBI	Reserve Bank of India
RCMC	Registration-cum- Membership Certificate
RE	Revised Estimates
RMS	Risk Management System
RoDTEP	Remission of Duties and Taxes on Export Products
RoSCTL	Rebate on State and Central Taxes and Levies
SAD	Special Additional Duty of Customs
SB	Shipping Bill
SCN	Show Cause Notice
SD	Safeguard Duty
SEEPZ	Santacruz Electronic Export Processing Zone
SEIS	Service Exports from India Scheme
SEZ	Special Economic Zone
SSCA	Subject Specific Compliance Audit
STP	Software Technology Park
SWS	Social Welfare Surcharge
TBA	Theme Based Audit
TPS	Target Plus Scheme
UNSD	United Nations’ Statistics Division
VSEZ	Visakhapatnam Special Economic Zone
YoY	Year on Year

CHAPTER I

Customs Revenue

1.1 Nature of Customs Duties

1.1.1 Customs Duty is levied on import of goods into India and on export of certain goods out of India (Entry 83 of List 1 of the Seventh Schedule of the Constitution). Customs Receipts form part of the indirect tax revenue of the Government.

1.1.2 Duties of Customs are levied under the Customs Act, 1962, and the rates of duties are governed under the Customs Tariff Act, 1975 and notifications issued from time to time.

1.2 Customs Revenue Base

1.2.1 The Customs revenue base comprises of the Importers and Exporters issued with Importer Exporter Code (IEC) by the Directorate General of Foreign Trade (DGFT). As on March 2024, there were 20,14,850 active IECs issued by DGFT, Delhi. During FY 24, exports worth ₹36.18 lakh crore (4.96 crore transactions) through 413 Customs ports (206-EDI, 22-Non-EDI and 185-SEZ ports) and imports worth ₹56.16 lakh crore worth of imports (4.35 crore transactions) through 441 Customs ports (191-EDI, 10-Non-EDI, and 240-SEZ ports) took place.

1.3 Organisation and Functions of Administrative Departments

1.3.1 The Department of Revenue (DoR) under Ministry of Finance (MoF) is the apex Department of Government of India responsible for administration of the Direct and Indirect Union Taxes, through two statutory Boards namely, the Central Board of Indirect Taxes and Customs (CBIC) and the Central Board of Direct Taxes (CBDT) constituted under the Central Board of Revenue Act, 1963.

1.3.2 The levy and collection of Customs Duty, IGST on imports and cross-border preventive functions are administered by the CBIC through 11 Zones headed by Principal Chief Commissioners/Chief Commissioners across the country.

There are 11 Zones of Customs and Customs (Preventive), nine combined Goods, and Services Tax (GST) Zones, with Customs Commissionerates spread across the country. These Zones are headed by the Principal Chief Commissioners/Chief Commissioners. There are 70 Commissionerates exclusively of Customs, Customs (Preventive), Customs (Appeals) and Customs (Audit).

1.3.3 The Department of Commerce (DoC) under Ministry of Commerce and Industry (MoCI), through DGFT formulates, implements and monitors the Foreign Trade Policy (FTP), which provides the basic framework of policy and strategy to be followed for promoting exports and trade. Besides, the DoC is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special Economic Zones (SEZs), State trading, export promotion and trade facilitation, and development and regulation of certain export oriented Industries and commodities.

1.3.4 The FTP is implemented through the Regional Authorities (RAs) who are responsible for providing IECs and granting licenses under various schemes of export promotion. During FY 24, there were 25 RAs across India. However, the execution/implementation of such licences is done through the Customs Commissionerates.

1.4 Customs Receipts

1.4.1 Customs receipts, before the introduction of Goods and Service Tax (GST), comprised Basic Customs Duty (BCD), Additional Duty and Special Additional Duty (SAD). All imports are also subjected to Social Welfare Surcharge (SWS) in place of Education Cess and Secondary and Higher Education Cess w.e.f. February 2018. In addition, Anti-Dumping Duty (ADD) and Safeguard Duty (SD) are leviable wherever applicable.

1.4.2 From 1 July 2017, CVD and SAD on imports have been subsumed into IGST for all goods except petroleum products and alcoholic liquor for human consumption. Tobacco products continue to attract both Central Excise and IGST. IGST is levied in addition to Basic Customs Duty (BCD) under the Customs Tariff Act. Further, GST Compensation Cess applies to specified luxury and demerit goods. Levy of Education Cess, Anti-Dumping Duty (ADD), and Safeguard Duty remains unchanged.

1.5 Budget Estimates and Actual Receipts

1.5.1 The Receipt Budget of the Union Government provides budget estimates of tax and non-tax revenues of the Government. Comparison of budget estimates with actual receipts is an indicator of quality of fiscal management. The actuals may differ from the estimates either due to unexpected events or due to unrealistic assumptions.

1.5.2 Budget Estimates (BE), Revised Estimates (RE) and actual Customs Receipts during FY 20 to FY 24 are given in **Table 1.1**.

Table 1.1: Budget and Revised Estimates, actual receipts

Year	Budget estimates ₹ in Cr.	Revised estimates ₹ in Cr.	Actual receipts ₹ in Cr.	Difference between Actual and BE ₹ in Cr.	*Per cent* variation between Actual and BE	Difference between Actual and RE ₹ in Cr.	*Per cent* variation between Actual and RE
FY 20	1,55,904	1,25,000	1,09,283	(-)46,621	(-)29.90	(-)15,717	(-)12.57
FY 21	1,38,000	1,12,000	1,34,750	(-)3,250	(-)2.36	(+)22,750	(+)20.31
FY 22	1,36,000	1,89,000	1,99,728	(+)63,728	(+)46.86	(+)10,728	(+)5.68
FY 23	2,13,000	2,10,000	2,13,372	(+)372	(+)0.17	(+)3,372	(+)1.61
FY 24	2,33,100	2,18,680	2,33,119	(+)19	(+)0.008	(+)14,439	(+)6.6

***Source:** Union Budget and Finance Accounts for respective years and MoF (CBIC) letter No.307/46/2022-PAC-CUS dated 07.03.2025*

1.5.3 The variation between RE and actual receipts ranged between (-)12.57 *per cent* to 20.31 *per cent* during FY 20 to FY 24. Variation between BE and actuals was in the range of (-)29.90 *per cent* to 46.86 *per cent* during the same period.

1.5.4 Actual Customs receipts during FY 24 increased by (+)0.008 *per cent* (₹19 crore), while during FY 22, they were more than by (+)46.86 *per cent* (₹63,728 crore) in comparison to their BE. The actual receipts during FY 24 have marginally exceeded the RE because the revised estimates were fixed on the basis of revenue trends till November 2024. However, the Ministry stated that Customs Duty collection in the FY 24 was skewed in the last two months on account of discrepancy in the data flow in the previous months during FY 24, as the collection for last two months was 23.60 *per cent* of the total collection for FY 24.

Department of Revenue (CBIC), for variation with RE/BE, stated (March 2025), that Customs Duty structure has been guided by conscious policy of the government to incentivize domestic manufacturing with focus on increased value addition under Make in India and Atma Nirbhar Bharat schemes, which inter-alia envisages imposition of lower import duty on raw materials and discourages the import of non-essential items. Keeping this policy of government as guiding principle, Customs duty targets for budgets estimates for FY 24 was set at the time of presentation of budget during February 2024 under various assumptions based on the prevailing macro-economic conditions, past revenue trends and estimated tax buoyancy.

DoR, further stated that while fixing revised targets, Customs duty collection trends were reviewed by the Department along with the prevailing macro-economic condition. Accordingly, Customs duty target was revised at the RE stage.

DoR attributed the increase in Customs receipts compared to RE during FY 24 also to the fact that the Department regularly monitors factors affecting the economy and made intervention by way of calibrating Customs duty rate structure as and when required. After presentation of the Budget, changes were made in Customs Duty structure to address inversion in duty structure.

1.6 Growth of Customs Receipts

1.6.1 **Table 1.2** gives the relative growth of Customs receipts with reference to Gross Domestic Product (GDP), Gross Tax Revenue (GTR) receipts and Gross Indirect Tax receipts during FY 20 to FY 24.

Table 1.2: Growth of Customs Receipts

Year	Customs Receipts ₹ in Cr.	Year on year growth *per cent*	GDP ₹ in Cr.	Customs Receipts as % of GDP	Gross Tax Revenue (GTR) ₹ in Cr.	Customs Receipts as % of GTR	Gross Indirect Taxes ₹ in Cr.	Customs Receipts as percentage of Indirect Taxes
FY 20	1,09,283	(-)7.24	2,01,03,593	0.54	20,10,059	5.44	8,59,122	12.72
FY 21	1,34,750	23.30	1,98,54,096	0.68	20,27,102	6.65	10,76,891	12.51
FY 22	1,99,728	48.22	2,35,97,399	0.85	27,09,315	7.37	12,97,797	15.39
FY 23	2,13,372	6.83	2,68,90,473	0.79	30,54,192	6.99	13,91,164	15.34
FY 24	2,33,119	9.25	3,01,22,956	0.77	34,65,519	6.73	15,05,954	15.48

***Source:** Union Budget & Finance Accounts for respective years, GDP figures from National Statistical Office, MoSPI press note dated 30th May 2025.*

1.6.2 Customs receipts growth rate on Year-on-Year (YoY) basis had shown a growth of 9.25 *per cent* during FY 24 and in the last five years (FY 20 to FY 24) Customs receipts increased by 113 *per cent* in FY 24 over FY 20. Further, in last five years (FY 20 to FY 24) Customs receipts as percentage of GDP had shown an oscillating trend in the range of 0.54 *per cent* to 0.85 *per cent*. Customs receipts as percentage of GTR (Gross Tax Revenue) had also fluctuating trends in the range of 5.44 *per cent* to 7.37 *per cent* during the same period.

1.6.3 During FY 24, the percentage of Customs receipts to GDP (0.77 *per cent)* had shown a downward movement as compared to 0.79 *per cent* in FY 23. Customs receipts as a percentage of GTR had also decreased to 6.73 *per cent* in FY 24 as compared to 6.99 *per cent* in FY 23.

1.6.4 During FY 24, the Customs receipts to GDP ratio was less than one *per cent* (0.77 *per cent*) while Customs receipts as a percentage of GTR were 6.73 *per cent*. However, Customs receipts as a percentage of Indirect taxes were 15.48 *per cent*

1.7 India's Imports and Exports

1.7.1 Top ten import trading partners

During FY 24, India's major import trading partners were China, Russia, UAE, USA, Saudi Arabia, Iraq, Indonesia, Switzerland Singapore and Korea. Imports from these top ten import trading partners during FY 23 and FY 24 accounted for more than half of India's total imports made during the period **(Table 1.3).**

Table 1.3: Imports from top ten import trading partners' year on year growth FY 24 over FY 23

Sl. No.	Country	Imports FY 24 (₹ in cr.)	Imports FY 23 (₹ in cr.)	Growth % FY 24 over FY 23	%age Share of total imports in FY 24	%age Share of total imports in FY 23
1	China	8,42,386	7,90,932	6.51	15.00	13.76
2	Russia	5,06,386	3,74,003	35.40	9.02	6.50
3	UAE	3,97,826	4,27,406	-6.92	7.08	7.43
4	USA	3,49,319	4,08,621	-14.51	6.22	7.11
5	Saudi Arabia	2,60,116	3,37,572	-22.94	4.63	5.87
6	Iraq	2,48,196	2,75,202	-9.81	4.42	4.79
7	Indonesia	1,93,863	2,30,815	-16.01	3.45	4.01
8	Switzerland	1,76,010	1,26,758	38.86	3.13	2.20
9	Singapore	1,75,548	1,89,828	-7.52	3.13	3.30
10	Korea	1,75,040	1,70,632	2.58	3.12	2.97
	Sub Total	**33,24,690**	**33,31,768**			
Percentage				***-0.21***	**59.20**	**57.95**
India's total Imports		**56,16,042**	**57,49,801**		**100**	**100**

Source: EXIM Data, Ministry of Commerce and Industry

Imports from ten major import-trading partners during FY 24 had shown a decreasing trend as compared with imports made during FY 23. However, the most significant increase of 38.86 *per cent* was in imports from Switzerland during FY 24, and the most significant decrease of 22.94 *per cent* was in imports from Saudi Arabia.

1.7.2 Top ten export-trading partners

During FY 24, India's major export trading partners were USA, UAE, Netherland, China, Singapore, UK, Saudi Arabia, Bangladesh, Germany, and Italy. Exports to these top ten export trading partners during FY 23 and FY 24 accounted for about half of India's total exports made during the period **(Table 1.4).**

Table 1.4: Exports to top ten export trading partners' growth of FY 24 over FY 23

Sl. No.	Country	Exports FY 24 (₹ in cr.)	Exports FY 23 (₹ in cr.)	Growth % FY 24 over FY 23	%age Share of total Exports in FY 24	%age Share of total Exports in FY 23
1	USA	6,41,766	6,30,152	1.84	17.73	17.40
2	UAE	2,95,094	2,53,852	16.25	8.15	7.01
3	Netherland	1,85,260	1,74,409	6.22	5.12	4.82
4	China	1,37,966	1,22,774	12.37	3.81	3.39
5	Singapore	1,19,392	96,185	24.13	3.30	2.66
6	UK	1,06,964	91,715	16.63	2.96	2.53
7	Saudi Arabia	95,714	86,271	10.95	2.64	2.38
8	Bangladesh	91,652	97,785	-6.27	2.53	2.70
9	Germany	81,459	81,397	0.08	2.25	2.25
10	Italy	72,553	69,763	4.00	2.00	1.93
	Sub Total	**18,27,823**	**17,04,303**			
Percentage				***7.25***	***50.51***	***47.06***
India's Total Exports		**36,18,952**	**36,21,550**		**100**	**100**

Source: EXIM Data, Ministry of Commerce and Industry

Exports to top ten major export trading partners during FY 24 had shown increasing trend as compared with exports made during FY 23. However, the most significant increase of 24.13 *per cent* was in exports to Singapore during FY 24 and decrease of 6.27 *per cent* was in exports to Bangladesh.

1.7.3 India's trade imbalance with its top ten trading partners based on total trade

During FY 24, India's trade imbalance with its top ten trading partners (USA, China, UAE, Russia, Saudi Arabia, Singapore, Iraq, Indonesia, Hong Kong, and Korea) was 89.84 *per cent* {(-) ₹17,94,125 crore} of the total trade imbalance {(-)₹19,97,090 crore}. The details of imports and exports from the top ten trading partners during FY 24 are depicted in **Table 1.5.**

Table 1.5: India's top ten trading partners for FY 24

	FY 24		Values: ₹ in crore		
Rank	**Country**	**Export**	**Import**	**Total Trade**	**Trade Balance[1]**
1	USA	6,41,766	3,49,319	9,91,085	2,92,448
2	China	1,37,966	8,42,386	9,80,353	-7,04,420
3	UAE	2,95,094	3,97,826	6,92,921	-1,02,732
4	Russia	35,288	5,06,386	5,41,674	-4,71,098
5	Saudi Arabia	95,714	2,60,116	3,55,831	-1,64,402
6	Singapore	1,19,392	1,75,548	2,94,940	-56,156
7	Iraq	27,767	2,48,196	2,75,962	-2,20,429
8	Indonesia	49,515	1,93,863	2,43,379	-1,44,348
9	Hong Kong	68,299	1,69,363	2,37,662	-1,01,064
10	Korea	53,115	1,75,040	2,28,155	-1,21,925
Total of Top 10 countries		***15,23,918***	***33,18,043***	***48,41,961***	***-17,94,125***
India's Total		**36,18,952**	**56,16,042**	**86,92,838**	**-19,97,090**
Share percentage of Top 10 countries in India's total trade		***42.11***	***59.08***	***55.70***	***89.84***

Source: EXIM Data, Ministry of Commerce and Industry

1.7.4 India's total Import and Export during FY 20 to FY 24

The **Table 1.6** depicts the growth trend of India's imports and exports during FY 20 to FY 24.

Table 1.6: India's Import and Export during FY 20 to FY 24

Year	Imports ₹ in Cr.	% growth over previous year	Exports ₹ in Cr.	% growth over previous year	Trade Imbalance ₹ in Cr.
FY 20	33,60,954	(-)6.50	22,19,854	(-)3.81	(-)11,41,100
FY 21	29,15,958	(-)13.24	21,59,043	(-)2.74	(-)7,56,915
FY 22	45,72,771	56.82	31,47,021	45.76	(-)14,25,750
FY 23	57,49,801	25.74	36,21,550	15.08	(-)21,28,251
FY 24	56,16,042	(-)2.33	36,18,952	(-)0.07	(-)19,97,090

Source: EXIM Data, Ministry of Commerce & Industry

[1] *Trade balance is the difference between exports and imports. Negative figures indicate a negative trade balance, where imports exceed the exports.*

In FY 24, India's overall export in value was ₹36,18,952 crores as compared to ₹36,21,550 crores in FY 23, registering negative growth of (-)0.07 *per cent*. In FY 24, India's overall import in value was ₹56,16,042 crores as compared to ₹57,49,801 crores in FY 23, also registering a negative growth of (-)2.33 *per cent*.

YoY growth rate of imports had shown a varying trend during FY 20 to FY 24 from (-)13.24 *per cent* to 56.82 *per cent*, which was attributed to COVID pandemic (FY 20 to FY 21). The growth rate in exports also shown swing from (-)3.81 *per cent* to 45.76 *per cent* during the same period. However, trade balance for overall trade during FY 24 had improved as compared to FY 23 because the reduction in imports outweighed the decline in exports.

1.8 Share of top five commodity groups in Imports and Exports during FY 24

1.8.1 During FY 24, the highest import of ₹18,13,985 crore was recorded for the commodity 'Mineral fuels and products of their Distillation' which constitutes the largest share of 32.30 *per cent* in India's total import. The top five principal commodities of import during FY 24 along with percentage share are described in **Table 1.7**. These commodity groups accounted for 67.97 *per cent* share of India's total imports made during FY 24 which is approximately two-third of the total import.

Table 1.7: Share of top five commodity groups in Imports during FY 24

Sl. No.	Name of the Commodity	Import Value (₹ in crore)	*Per cent* to total Import
1	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes (Chapter-27)	18,13,985	32.30
2	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image, Sound Recorders and Reproducers, and Parts (Chapter-85)	6,56,670	11.69
3	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad with Precious Metal and Articles thereof; Imitation Jewellery; Coins (Chapter-71)	6,50,015	11.57
4	Machinery and Mechanical Appliances; Parts thereof (Chapter-84)	4,75,313	8.46
5	Organic Chemicals (Chapter-29)	2,21,365	3.94
	Sub total	**38,17,349**	**67.97**
6	Others (Except Chapter-27, 85, 71, 84, 29)	17,98,693	32.03
	Total	**56,16,042**	**100**

Source: EXIM Data, Ministry of Commerce & Industry

1.8.2 During FY 24, the highest export of ₹7,25,404 crore was recorded in 'Mineral fuels and products of their Distillation', which constitute the largest share of 20.04 *per cent* in India's total exports. The top five principal commodities of export during FY 24 along with percentage share are depicted in **Table 1.8**.

The share of the five major commodity groups in exports during FY 24 was 47.37 *per cent* of India's total exports, which is almost half of the total exports.

Table 1.8: Share of top five commodity groups in exports during FY 24

Sl. No.	Name of The Commodity	Export Value (₹ In Crore)	*Per Cent* To total Export
1	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes. (Chapter-27)	7,25,404	20.04
2	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image, Sound Recorders and Reproducers, and Parts. (Chapter-85)	2,84,963	7.87
3	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad with Precious Metal and Articles thereof; Imitation Jewellery; Coin. (Chapter-71)	2,72,097	7.52
4	Machinery and Mechanical Appliances; Parts thereof. (Chapter-84)	2,48,866	6.88
5	Pharmaceutical Products (Chapter-30)	1,83,052	5.06
	Sub total	**17,14,382**	**47.37**
6	Others (Except Chapter-27, 85, 71, 84, 30)	19,04,570	52.63
	Total	**36,18,952**	**100**

Source: EXIM Data, Ministry of Commerce & Industry

1.9 Performance of Special Economic Zones

1.9.1 The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February, 2006, providing for simplification of procedures and for single window clearance on matters relating to Central as well as State Governments. In terms of the SEZ Act, 2005, an SEZ may be set up either jointly or severally by the Central Government, State Government or any person for manufacture of goods or rendering services or for both or as a Free Trade Warehousing Zone (FTWZ). Such proposals duly recommended by the concerned State Government are considered by the Board of Approval (BoA) for SEZs.

The main objectives of the SEZ Act are:

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities
- development of infrastructure facilities

After notification of SEZ Rules in February 2006, as of 1st April 2024, the Department of Commerce had granted 423 formal approvals for setting up SEZs, out of which, 375 had been notified, of which only 280 SEZs were operational **(Annexure 1)** i.e. 66.19 *per cent* of the total approved SEZs. As on 1st April 2024, there were total 6,279 units approved in SEZs.

1.9.2 The SEZ scheme has generated tremendous response among the investors, both in India and abroad which is evident from the flow of investment and creation of additional employment in the country. In addition to earning of foreign exchange and development of infrastructure, SEZs have achieved significant local area impact in terms of direct as well as indirect employment, emergence of new activities, changes in consumption pattern and social life. The three parameters of SEZ performance (i) Export performance, (ii) Investment, and (iii) Employment for the period FY 20 to FY 24 are given in **Table 1.9** below.

Table 1.9: Performance of SEZs

	FY 20	FY 21	FY 22	FY 23	FY 24
Export performance (₹ in crore)	7,96,669 (14%)*	7,59,524 (-5%)*	9,90,747 (30%) *	12,63,578 (28%) *	13,55,220 (7.25) *
Investment (₹ in crore)	5,71,735 (13%)*	6,17,499 (8%)*	6,49,705 (5%) *	6,60,184 (2%) *	7,07,341 (7.14) *
Employment (in person)	22,38,305 (8%)*	23,58,136 (5%)*	26,96,180 (14%) *	28,95,612 (7%) *	31,94,104 (10.31) *

Source: Ministry of Commerce & Industry ****Figures in bracket indicate YoY growth***

Exports from SEZ, which stood at ₹13.55 lakh crore in FY 24, had overall growth of 70.11 *per cent* over exports made in FY 20 (₹7.96 lakh crore). The exports growth percentage had increased to 7.25 *per cent* in FY 24 over FY 23 with exports of ₹13.55 lakh crore. The exports growth exhibits an increasing trend in FY 22 after declining effects of Corona pandemic in FY 21. However, the YoY growth in exports had continuously decreased from 30 *per cent* in FY 22 to 7.25 *per cent* in FY 24 as compared to previous years (**Table 1.9 and Annexure 1)**.

1.9.3 A total of ₹7.07 lakh crore had been invested in SEZs during FY 24 which resulted in generation of employment for 31.94 lakh persons. Investment had registered an incremental growth of 23.72 *per cent* in FY 24 (₹7.07 lakh crore) over investment of ₹5.72 lakh crore made in FY 20. During the same period, employment generated had registered growth of 42.70 *per cent* **(Table 1.9).**

1.10 Cost of Collection of Customs Receipts during FY 22 to FY 24

1.10.1 Cost of collection is the cost incurred on collection of Customs Duties and comprises of expenditure on Import/Export Trade control functions, preventive functions, transfers to reserve fund/deposit account and other expenditure. The cost of collection of Customs receipts for the period from FY 22 to FY 24 is given in **Table 1.10** overleaf.

Table 1.10: Cost of Collection during FY 22 to FY 24

(₹ in Crore)

Expenditure Heads	FY 22	FY 23	FY 24
Expenditure on Revenue-cum Import /export and trade control functions	833	928	799
Expenditure on preventive and other functions	4,279	5,275	5,878
Transfer to Reserve Fund, Deposit A/c and other expenditure	19	23	15
Remission of Duties and Taxes on exported products	12,016	13,175	15,019
Rebate on State and Central Taxes and levies	9,176	7,659	8,033
Rebate under Merchandise Exports from India Scheme (MEIS)	23,051	1,248	123
Rebate under Service Exports from India Scheme (SEIS)	4,099	2,610	1,252
Rebate/Incentive under Target Plus Scheme (TPS)	766	129	37
Rebate under other Schemes	213	61	91
Total Expenditure	**54,452**	**31,109**	**31,247**
Customs Receipts	*1,99,728*	*2,13,372*	2,33,119
Cost of collection as percentage of Customs Receipts	**27.26**	**14.58**	**13.40**

Source: Finance Accounts of the Union Government for respective years

1.10.2 Expressed in terms of percentage of Customs receipts, cost of collection was 27.26 *per cent* in FY 22 and 13.40 *per cent* in FY 24. The decrease in cost of collection was because of decreasing expenditure under heads 'Rebate under MEIS, Rebate under SEIS, Rebate/Incentive under TPS, Rebate on State and Central Taxes and levies and Rebate under other Schemes'.

1.11 Arrears of Customs Duties

1.11.1 Recovery of arrears of Customs Duties is the overall responsibility of the jurisdictional Commissioners. They are required to review and monitor the functions of recovery cell functioning within the Commissionerates. Every year, recovery targets are fixed for each Commissionerate. Details of target fixed and achievement for recovery of Customs Duties arrears during FY 20 to FY 24 are depicted in the **Table 1.11**.

Against the recovery target of ₹13,449 crore in FY 24, the Department had recovered ₹2,029 crore (15.09 *per cent*), leaving a balance of ₹11,420 crore (84.91 *per cent*) (**Table 1.11**).

Table 1.11: Recovery target fixed and achieved during FY 20 to FY 24

Year	Arrear Target (₹ in Cr.)	Target Achieved (₹ in Cr.)	Target Shortfall (₹ in Cr.)	Percentage of Shortfall
FY 20	4,044	1,952	(-)2,092	(-)51.73
FY 21	4,108	1,128	(-)2,980	(-)72.54
FY 22	3,767	1,673	(-)2,094	(-) 55.59
FY 23	9,707	1,898	(-)7,809	(-)80.45
FY 24	13,449	2,029	(-)11,420	(-)84.91

Source: MoF letter no. F.No.307/46/2022-PAC-CUS dated 07.03.2025 for FY 23 & FY 24

The above table depicted that the Department had not achieved the targets fixed by CBIC to recover Customs Duties arrears. The shortfall in target was (-) 84.91 *per cent* in FY 24. There was continuous shortfall in achieving the targets fixed to recover Customs Duties arrears since the last five years. The vacancies in overall staff strength may have affected the recovery arrears target. The overall shortage in staff strength was 39.32 *per cent* as on January 2024.

Board has issued instructions/Circulars relating to recovery of arrears under Central Excise, Service Tax and Customs from time to time. Considering the changes that have taken place, especially after the introduction of GST in July 2017, it has become imperative to update and revamp the procedure for recovery of arrears of Indirect Taxes and Customs.

1.11.2 The arrears of Customs Duty are duties raised by the Department but not recovered due to various reasons like pendency of adjudication, disputed claims, and provisional assessments. Total Customs arrears amounted to ₹1,10,643 crore as on 31 March 2024. The Customs revenue arrears for FY 20 to FY 24 are depicted in the **Table 1.12** below.

Table 1.12: Arrears of Customs Duties

Year	Arrear of Customs Duties under dispute (₹ in Cr.)	Arrear of Customs Duties not under dispute (₹ in Cr.)	Total Arrears (₹ in Cr.)	Percentage of arrears under dispute to total arrears	Percentage of arrears not under dispute to total arrears
FY 20	36,951	8,101	45,052	82.02	17.98
FY 21	34,215	8,386	42,601	80.32	19.68
FY 22	41,917	9,867	51,784	80.95	19.05
FY 23	42,241	13,612	55,853	75.63	24.37
FY 24	85,103	25,540	1,10,643	76.92	23.08

***Source: MoF letter no. F.No.307/46/2022-PAC-CUS dated 07.03.2025* for FY 23 & FY 24**

1.11.3 The arrears of Customs Duties had risen steadily during FY 20 to FY 24. The total arrear of Customs revenue pending as on March 2024 (₹1,10,643 crore) had increased by 49.52 *per cent* in comparison to pendency as on March 2023 (₹55,853 crore) and almost doubled. The overall arrears in Customs Duties had grown by 145.59 *per cent* in FY 24 compared to FY 20.

1.11.4 Amount of arrears under dispute as a proportion to total arrears had marginally decreased from 82.02 *per cent* in FY 20 to 76.92 *per cent* in FY 24 and stood at ₹85,103 crore.

1.11.5 Arrears not under disputes (₹25,540 crore) pending as on 31 March 2024 were 23.08 *per cent* of total arrears (₹1,10,643 crore). The arrears not under disputes had decreased in FY 24 (23.08 *per cent*) in comparison to previous year.

1.11.6 **Table 1.12** depicted that the arrears under dispute and the arrears not under dispute had almost doubled in FY 24 in comparison to FY 23. The doubling of both disputed and undisputed arrears from FY 23 to FY 24 signals a critical weakness in the Customs Department's revenue recovery mechanisms, likely stemming from inefficiencies in collection processes, legal delays, or inadequate enforcement.

1.11.7 Out of total 20 Zones {11 Customs Zones and nine combined (Customs and GST Zones)}, 10 Zones accounted for 90.81 *per cent* (₹1,00,480 crore) of total arrears pending (₹1,10,643 crore) during FY 24 as shown in **Table 1.13.**

Table 1.13: Zone wise Arrears of Customs revenue as on 31 March 2024

Rank	Chief Commissioner Zones	Amount under Dispute (₹ in crore)	Amount not under dispute (₹ in crore)	Amount pending as on 31.03.2024 (₹ in crore)
1	Mumbai - III Customs	37,478	12,491	49,969
2	Ahmedabad Customs	10,752	2,058	12,809
3	Bengaluru Customs	8,076	1,022	9,098
4	Delhi Customs	4,874	3,213	8,087
5	Mumbai - II Customs	6,225	541	6,766
6	Mumbai - I Customs	2,444	509	2,954
7	Delhi Preventive	2,426	527	2,952
8	Chennai Customs	1,685	1,070	2,755
9	Bhopal CE & GST	1,547	1,173	2,720
10	Kolkata Customs	2,089	280	2,368
	Sub-total top 10	**77,596**	**22,884**	**1,00,480**
11	Total of others	7,507	2,589	10,163
	Grand Total	**85,103**	**25,540**	**1,10,643**

Source: Ministry of Finance letter no. F.No.307/46/2022-PAC-CUS dated 07.03.2025 **for FY 24**

1.11.8 Chief Commissionerates of Customs, Mumbai - III Customs had the highest quantum of arrears of Customs Duty in FY 24, followed by Ahmedabad, Bengaluru, Delhi Customs, Mumbai-II, Mumbai-I, Delhi Preventive, Chennai, Bhopal-CE&GST and Kolkata Customs Zones in that order.

1.11.9 Age wise Arrears of Customs revenue for FY 20 to FY 24 are depicted in the **Table 1.14**.

Table 1.14: Age wise pendency of Arrears of Customs Revenue for FY 20 to FY 24

Year	Amount under dispute (₹ in Cr.)				Amount not under dispute (₹ in Cr.)				Grand total (col.5+9)
	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.2+3+4)	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.6+7+8)	
1	2	3	4	5	6	7	8	9	10
FY 20	29,226	6,128	1,597	**36,951**	6,243	864	994	**8,101**	**45,052**
FY 21	25,077	7,599	1,539	**34,215**	6,285	918	1,183	**8,386**	**42,601**
FY 22	31,558	8,436	1,923	**41,917**	7,667	966	1,234	**9,867**	**51,784**
FY 23	31,603	7,253	3,385	**42,241**	10,086	1,989	1,537	**13,612**	**55,853**
FY 24	72,326	9,270	3,507	**85,103**	21,210	2,696	1,634	**25,540**	**1,10,643**

Source: MoF letter no. F.No.307/46/2022-PAC-CUS dated 07.03.2025 **for FY 23 & FY 24**

Age analysis of arrears not under dispute revealed that out of total ₹25,540 crore, ₹4,330 crore (16.95 *per cent*) was lying unrecovered for more than five years. Of which, recovery of an amount of ₹1,634 crore was pending for more than ten years.

1.11.10 Further, there were 13,027 defaulters in 20 Zones (as on 1 April 2023) from whom Customs revenue of ₹5,908 crore was due for recovery. There was an addition of 1,630 new defaulters during FY 24 having revenue liability of ₹2,619 crore. After recoveries in few cases there were 11,920 defaulters having arrears of ₹7,992 crore as on 31 March 2024. The pendency of arrears and slow recovery may be attributed to vacancies under various categories of post. The Ministry needs to take effective steps for strengthening the Department's recovery mechanism.

1.12 Internal Audit

1.12.1 The internal audit of CBIC and its field formations comprises of technical audits conducted by Directorate General of Audit {DG (Audit)} and audit of payments and accounts conducted by the Principal Chief Controller of Accounts (Pr. CCA). DG (Audit) has its Headquarters located in Delhi, headed by Director General (Audit) with seven zonal units at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata and Mumbai, each headed by an Additional Director General. Every zonal unit of DGA has area wise jurisdictional control over zonal units of the Chief Commissioner and Commissionerates there under.

1.12.2 The Customs Act, 1962, provide a statutory framework for conducting Post clearance audit. DG (Audit) had planned two types of Post Clearance Audit i.e. Transaction Based Audit (TBA) and Premises Based Audit (PBA).

1.12.3 Transaction Based Audit (TBA) means examination of Bill of Entry (Import document)/Shipping Bill (Export document) for verifying compliance to all the legal provisions and to check for any short levy or non-levy. TBA normally does not require the auditor to visit the premise but if required it may involve a field audit also. During FY 23, a total of 5,43,916 BsE were planned to be audited in TBA. Audit was conducted for 8,67,669 BsE which were more than the audit planned as it included some BsE from the previous year. DG (Audit) detected duty evasion of ₹799.50 crore, of which duty of ₹146.39 crore had been recovered.

1.12.4 Premise Based Audit (PBA) means that the legal compliance and correct assessment of Customs duties will be verified at the premise of the importers and exporters. Identification of auditees for the PBA will be done based on the risk parameters. PBA will be conducted once in two/three/five years for Authorized Economic Operator (AEO) Tier-1/Tier-2/Tier-3 respectively. During FY 23, against planned 174 units for audit, 176 units actually audited, as it included some units from the previous year. Duty evasion of ₹274.91 crore was detected by DG (Audit) during PBA. Out of which, duty of ₹64.54 crore had been recovered.

1.12.5 Pr. CCA conducts internal audit of payments and accounts of CBIC and its field formations. According to information given by CBIC, 80 audit observations amounting to ₹208.95 lakh[2] pointed by Pr. CCA during FY 24 were pending as on 31st March 2024. These mainly consisted of the following irregularities:

a) Overpayments -₹84.76 lakh (23 cases);

b) Non-recovery of government dues from Central Govt./State Govt. bodies/Private Parties- ₹11.04 lakh (18 cases);

c) Irregular Purchase-₹40.28 lakh (14 cases);

d) Blocking of Government money- ₹67.39 lakh (11 cases);

e) Other irregularities: Irregular expenditure/LTC Advance/any other items of special nature-₹5.48 lakh (14 cases);

There was a decreasing trend in the pending irregularities amount in FY 24 (₹208.95 lakh) over FY 23 (₹42,669 crore).

The Principal Chief Controller of Accounts stated (February 2025) that an amount of ₹42,664 crore out of outstanding amount of ₹42,669 crore reported in FY 23 pertained to adjudication cases and should not have been treated as outstanding recoveries, as adjudication is a regular, recurring process between the Department and taxpayers. Further, ₹2.11 crore during FY 23 related to the blocking of Government funds in Government e-Marketplace, which lapse at the end of the financial year and therefore should also have been excluded from outstanding recoveries at the end of the financial year.

1.13 Tax Evasion and Seizures

1.13.1 According to information furnished (February/March2025) by CBIC/DRI-MoF regarding tax evasion cases detected by DRI during FY 24, the number of duty evasion cases moved down from 761 in FY 20 to 532 in FY 24, and however, the value was increased from ₹2,183 crore to ₹5,609 crore during the same period **(Annexure 2).** The details of recoveries made in cases detected have not been provided.

1.13.2 As per MoF, the major commodities (by value) seized during FY 24 are Narcotics, Gold, Cigarettes, Indian Currency, Diamonds/Precious Stone, Foreign Currency, Electronics items, Vehicles/Vessels, Silver, and others. The value of Narcotics seized by DRI was ₹2,273 crore (60 *per cent*) out of total ₹3,789 crore.

[2] *MoF letter no. No.IA/NZ/HQ/CAG/Information/2023-24/179 dated 18.02.2025 for FY 24*

1.14 Human Resource

1.14.1 Cadre wise rationalisation/reorganisation of Human Resource at all levels for Customs formations in CBIC was last done in the year 2017-18. There was an overall vacancy of 10,491 Customs officers/officials posts (as on January 2024). These vacant posts constituted 39.32 *per cent* of the total sanctioned strength (26,681).

Table 1.15: Human Resources in CBIC

As on date	Sanctioned Strength			Total Gr. A, B & C	Working Strength			Total Gr. A, B & C
	Gr. A	Gr. B	Gr. C		Gr. A	Gr. B	Gr. C	
01.01.2022	1,280	16,811	8,588	**26,679**	814	9,530	3,791	**14,135**
01.07.2022	1,282	16,807	8,592	**26,681**	763	9,680	3,706	**14,149**
01.01.2023	1,162	16,807	8,592	**26,681**	683	9,918	3,508	**14,175**
01.01.2024	1,162	16,807	8,592	**26,681**	930	11,361	3,826	**16,190**

As on date	Vacancy							
	Gr. A	Percentage	Gr. B	Percentage	Gr. C	Percentage	Total Gr. A, B & C	Overall %age
01.01.2022	**466**	**36.41**	**7,281**	**43.31**	**4,797**	**55.86**	**12,544**	**47.02**
01.07.2022	**519**	**40.48**	**7,127**	**42.40**	**4,886**	**56.57**	**12,532**	**46.97**
01.01.2023	**479**	**41.22**	**6,889**	**40.99**	**5,084**	**59.17**	**12,506**	**46.87**
01.01.2024	**232**	**19.97**	**5,446**	**32.40**	**4,766**	**55.47**	**10,491**	**39.32**

Source: Directorate General (HRD)-CBIC letter dated 05.03.2025 for FY 23 & FY 24

1.15 Conclusion

In FY 24, India's overall export in value was ₹36,18,952 crores as compared to ₹36,21,550 crores in FY 23, registering negative growth of (-)0.07 per cent. In FY 24, India's overall import in value was ₹56,16,042 crores as compared to ₹57,49,801 crores in FY 23, also registering a negative growth of (-)2.33 *per cent*.

During FY 24, both imports and exports declined. However, since imports fell more than exports, the trade deficit narrowed to ₹19,97,090 crore in FY 24 from ₹21,28,251 crore in FY 23.

The commodities covered under Chapters 27, 85, 71, 84 and 29 of the Customs Tariff accounted for 68 *per cent* share of India's total imports made during FY 24. While the share of five major commodities exported during FY 23 covered under Chapters 27, 85, 71, 84 and 30 of the Customs Tariff was 47 *per cent* of India's total exports.

Out of total 20 Zones {11 Customs Zones and nine combined (Customs and GST Zones)}, 10 Zones accounted for 90.81 *per cent* (₹1,00,480 crore) of total arrears pending (₹1,10,643 crore) during FY 24. Chief Commissionerates of Customs, Mumbai - III Customs had the highest quantum of arrears of Customs Duty in FY 24, followed by Ahmedabad, Bengaluru, Delhi Customs, Mumbai-II, Mumbai-I, Delhi Preventive, Chennai, Bhopal-CE&GST and Kolkata Customs Zones in that order.

The Department had not achieved the targets fixed by CBIC to recover Customs Duties arrears. The shortfall in target was (-) 84.91 *per cent* in FY 24 (**Table 1.11**). There was continuous shortfall in achieving the targets fixed to recover Customs Duties arrears since the last five years (FY 20 to FY 24).

Age analysis of arrears not under dispute revealed that ₹4,330 crore (16.95 *per cent*) out of total ₹25,540 crore, was lying unrecovered for more than five years, of which recovery of an amount of ₹1,634 crore was pending for more than ten years.

CHAPTER II

CAG's Audit Mandate and Extent of Audit

2.1 Authority of the CAG for audit of receipts

2.1.1 Article 149 of the Constitution of India provides that CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament.

Section 16 of the CAG's DPC Act, 1971 empowers the CAG to audit all receipts (both revenue and capital) of the Government of India and of the State Government and Union Territory having a legislative assembly. The objective of this audit is to ensure that the rules, laws and procedures are adequate to secure an effective assessment and collection of revenue and are duly observed in practice. Regulations on Audit & Accounts (Amendments), 2020, lay down the principles for Receipt Audit.

2.1.2 Compliance audit of Customs revenue covers transactions involving levy and collection of Customs Duties, any other levies of Customs, transactions of imports and exports undertaken under various schemes implemented under the FTP and specific compliance areas reviewed by audit from time to time. The transactions covered in this report pertain to Financial Year (FY) 24, but in some cases, prior period transactions have also been reviewed for getting a holistic picture.

2.2 Scope of Audit

2.2.1 CAG examines the records selected on a risk based sampling approach by the Audit team (in the absence of holistic Pan-India data). The audit covers records of the various functional wings of CBIC, along with the sampled transactional records of Customs field formations relating to imports, exports and refunds. CAG also examines records relating to departmental functions like adjudication, recovery of arrears and preventive functions.

2.2.2 Further, records of the concerned RAs of the Directorate General of Foreign Trade (DGFT) under MoCI are examined in respect of Customs exemption benefits availed by importers/exporters under FTP. Similarly, CAG conducts audit of the Development Commissioners (DCs) of SEZs/EOUs and Software Technology Parks (STPs), including certification of accounts of Central government owned SEZs.

2.3 Audit Universe

2.3.1 Audit universe for Customs Receipt audit includes CBIC, its Customs field formations and the ports (both Electronic Data Interchange (EDI) linked, non-EDI and SEZ) and transactions executed there under i.e. Bills of Entry and Shipping Bills.

2.3.2 Customs field formations are divided into 11 Customs Zones and nine Combined {Customs and GST} Zones with 70 Principal Commissioners/ Commissioners in 20 Zones headed by one Chief Commissioner each. As on 1 April 2024, there were 44 Customs Executive Commissionerates, 13 Customs Preventive Commissionerates, nine Customs Appeal Commissionerates and four Customs Audit Commissionerates.

2.3.3 For the audit of Export Promotion schemes, the audit universe comprises the DGFT, its RAs and the DCs of SEZ/EOU/STP. The DGFT, an attached office of the MoCI, is headed by the Director General of Foreign Trade, is responsible for formulation and implementation of the Foreign Trade Policy (FTP) with the primary objective of promoting India's exports. In this capacity, DGFT issues duty credit scrips/authorizations to exporters and monitors fulfilment of the associated export obligations through a network of 25 regional offices.

2.3.4 Export Promotion Schemes implemented through SEZs and EOUs are audited at the offices of the respective DCs of SEZs/EOUs.

2.4 Access to Auditee data

Audit relies on customs transaction data to draw assurance that laws have been applied correctly to prevent loss of revenue. Lack of full access to pan-India data limits the audit scrutiny to test check of transactions selected at the individual Customs field formations and a limited assurance in certifying revenue receipts.

Pan India import and export transactions data for the period FY 19 to FY 24 requisitioned (June 2019/July/September 2020/2022/2023/24) by Audit in terms of a Memorandum of Undertaking (MoU) signed in March 2015, was not received despite repeated requests. In the absence of pan-India transactional data, audit was conducted by physically visiting 47 out of 70 Commissionerates and using the Customs Receipt Audit (CRA) Module and Import Customs Receipt Audit (ICRA) Module interface of Indian Customs EDI System (ICES), which had their limitations.

Audit has, to the extent possible based on the findings in test check quantified the total number of transactions at risk, through the limited access provided in CRA Module and ICRA Module by the Department. The instances mentioned in this Report are those, which came to notice primarily in the course of test audit conducted during the period FY 24, and in some cases, they pertain to an earlier year.

2.5 Audit sample

During FY 24, a test check of transactions was carried out in 47 out of 70 (67 *per cent*) Commissionerates. The audit of Commissionerates of Customs covered 31 out of 44 Executive Commissionerates, 13 out of 13 Preventive Commissionerates, one out of Nine Appeal Commissionerates and two out of Four Audit Commissionerates. In addition, Audit of licenses/ authorisations under various schemes of FTP granted by the DGFT through its RAs was conducted in 13 out of 25 RAs and eight Development Commissioners (DCs).

Table 2.1: Audit Universe and Sample

Ministry	Audited Entity	Audit Universe	Audit Sample
Ministry Of Finance (Department of Revenue-CBIC)	**Chief Commissionerates of Customs & Preventive**	11	9
	Principal Commissionerate/ Commissionerate	70	47
	Executive Commissionerate	44	31
	Exclusive Preventive Commissionerate	13	13
	Appeal Commissionerate	9	01
	Audit Commissionerate	4	02
Ministry of Commerce and Industry (Department of Commerce - DGFT)	**Regional Authority**	25	13
	Development Commissioner	9	8

2.6 Audit efforts

2.6.1 During FY 24, 195 Inspection Reports were issued to respective Commissionerates/ RAs/DCs containing 1,684 observations and carrying a total revenue implication of ₹472 crore.

2.6.2 Significant and high value cases noticed during audit were issued to the Ministries (MoF/ MoCI) for comments before inclusion in the Audit Report. This report covers 106 audit observations including a SSCA on 'Rebate of State and Central Taxes and Levies (RoSCTL) scheme' involving a total revenue implication of ₹667 crore and were issued to both Ministries during August 2025 to January 2026.

2.6.3 The Ministries/department responded to 105 out of 106 audit observations issued and accepted 104 audit observations, conveying rectification measures involving money value of ₹54 crore in the form of issue of SCNs, adjudication of SCNs and had reported recovery of ₹20 crore in 56 cases of incorrect assessment of Customs Duties.

2.6.4 The FTP prescribes export incentives for Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS). A Subject Specific Compliance Audit (SSCA) was conducted to assess compliance with rules and procedures, internal controls and implementation of the RoSCTL scheme by DGFT and Customs and the findings with revenue implication of ₹603.08 crore are reported in **Chapter III**.

2.6.5 **In Chapter IV**, Audit reported significant findings noticed during test check of Bills of Entry/Shipping Bills and other records at selected Customs Commissionerates and Regional authorities of DGFT with a revenue implication of ₹64.36 crore. The audit findings pertained to 'Misclassification of imports (Paragraphs 4.4.1 to 4.4.15)', 'Errors in application of IGST notification (Paragraphs 4.5.1 to 4.5.4)', 'Incorrect application of exemption notifications (Paragraphs 4.5.5 to 4.5.12)', 'Non-compliance to provisions of Export Promotion Schemes' (Paragraphs 4.6.1 to 4.6.9) and 'Other irregularities (Paragraphs 4.7.1 to 4.7.2)'. Audit findings flagged included certain systemic issues and persistent irregularities.

(A) Systemic issues

Audit noticed systemic issues in a few import cases wherein the RMS allowed clearance at duty rates lower than the prescribed. The RMS needs to address such issues so that the prescribed import conditions are complied with and applicable duties are automatically charged once the BE passes through the system.

A few cases are mentioned below and discussed in Chapter IV of the Report.

(i) Short levy of IGST on import of 'Parts for railway or tramway locomotives and rolling stock' (Paragraph 4.5.4).

(ii) Short levy of BCD on import of Electric Motors for automotive use due to incorrect application of notification (Paragraph 4.5.8).

(B) Persistent irregularities

Similar instances of misclassification of imports and 'Non levy of Anti-Dumping Duty on imports' flagged to the Ministry in the previous Audit Reports continue to be reported in the Customs field formations, notwithstanding assurances of the CBIC that their field formations have been sensitised to check similar issues cautiously. A few cases are mentioned below:

(i) 'Vitamins/Pro-vitamins' imports misclassified as 'animal feed preparations' (Paragraph 4.4.2).

(ii) Non-levy of Anti-Dumping Duty on imports (Paragraph 4.7.2).

2.7 Revenue Impact of Audit Reports

In the five reports pertaining to FY 20 to FY 24, Audit has covered 517 audit paragraphs **(Table 2.2)** involving revenue implication of ₹2,474 crore. Government has accepted observations in 494 audit paragraphs involving amount of ₹350 crore and has recovered amount of ₹213 crore in 341 paragraphs as on May 2026.

Table 2.2: Revenue Impact of Audit Reports

Year	Paragraphs included		Paragraphs accepted		Recoveries effected	
	No.	Amount (₹ in Cr.)	No.	Amount (₹ in Cr.)	No.	Amount (₹ in Cr.)
FY 20	137	143	130	127	93	40
FY 21	105	86	93	71	59	65
FY 22	119	831	118	76	90	72
FY 23	50	747	49	21	43	15
FY 24	106	667	104	55	56	21
Total	**517**	**2,474**	**494**	**350**	**341**	**213**

Source: Previous year's Audit Reports and ATNs

2.8 Acknowledgement

We acknowledge the cooperation of the Customs Department, DCs -SEZ and DGFT in facilitating the Audit by providing the necessary records and information related to the conduct of SSCA and regular compliance audit.

CHAPTER III

Subject Specific Compliance Audit on 'Rebate of State and Central taxes and levies (RoSCTL) Scheme'

3.1 Introduction

The Rebate of State and Central Taxes and Levies (RoSCTL) Scheme is an export incentive initiative introduced by the Government of India to support the textile export sector. The scheme aims to enhance the global competitiveness of Indian textile products by providing reimbursement of certain state and central taxes that are not refunded under the Goods and Services Tax (GST) framework.

The RoSCTL Scheme was launched on 07 March 2019 as a successor to the earlier Rebate of State Levies (RoSL) scheme. It was formulated to align India's export incentive policies with World Trade Organization (WTO) norms by limiting benefits strictly to the refund of actual taxes and levies incurred during the production and distribution process. The scheme was initially implemented by the Directorate General of Foreign Trade (DGFT) for exports made during the period 07 March 2019 to 31 December 2020. Thereafter, the scheme was administered by the Department of Revenue (DoR) w.e.f. 01 January 2021 to 31 March 2024[3] and has subsequently been extended up to 31 March 2026[4].

The scheme is applicable to the export of apparel and made-ups, including readymade garments and home textile products such as bed linen, towels, and curtains, as notified under specific Harmonised System codes. The rebates cover embedded taxes such as VAT on fuel, electricity duty, mandi tax, stamp duty, state levies on transportation, and central excise duty on fuel, which are otherwise not recoverable through existing tax refund mechanisms.

Benefits under the RoSCTL Scheme are provided in the form of duty credit scrips, which are freely transferable and can be utilized for payment of various customs duties. Exporters are required to declare their intention to claim the benefit at the time of export through the Shipping Bill and claims are processed electronically via the ICEGATE portal.

Overall, the RoSCTL Scheme plays a significant role in reducing export costs, promoting competitiveness, and supporting employment in the labour-intensive textile sector, thereby contributing to the growth and sustainability of India's textile exports.

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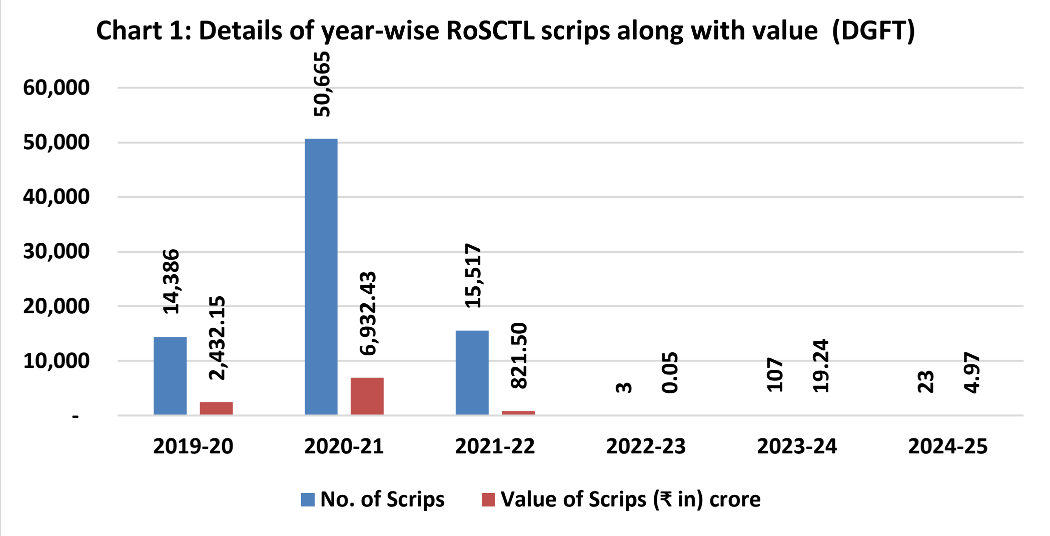
[3] *Ministry of Textiles Notification F. No. 12015/11/2020-TTP. Dated 13.08.2021*

[4] *Ministry of Textiles Notification F. No. 12015/11/2020-TTP. Dated 08.02.2024*

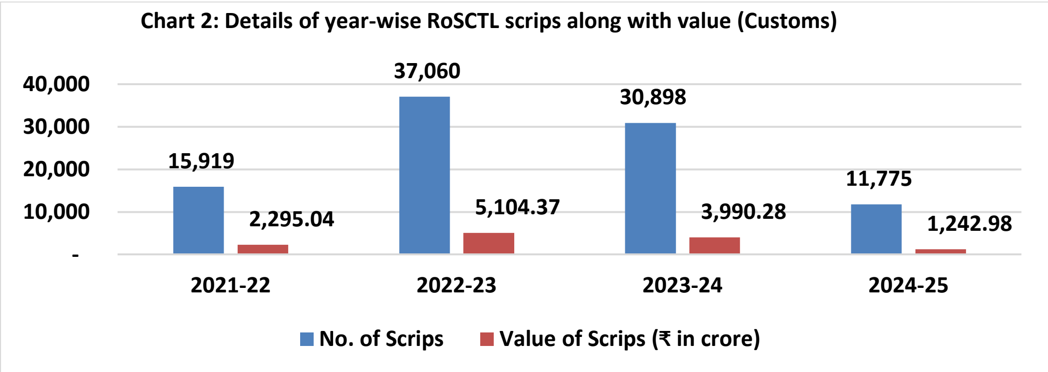
The sectors covered under this scheme (Apparel/Garments and Made ups) are not eligible to get benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme. However, those textile products which are not covered under the RoSCTL are eligible to avail the benefits under RoDTEP along with other products, as finalized by the Department of Commerce (DoC).

3.2. Statistical overview of the RoSCTL Scheme

Analysis of pan-India data on the RoSCTL scheme**,** as received from the DGFT, indicates that a total of 80,701 scrips, involving duty credit of ₹10,201 crore, were issued during the period 2019-20 to 2024-25[5]**.** The year-wise details are depicted below:



An examination of RoSCTL data provided by DG Systems (Customs) New Delhi, DoR revealed that 95,652 scrips**,** involving duty credit of ₹12,633 crore were issued during the period 2021-22 to 2024-25. The year-wise details of the scrips issued are presented below**.**



[5] *The cases reflected during the period 2022–23 to 2024–25 pertained to matters that remained pending due to litigation and review by the Department (DG Headquarters).*

3.3 Audit Objectives

This SSCA was conducted to seek assurance on the following:

I. End-to-End Digitisation

Whether compliance with the prescribed rules and procedures of the RoSCTL Scheme was achieved with respect to end-to-end digitisation covering processing, issuance, eligibility determination, utilisation and transfer of scrips.

II. Monitoring of Export Proceeds

Whether an effective monitoring mechanism exists for realisation of export proceeds within the prescribed timelines, and whether such mechanism is adequate to initiate recovery action in cases of not realising export proceeds or delayed realisation.

III. Internal Controls and Risk Management and Impact Analysis

(a) Whether the internal control measures are sufficient to minimize the risks of revenue loss, misuse and fraud in the implementation of the scheme?

(b) Whether an effective co-ordination mechanism exists among different Government stakeholders- namely the Ministry of Textiles, Ministry of Finance, Customs, DGFT and RBI and whether such co-ordination is adequate to ensure effective budgetary Control?

(c) Whether the scheme is beneficial to increase the competitiveness of the Textile Sector on the global stage (Impact Analysis)?

3.4 Audit Scope, Audit Coverage and Sample

3.4.1 Audit Scope

The audit covered the Ministry of Commerce and Industry (MoCI), the DGFT including its Regional Authorities (RAs), and Customs field formations through the concerned Customs Commissionerates for the purpose of the SSCA. The audit examined RoSCTL scrips/benefits issued in respect of exports made during two distinct periods:

- 07 March 2019 to 31 December 2020 (Issued by DGFT), and
- 01 January 2021 to 31 March 2024 (Issued by Customs).

3.4.2 Audit Coverage and Sample

The audit adopted a combined approach of test check and data analytics. A sample of 18 RAs of the DGFT was selected for detailed examination. Within these selected RAs, 2,251 scrips, amounting to ₹1,304 crore, were subjected to audit scrutiny. In addition, a sample of 22 Customs Commissionerates was selected.

From these Commissionerates, 2,236 scrips with a total value of ₹1,663.37 crore were examined.

However, as the RoSCTL Scheme is fully data-driven, audit checks were applied to the available dataset wherever feasible. Accordingly, the results of pan-India data analysis, along with the audit findings arising from test checks conducted in the selected units, have been suitably incorporated in this report. The RA-wise and Commissionerate wise details of sampled scrips selected are provided in the **Table 3.1**

Table 3.1: Sample selected for DGFT and Customs

S. No.	RA Name	No. of scrips	S. No.	Customs Commissionerate Name	No of scrips
1	Ahmedabad	100	1	Ahmedabad	100
2	Surat	100	2	Mundra	100
3	Jaipur	200	3	Jodhpur	200
4	Bengaluru	204	4	ACC Bengaluru	152
5	Ludhiana	100	5	Bengaluru City	44
6	Panipat	100	6	Mangalore	4*
7	Chennai	100	7	Amritsar	37
8	Coimbatore	100	8	Ludhiana	163
9	Kochi	200	9	Export-IV, Chennai	100
10	Delhi	200	10	Tuticorin	100
11	Indore	185	11	Kochi	200
12	Bhopal	15	12	Delhi	100
13	Hyderabad	47	13	Tughlakabad	100
14	Kolkata	200	14	Indore	200
15	Kanpur	100	15	Hyderabad	9*
16	Varanasi	100	16	Vishakhapatnam	27*
17	Mumbai	190	17	Air Cargo Kolkata	100
18	Pune	10	18	Port Kolkata	100
	Total	**2,251**	19	Lucknow	100
			20	Noida	100
			21	ACC Mumbai	50
			22	NS-II Mumbai	150
				Total	**2,236**
				*Scrips available in the data provided by the DG-Systems, CBIC which met our sampling criteria.	

3.5 Audit Criteria and Audit Methodology

3.5.1 Audit Criteria

The audit criteria were primarily derived from the existing legislation, prescribed manuals and rules, government notifications, public notices, and circulars relevant to the implementation of the Scheme. An illustrative list of sources used for establishing the criteria is as follows:

(i) Foreign Trade Policy (FTP) 2015-20 as updated from time to time.

(ii) Handbook of Procedures (HBP) 2015-20 as updated from time to time.

(iii) Public Notice/Circulars etc. issued by the DGFT.

(iv) Foreign Trade (Development and Regulations) Act, 1992.

(v) The Customs Act, 1962 and the Customs Tariff Act, 1975.

(vi) CBIC's Notifications, Advisories and Circulars on RoSCTL.

(vii) Foreign Exchange Management Act (FEMA), 1999.

(viii) Ministry of Textiles Notifications and Circulars on RoSCTL.

(ix) IGST, CGST, SGST Act and Rules, 2017 (as amended from time to time).

3.5.2 Audit Methodology

The audit examination was conducted in accordance with the CAG's Compliance Auditing Guidelines (2016) and the CAG's Regulations on Audit and Accounts (2020**)**. The audit procedures included an analysis of DGFT and Customs data related to the RoSCTL Scheme, and examination of Shipping Bills and associated records to verify the correctness of benefits claimed under the Scheme.

An exit conference was conducted with DoR and DGFT on 05 May 2026 and responses received have been considered and suitably incorporated in this report.

3.6 Audit findings in DGFT and Customs

Considering that the scheme was administered by DGFT initially, upto December 2020, and subsequently by DoR, the audit findings have been segregated and presented accordingly in this report. The audit findings under DGFT comprises 12 observations, which are featured, in paragraphs 3.7.1 to 3.9.2, with revenue impact of **₹256.25 crore**. The audit findings under Customs comprises 13 observations, which are featured, in paragraphs 3.12.1 to 3.14.1, with revenue impact of **₹346.83 crore**.

3.6.1 Budget management and control

The year-wise allocation of funds towards rebate under RoSCTL Scheme during 2019 to 2024 is shown in **Table 3.2** below:

Table 3.2: Allocation of funds under RoSCTL Scheme during 2019 to 2024

Financial Year	2019-20	2020-21	2021-22	2022-23	2023-24
Allocation (₹ in crore) Source: Ministry of Textiles	6,615	4,829	6,946	7,641	8,405
Actual Expenditure	The Information was called for from the Ministry of Textiles, New Delhi. However, as of May 2026, the Ministry stated that the expenditure details may be obtained from the DGFT and DoR. DoR stated (May 2026) that the liabilities under the RoSCTL scheme is monitored quarterly by a committee chaired by the Secretary (Expenditure) to ensure adherence to budgetary provisions. Hence, the matter does not pertain to DoR/CBIC, and the requisite inputs may be sought from the Department of Expenditure. Reply of the DGFT was awaited (May 2026).				

As per Notification No. 14/26/2016-IT (Vol. II) dated 07 March 2019, the Ministry of Textiles and Department of Commerce in consultation with DoR is required to assess the financial implications of revenue forgone under the RoSCTL Scheme, based on estimated exports and the rates recommended by the Drawback Committee/Norms Committee.

Further, in terms of Ministry of Textiles Notification No. 12015/11/2020-TTP dated 13 August 2021 budgetary control is to be exercised through appropriate entries in the Annual Financial Statement.

The expenditure and liabilities under the Scheme are required to be reviewed on a quarterly basis to ensure that expenditure does not exceed the allocation for a particular financial year and necessary corrective measures are to be taken to maintain expenditure within the approved budget.

Information/records relating to budget allocation and actual expenditure there against were called for (November 2024-July 2025) from all selected 18 RAs and 22 Customs Commissionerates. However, information was not furnished by any of the RAs or Customs Commissionerates.

As such, Audit was unable to comment on exercise of budgetary control on assessment of financial implications of revenue foregone under the scheme.

3.6.2 Implementation of the scheme through DGFT

Audit, through a pan-India analysis, examined the implementation of facilitation measures introduced for simplifying the issuance of RoSCTL scrips and identified the following categories of issues:

i. Systemic issues **(Paras 3.7.1 to 3.7.5)**
ii. Compliance issues **(Paras 3.8.1 to 3.8.5)**
iii. Internal control **(Paras 3.9.1 to 3.9.2)**

Table 3.3 presents a summary of the audit observations.

Table 3.3: Summary of observations

Sl. No.	Topics	No. of observation	Amount (₹ in lakh)
1	Systemic issues	5	9,762
2	Compliance issues	5	15,863
3	Internal controls	2	No money value
	Total	**12**	**25,625**

3.7 Systemic issues

The RoSCTL Scheme, a fully data driven initiative was introduced to improve ease of doing business through simplified procedures, paperless processing and enhanced trade facilitation. The scheme was implemented through a system driven mechanism for receipt of applications and issuance of scrips, with no physical interface between RAs and exporters.

Audit analysed data from selected RAs for exports made during the period 07 March 2019 to 31 December 2020 to assess the effectiveness of these facilitation measures. The analysis revealed shortcomings and gaps in the automated processes as discussed in the succeeding paragraphs:

3.7.1 Issuance of RoSCTL scrips to entities/Importer-Exporter Code holders listed in the Denied Entity List

As per Paragraph 4.95(m) of the Hand Book of Procedures (HBP) 2015-20 (Public Notice No. 83 dated 29 March 2019) entities/Importer–Exporter Code (IEC) holders listed in the DGFT's Denied Entity List (DEL), are not eligible for RoSCTL benefits.

Scrutiny of 214 IECs revealed that three RAs[6] issued 28 scrips amounting to ₹4.84 crore to five IEC holders listed in the DEL. **(Annexure 3)**. All these IEC holders continue to remain the DEL as verified from the DGFT website.

At RA Ludhiana, despite issuance of DEL Order No. 9/174/AM19/ECA/LDH dated 12 September 2019 against M/s. 'A' Exports, seven RoSCTL scrips amounting to ₹1.72 crore were issued to the IEC holder during October–December 2020, without any abeyance or withdrawal of the DEL order on record.

The Department did not ensure adequate system controls to prevent issuance of RoSCTL scrips to IEC holders listed in the DEL, nor was any justification recorded for such actions, in violation of prescribed provisions. This exposes systemic vulnerabilities in the DGFT framework and indicates a lack of effective control mechanisms to prevent such irregularities.

RA Ludhiana stated (May 2026) that M/s. 'A' Exports, and two others were granted abeyance of the DEL orders, during which DEL restrictions were not operative. Accordingly, RoSCTL scrips were issued during the abeyance period and not when the DEL order was in force.

However, no documentary evidence in support of the grant of abeyance, its validity period or the competent authority's approval was furnished to Audit. In the absence of such evidence, the admissibility of RoSCTL scrips issued during the period could not be confirmed.

RA Panipat replied (December 2025) that a letter had been issued to the firm requiring submission of clarification against the objection or repayment of the amount availed.

[6] *Bengaluru, Ludhiana, Panipat*

Recommendation No. 1

DGFT should strengthen monitoring and supervisory controls to prevent issuance of scrips to entities in the Denied Entity List and fix accountability for irregular issuance, without proper justification.

The Ministry of Commerce & Industry/DGFT stated (April 2026) that the RoSCTL scheme, notified by the Ministry of Textiles in 2019, was implemented by DGFT for exports from 07 March 2019 to 31 December 2020 and was currently administered by CBIC. It was further stated that the online module had been migrated from the NIC platform to a TCS-based system with enhanced controls to prevent excess or erroneous benefits.

However, Audit observed similar instances of irregular/excess issuance of scrips during the subsequent period as well, when the scheme was administered by CBIC, suggesting that the envisaged system controls were not fully effective.

3.7.2 Excess grant of RoSCTL duty credit

The Ministry of Textiles' Notification dated 07 March 2019 stipulates that the value of the RoSCTL benefit should not exceed the aggregated RoSCTL amount of the Shipping Bill/items.

Scrutiny of 17,981 RoSCTL scrips revealed that three RAs (Chennai, Coimbatore and Kolkata) irregularly granted excess benefits of ₹23.05 lakh in 46 RoSCTL scrips, exceeding the total rebate admissible as per Shipping Bills/items. (**Annexure 4**).

On being pointed out, RA Coimbatore (June 2025) replied that the excess duty credit could be due to not availing MEIS benefits during the original application period, and that RoSCTL may have been issued against the full value since it was granted in addition to MEIS already availed.

The explanation does not specifically address the issue raised by Audit. The scrips are system-generated from exporters' Shipping Bills and the total scrip value cannot exceed the item-wise RoSCTL amount.

DGFT, New Delhi in respect of RA- Chennai, stated (May 2026) that demand letter has been issued to the firm.

RA Coimbatore stated (May 2026) that, as per Public Notice No. 58 dated 29 January 2020, MEIS benefits were not admissible for exports under Chapters 61, 62, and 63 made on or after 07 March 2019. Separate applications were required for exports during 07 March 2019 to 31 December 2019. The system auto-calculates RoSCTL entitlement after adjusting any MEIS already granted against the shipping bills, and only the net eligible RoSCTL amount is sanctioned, thereby avoiding any duplicate benefit.

The reply of RA Coimbatore does not address the core issue raised in the audit observation. The concern is not whether the system adjusted the earlier MEIS amount while calculating RoSCTL entitlement, but whether the value of the scrip issued, after such adjustment, exceeded the RoSCTL entitlement as per the Shipping Bills/items.

Reply from RA Kolkata was awaited (May 2026).

3.7.3 Incorrect grant of RoSCTL benefits without Intent

As per para 3.14(a) of the HBP 2015-20, the export shipments filed under any of the scheme of Chapter 4 require a Declaration of Intent (‘Y’ in the intent column of the SB) to claim RoSCTL rewards.

Scrutiny of 42,356 RoSCTL scrips revealed that benefits were granted even when the intent column contained ‘N’, resulting in incorrect grant of RoSCTL benefits in 1,255 Scrips amounting to ₹13.83 crore by 16 RAs (**Annexure 5).**

In RA Pune, one Scrip dated 08 April 2021 valuing ₹53.40 lakh was incorrectly issued to an IEC holder who had not claimed the benefit in the concerned shipping bills.

Similarly, in RA Delhi, a Scrip dated 30 March 2021 valuing ₹29.29 lakh was incorrectly issued to an IEC holder who had not claimed the benefit in the concerned shipping bills.

On being pointed out, RAs Chennai, Indore, Jaipur, Surat, Bangalore and Kanpur stated (September 2025/January/May 2026) that an amount of ₹2.23 lakh[7] has been recovered and/or action has been initiated in remaining cases under the Foreign Trade (Development and Regulations) Act, 1992.

RA Panipat replied (March 2025) that the benefit was calculated automatically in the online mode system. Reply of RA Panipat was not tenable as it was the responsibility of the department to check the eligibility of the claim.

RA Ahmedabad replied (May 2025) that the matter was brought to the notice of DGFT Headquarters. Final outcome is awaited (May 2026).

RA Coimbatore, Ludhiana, Mumbai and Hyderabad replied (June-October 2025/ February 2026) that declaration of intent prescribed in para 3.14 of HBP 2015-20 was only for MEIS scheme. The replies were not tenable as para 3.14(a) also applies to exports made under any of the schemes of Chapter 4, 5 or 6 of the FTP.

RA Kochi replied (June 2025) that the files were neither available at the Back Office Portal nor accessible through the e-com RA System. Reply was not tenable, as it

[7] *RA Chennai, RA Indore and RA Jaipur*

does not address the issue of how the Department discharged its responsibility of checking the eligibility of the claim.

Reply from remaining RAs was awaited (May 2026).

3.7.4 Multiple RoSCTL scrips issued using the same Shipping Bills

Notification dated 29 March 2019 issued by the Department of Commerce envisages that the RoSCTL Scheme for the exports made during 07 March 2019 to 31 December 2020 was being implemented by the DGFT offices.

Scrutiny of 16,936 RoSCTL scrips issued by DGFT revealed that multiple scrips being issued against the same shipping bills with some duplicates later cancelled. The following discrepancies were noticed:

(a) Excess RoSCTL benefits amounting to ₹2.84 crore in 173 Shipping Bills were granted by five RAs due to utilisation of single Shipping Bill for two or more scrips (**Annexure 6A**).

On being pointed out, RA Panipat, Bengaluru, Coimbatore and Ludhiana stated that recovery notices had been issued to the exporters; final outcome is awaited. Reply in respect of remaining RAs was awaited (May 2026).

(b) In RA Ludhiana, new scrips were issued during/after the validity period of old scrips against the same SBs, resulting in excess benefit of ₹2.37 crore in six cases. (**Annexure 6B**).

On being pointed out, DGFT stated (May 2026) that multiple RoSCTL scrips were not issued to the firm. The fresh scrips were issued after approval from DGFT Headquarters, New Delhi, following cancellation of earlier scrips, due to fraudulent transfer under the RoSCTL scheme. Re-issuance files were created through the DGFT system with revised scrip value and validity, and the approved files were transmitted to the RA system for correct issuance.

However, no documentary evidence, such as approval of DGFT Headquarters, cancellation orders of earlier scrips or system-generated re-issuance records was provided to Audit for verification. In the absence of supporting documents, the correctness and regularity of the re-issued RoSCTL scrips could not be verified.

The irregularity could have been avoided if there was an in-built system to alert users about reuse of Shipping Bills. This highlights the weaknesses in the system, exposing it to the risk of misuse and potential fraud.

3.7.5 Not recovering irregularly availed Merchandise Exports from India Scheme (MEIS) benefits

Following the introduction of RoSCTL Scheme for exports made from 07 March 2019 (Notification dated 29 March 2019), MEIS benefits for such exports were withdrawn (Public Notice 58/2015–20 dated 29 January 2020). Consequently, any MEIS benefits paid for exports after 07 March 2019 must be recovered from the RoSCTL benefits.

As per RoSCTL data received from DGFT, recovery of MEIS benefits, paid during the period 07 March 2019 to 31 December 2019, amounting to ₹188.83 crore from 6,060 IEC holders was pending. Analysis of 248 IEC holders revealed pending recovery of ₹73.51 crore across 18 RAs[8] (**Annexure 7**).

On being pointed out, DGFT, New Delhi stated (May 2026) that RA Bengaluru, Chennai, Indore, Kanpur, Ludhiana, Panipat, Surat, Vadodara, Varanasi and Vishakhapatnam have issued demand notices and SCNs. Further action would be initiated as per Foreign Trade (Development and Regulation) Act, 1992.

RA, Jaipur reported recovery of ₹3.77 lakh.

RA Coimbatore (July 2025) replied that letters have been issued seeking proof of adjustment of MEIS benefits against RoSCTL scrips for the same Shipping Bills/items.

RA Mumbai stated (December 2025) that the details such as Shipping Bill numbers, file numbers against which the recovery of MEIS benefits is shown pending were missing. In absence of file numbers and Shipping Bill numbers, the initiation of recovery process was not possible.

DGFT, New Delhi in respect of RA Coimbatore, stated (May 2026) that, pursuant to Notification No. 58 dated 29 January 2020, MEIS benefits for exports under Chapters 61, 62, and 63 w.e.f. 07 March 2019 were replaced by the RoSCTL Scheme. As the RoSCTL portal was initially not being operated, MEIS scrips were temporarily issued as an interim arrangement for exports made during 07 March 2019 to 31 December 2019. After operationalisation of the RoSCTL module, the DGFT system adjusted the earlier MEIS amount while issuing RoSCTL scrips, thereby preventing any double benefit for the same Shipping Bill.

As DFGT did not provide documentary evidence or system-generated records showing adjustment of MEIS benefits against RoSCTL entitlement, the prevention of double benefits could not be verified.

Final outcomes from the concerned RAs were awaited (May 2026).

[8] *Ahmedabad, Bengaluru, Chennai, Coimbatore, Delhi, Jaipur, Indore, Kolkata, Kanpur, Ludhiana Mumbai, Panipat, Rajkot, Srinagar, Surat, Vadodara, Varanasi and Vishakhapatnam*

3.8 Compliance issues

The compliance issues observed while the Scheme was administered by DGFT are brought out below:

3.8.1 Not receiving Bank Realization Certificates (BRC)

As per para 4.96 (d) of the HBP 2015-20 (Public Notice No. 83/2015-16 dated 29 March 2019), the RoSCTL rebates are conditional upon receipt of sale proceeds, supported by BRCs, within the time allowed under the FEMA, 1999 i.e. nine months from the date of export. In the event of not realizing the proceeds within the stipulated period, the rebate is deemed to have never been allowed. RAs may initiate recovery action under the Foreign Trade (Development & Regulation) Act,1992.

(A) Scrutiny of 60,600 Shipping Bills revealed that BRCs for exports made up to December 2020 under 7,153 Shipping Bills involving RoSCTL rebates of ₹153.38 crore, pertaining to 15 RAs[9] were pending as of 31 March 2025 (**Annexure 8A**), suggesting that sale proceeds in foreign exchange were not realized, as detailed in **Table 3.4** :

Table 3.4: BRCs pending for RoSCTL scrips as of 31 March 2025

Period of delay	No. of cases	Percentage
3 to 4 years	2,121	30
4 to 5 years	4,135	58
Above 5 years	897	12
Total	**7,153**	

On being pointed out, DGFT, New Delhi stated (May 2026), that demand notices and SCNs had been issued to the exporters by RAs Bengaluru, Bhopal, Indore, Jaipur, Kanpur, Varanasi, Panipat, Ludhiana and Surat and further action will be initiated as per the Foreign Trade (Development and Regulations) Act, 1992.

RA, Surat and Mumbai additionally stated that copies of pending BRCs in 29 cases have been received.

RA Kochi replied (June 2025) that it did not have access to the concerned files. The reply is not tenable as obtaining BRCs from the concerned IEC holders is an important responsibility of the Department and issues of access to records/files need to be internally resolved.

Reply from other RAs was awaited (May 2026).

[9] *Ahmedabad, Surat, Jaipur, Bengaluru, Ludhiana, Panipat, Kochi, Delhi, Indore, Bhopal, Hyderabad, Kanpur, Varanasi, Mumbai and Pune*

(B) Similarly, RoSCTL rebates amounting to ₹ 28.34 lakh relating to 46 Shipping Bills, and pertaining to three[10] RAs, were to be recovered from the exporter due to partial realization of export proceeds (**Annexure 8B**).

On being pointed out (February-July 2025), RA Ahmedabad replied (May 2025) that the matter had been intimated to DGFT Headquarters. The reply was not tenable, as the issue of not realizing export proceeds is required to be taken up by the concerned RAs with the exporters.

Reply from RAs Bengaluru and Hyderabad was awaited (May 2026).

3.8.2 Issuance of RoSCTL Scrips against provisions of jurisdictional RA

Public Notice No. 83/2015–20 dated 29 March 2019, issued by the Ministry of Commerce and Industry, New Delhi, stipulates that applicants must ensure they apply only to the concerned Jurisdictional RA, in accordance with paragraph 3.06(b) of the HBP, for the issuance of scrips. Applicants are also required to submit a declaration confirming compliance with this requirement.

Scrutiny of 200 RoSCTL scrips revealed that RA, Delhi issued one scrip dated 12 May 2020 for ₹65.64 lakh (File No. dated 08 May 2020) to an IEC holder registered with RA, Chennai in the name of 'M/s. 'B' Export and Imports'. Accordingly, the firm did not fall within the jurisdiction of RA Delhi. However, the online system processed the application and issued the scrip from RA Delhi, contrary to the provisions relating to jurisdictional RA (**Annexure 9**).

This was pointed out (February 2026), and reply was awaited (May 2026).

3.8.3 Excess grant of RoSCTL incentives due to misclassification

The Ministry of Textiles, vide Notification No. 14/26/2016-IT dated 08 March 2019, prescribed different rates of RoSCTL incentives for goods falling under Chapters 61, 62, and 63 of the Customs Tariff. Distinct incentive rates were specified for different export items, and a unique serial number was allotted to each such item.

Scrutiny of 24,197 RoSCTL scrips records revealed cases of erroneous grant of incentives, as detailed hereunder:

(A) Excess RoSCTL incentive amounting to ₹2.97 crore was paid by 15 RAs[11] in 972 scrips having 3,489 Shipping Bills due to opting of incorrect serial numbers of the Schedules 1 and 2 as compared to item description (**Annexure 10A**).

In RA Ludhiana, M/s. 'C' Ltd. exported items (bed linen, table linen, toilet linen and kitchen linen made of blend containing cotton and man-made fibre)

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[10] *Ahmedabad, Bengaluru and Hyderabad.*

[11] *Ahmedabad, Surat, Jaipur, Bengaluru, Ludhiana, Panipat, Chennai, Coimbatore, Kochi, Delhi, Indore, Hyderabad, Kolkata, Mumbai and Pune*

classifiable under RoSCTL Sl.No. 630202B but the same were wrongly classified under Sl.No. 630201B (items made of cotton). The omission resulted in excess grant of RoSCTL benefits amounting to ₹75.13 lakh in 63 scrips.

On being pointed out, DGFT, New Delhi stated (May 2026) that an amount of ₹14.69 lakh[12] has been recovered. It was further stated that efforts were underway to recover the excess amount from the remaining exporters. Additionally, the RAs Bengaluru, Chennai, Ludhiana and Surat had issued demand notices/SCNs to the firms directing them to deposit the excess benefit, failing which action would be taken up under the Foreign Trade (Development and Regulations) Act, 1992.

RA Ahmedabad (May 2025) stated that matter has been intimated to DGFT (HQrs.).

RAs Panipat and Kochi replied (April 2025) that no data/record of RoSCTL was available to check the excess grant on portal.

The replies of RAs Panipat and Kochi were not tenable as the relevant data pertaining to the grant of RoSCTL benefits was available with the Department at the time of sanctioning the claims.

Reply from remaining RAs was awaited (May 2026).

(B) In 19 scrips, involving 34 Shipping Bills, issued by RAs Delhi and Kolkata, the articles made up of leather and Jute falling under Chapters 42 and 56 were erroneously classified under Chapters 62 and 63 resulting in irregular grant of RoSCTL benefits amounting to ₹5.27 lakh (**Annexure 10 B**).

No reply was received from both the RAs (May 2026).

3.8.4 Excess grant of RoSCTL due to application of incorrect Schedules

The RoSCTL rate directory, prescribed under Ministry of Textiles Notification No. 14/26/2016-IT dated 08 March 2019, comprises four (04) schedules. For item-level declaration, a serial number suffixed with "B" denotes the normal RoSCTL rates as per Schedules 1 and 2, while a serial number suffixed with "D" denotes the lower RoSCTL rates applicable under special authorization as per Schedules 3 and 4.

(A) Scrutiny of 23,443 RoSCTL scrips revealed that though the exporters opted for RoSCTL incentive under Schedules 3 and 4 by suffixing D with serial number, the incentives were calculated as per normal rates prescribed in Schedules 1 and 2 by the DGFT online system. The omission resulted in excess grant of RoSCTL

[12] *RAs Coimbatore (₹1.57 lakh), Indore (₹2.46 lakh), Jaipur (₹0.97 lakh), and Mumbai (₹9.69 lakh)*

incentive amounting to ₹79.18 lakh by four[13] RAs in 117 scrips having 293 Shipping Bills (**Annexure 11A**).

For instance, in RA Kolkata, a scrip dated 13 March 2020 for ₹16.98 lakh was issued to an exporter. The exporter claimed the RoSCTL benefits under Schedules 3 and 4, which worked out to ₹13.18 lakh. However, the online system calculated the benefits as ₹25.15 lakh under Schedules 1 and 2, resulting in excess payment amounting to ₹11.97 lakh.

On being pointed out (February-April 2025), RA Kochi replied (June 2025) that it did not have access to the issuance files of the mentioned RoSCTL scrips, as the files were neither available at the BO Portal nor accessible through the e-com RA system.

The reply was not tenable as the concerned data should have been available with the RA while granting RoSCTL benefits. The RA had not initiated any action for recovery of excess RoSCTL benefits.

DGFT New Delhi reported that (May 2026) that RA Ludhiana had issued letters to the firm for recovery. Further progress was awaited. While the Ministry's response for remaining RAs was awaited (May 2026).

(B) Further, in RA Ludhiana, while calculating the excess amount of incentive due to above mentioned reason, it was noticed that in two cases, incentive granted as per rates of Schedules 1 and 2 were on the lower side as compared to rates of Schedules 3 and 4. This was due to not including value restrictions in Schedules 3 and 4. (**Annexure 11 B**).

DGFT, New Delhi replied (May 2026) that RA Ludhiana, had issued letters to the firms for recovery. Further progress was awaited (May 2026).

Recommendation No. 2

The DGFT system should ensure processing of applications only by the jurisdictional RAs. Automated validations may be considered to the extent feasible to ensure correct application of RoSCTL benefits, supported by audit trails and exception reporting.

DGFT, New Delhi stated (May 2026) that the scheme is currently being implemented by CBIC. The RoSCTL online module has been migrated from the earlier NIC-developed platform to a more robust TCS based system with enhanced controls and validations to prevent excess or erroneous benefits.

Despite migration to a more robust TCS based system with enhanced controls and validations, instances of irregularities involving excess benefits were still noticed, as brought out in the succeeding paragraphs under the section 'Implementation

[13] *Ludhiana, Kochi, Delhi and Kolkata*

of the scheme through Customs'**,** indicating that the system safeguards were not entirely effective and need further review.

In response to cases of not realising foreign exchange, DGFT stated that the RoSCTL scheme operates on a post-realisation basis and periodic reviews are conducted to ensure timely realization of export proceeds and uploading of e-BRCs. It further stated that records of scrip utilisation are maintained by CBIC, which is implementing the RoSCTL scheme for exports made after 31 December 2020. Cases requiring recovery action have been referred to the Ministry of Finance.

The response does not address the issue of foreign exchange realisation in the cases pointed out, which were pending even with periodic monitoring. The follow up mechanism needs to be enhanced for enforcing receipt of BRCs or initiating action for recovery.

3.8.5 Incorrect adoption of Exchange Rate for computation of RoSCTL benefits

As per Para 9.12(D) of the HBP 2015–20, for availing benefits under the Foreign Trade Policy (FTP), the Let Export Order (LEO) date shall be the date of reckoning of exports. Accordingly, for calculation of incentives under the RoSCTL scheme, the export value is required to be converted into Indian Rupees (INR) by applying the applicable monthly exchange rate corresponding to the month in which the LEO date falls.

(A) Scrutiny of 6,531 RoSCTL scrips revealed that the system did not have an inbuilt check to correlate the exchange rate applicable as on the LEO date for computation of RoSCTL benefits. It was observed that RoSCTL benefits were calculated on the basis of the FOB value declared in the Shipping Bills, wherein the foreign currency value was converted into INR by applying the exchange rates corresponding to the Shipping Bill dates, instead of the exchange rates prevailing on the respective LEO dates.

Due to adoption of incorrect exchange rates, excess RoSCTL rebate amounting to ₹47.56 lakh was granted to the beneficiaries by seven RAs (Bengaluru, Delhi, Kolkata, Ludhiana, Mumbai, Panipat, and Pune) in 1,057 scrips involving 2,676 Shipping Bills (**Annexure 12 A**).

On this being pointed out, DGFT, New Delhi stated that recoveries amounting to ₹6.60 lakh, including interest, have been effected by the RAs at Mumbai (₹4.81 lakh) and Bengaluru (₹1.79 lakh). Further, RAs at Bengaluru, Mumbai and Ludhiana had issued demand notices to the remaining IEC holders for recovery of the balance amount.

RA Panipat replied (April 2025) that no data/record of RoSCTL was available to check the incorrect exchange rate. Reply was not tenable as the relevant data should have been available with the RA while sanctioning the claims and granting RoSCTL benefits. Reply in respect of remaining RAs was awaited (May 2026).

(B) Similarly, excess payment of ₹1.95 lakh as Additional Ad-hoc Incentive was given by three RAs (Bengaluru, Delhi and Ludhiana) due to adoption of excess exchange rates as compared to the exchange rates prevailing on the LEO date (**Annexure 12B**).

DGFT, New Delhi reported that the RA Bengaluru and Ludhiana had issued demand notices to the IEC holders for recovery of the amount.

Ministry's reply in respect of RA, Delhi was awaited (May 2026).

3.9 Internal Control

The issues relating to the adequacy and functioning of internal control in DGFT are brought out in succeeding paragraphs:

3.9.1 Scrutiny under RoSCTL Scheme through functioning of Risk Management System (RMS)

Paragraph 4.95(h) of the HBP, 2015-20 as amended (Public Notice No. 58 dated 29 January 2020) stipulates that RAs, shall scrutinize two *per cent* of issued RoSCTL applications every week, under RMS, the cases for such scrutiny are to be randomly generated online by the DGFT system.

As per Management Information System (MIS) reports available on the DGFT website, a total of 65,781 RoSCTL scrips were issued by DGFT during the period April 2020 to March 2022. In accordance with the provisions of Para 4.95(h) of HBP 2015–20, two *per cent* of the issued scrips, amounting to 1,316 cases, were required to be selected for scrutiny under the RMS.

However, audit scrutiny revealed that the Department selected only 301 cases for RMS scrutiny during the said period, as given in **Table 3.5,** which was significantly short of the prescribed requirement.

Table 3.5: RoSCTL scrips issued vis-à-vis selected for RMS

<table>
<tr><th>Period</th><th>No. of Scrips issued</th><th>Cases to be selected (two per cent)</th><th>Cases selected</th><th>Short selection of cases</th><th>Percentage of short selection</th></tr>
<tr><td>01 April 2020 to 31 March 2021</td><td>50,284</td><td rowspan="2">1,316</td><td rowspan="2">301</td><td rowspan="2">1,015</td><td rowspan="2">77</td></tr>
<tr><td>01 April 2021 to 31 March 2022</td><td>15,497</td></tr>
<tr><td>Total</td><td>65,781</td><td>1,316</td><td>301</td><td>1,015</td><td>77</td></tr>
</table>

Thus, there was significant shortfall of 77 *per cent* in selection of cases/scrips during 2020-21 and 2021-22 through RMS for scrutiny. Data regarding issue of RoSCTL scrips during 2019-20 was not available in MIS Reports.

This was pointed out to the Department (January 2025) and reply was awaited (May 2026).

Additionally, information/records regarding cases selected for scrutiny under RMS and results of such scrutiny carried out were called for (January-June 2025) from the 18 selected RAs.

While RAs at Indore, Panipat and Surat replied (March-May 2025) that the offices did not have any information regarding the receipt of RMS cases, RA Ahmedabad replied (May 2025) that matter has been taken up with DGFT and further progress was awaited. (May 2026). The remaining RAs did not furnish any reply/records.

Thus, it could not be ascertained whether the RAs had scrutinized two *per cent* of the issued RoSCTL applications, as prescribed under para 4.95 of the HBP.

This was pointed out to the Ministry (February 2026) their response was awaited (May 2026).

3.9.2 Internal audit

DGFT Headquarters issued instructions in January 2000 for the constitution of a Post Issue Audit Wing (PIAW) in all the RAs for the purpose of test audit of five *per cent* of the scrips issued, with a view to verifying the authenticity of the documents submitted along with the application for Scrips.

Records relating to internal audit of RoSCTL scrips conducted at 18 RAs were requisitioned for examination during February-July 2025.

RAs Coimbatore, Indore, and Surat expressed their inability (March-July 2025) to supply the information/records. RA Ahmedabad replied (May 2025) that the matter has been intimated to DGFT Headquarters and further progress was awaited (May 2026).

Reply from other RAs and the Ministry was awaited (May 2026).

3.10 Summary of Findings: DGFT related cases

The Subject Specific Compliance Audit was conducted to assess the compliance with the prescribed rules and procedures, the effectiveness of the internal control mechanism and implementation of the scheme.

(i) From a systemic perspective, Audit observed that although the process of issuing RoSCTL scrips was automated, shortcomings and validation weaknesses in the automated system continued to persist. This indicates the automation did not fully achieve the intended objectives of simplification of procedures and ease of doing business.

(ii) Systemic deficiencies noticed inter-alia included irregular issue of scrips to entities placed in the DEL, availing of dual export benefits, issuance of scrips without intent, issuance of scrips in excess of actual entitlement and not recovering MEIS benefits involving revenue implications aggregating **₹97.62 crore.**

(iii) From a compliance perspective, in the administration of RoSCTL scheme, Audit observed inadmissible and irregular grant of benefits aggregating **₹158.63 crore** attributable to misclassification of exported products, adoption of incorrect incentive rates owing to erroneous schedules, application of incorrect exchange rates and not realising export proceeds.

(iv) Internal control weaknesses were also observed as there was a shortfall in selection of cases through RMS and absence of information on internal audit of scrips issued.

3.11 Implementation of the scheme through Customs

The facilitation measures introduced for simplifying the issuance of RoSCTL scrips were examined by analysing data received from DG Systems (Customs). The audit findings are categorised below:

i. Systemic issues **(Paras 3.12.1 to 3.12.5)**
ii. Compliance issues **(Paras 3.13.1 to 3.13.6)**
iii. Internal controls **(Para 3.14.1)**

A summary of audit observations is presented below:

Table 3.6: Summary of observations

Sl. No.	Topics	No. of observation	Amount (₹ in lakh)
1	Systemic issues	4	3,277
2	Compliance issues	8	31,406
3	Internal control	1	No Money Value
		13	**34,683**

3.12 Systemic issues

The RoSCTL scheme in respect of exports made on or after 01 January 2021 was being implemented by the DoR through the Customs Department with end-to-end digitalization for issuance of transferable Duty Credit Scrips, which are maintained in an electronic duty credit ledger within the Customs system. Audit examined the RoSCTL scrips issued by Customs by analyzing the data relating to selected Customs Commissionerates for exports made during the period

01 January 2021 to 31 March 2024. The analysis revealed deficiencies and gaps in the automated process which are discussed in the succeeding paragraphs.

3.12.1 Incorrect payment of RoSCTL benefits to IEC holders placed in Denied Entity List

According to Para 4.95(m) of Public Notice No. 83 dated 29 March 2019 read with Para 2.15 of Foreign Trade Policy 2015-2020, all exporters are eligible for making a claim under the RoSCTL except the entities/IEC holders, which are in the Denied Entity List of the DGFT.

Scrutiny of 3,519 IECs of Chennai Export-IV Commissionerate and Tuticorin Customs Commissionerate with reference to all India Denied Entity List, for the period 07 March 2019 to 31 December 2020, revealed that RoSCTL benefits of ₹1.59 crore were erroneously paid to 10 IEC holders (three and seven IEC holders respectively in the two Commissionerates) whose names appeared in the Denied Entity List (**Annexure 13**). All these IEC holders continue to remain on the Denied Entity List, as verified from the DGFT website.

Response from these Commissionerates was awaited (May 2026).

Recommendation No.3

The Customs Automated System (CAS) may be integrated with the DGFT portal to automatically restrict RoSCTL benefits for IECs in the Denied Entity List, while permitting such benefits only in cases where an abeyance order has been issued and is in force.

The DoR in their response stated (May 2026) that Ministry of Textiles is the line Ministry in respect of this Scheme. The matter of automatically denying scheme benefits to exporters whose IECs appear in the Denied Entity List is a policy matter pertaining to Ministry of Textiles and DGFT (DoC).

The DoR's contention that denial of benefits to IEC holders in the Denied Entity List is a policy matter of the Ministry of Textiles is not sustainable, as the Foreign Trade Policy (Para 2.15) already provides for such denial.

Further, the export benefit scrips were issued through DoR/ DGFT systems. The Ministry of Textiles only notified the incentive rates under the Scheme and the implementation, processing, issuance and enforcement of eligibility conditions under FTP rested with DoR/DGFT.

Therefore, the issue is of not enforcing the existing FTP provisions rather than absence of policy guidance from the Ministry of Textiles.

3.12.2 Not creating e-scrip within regulatory timelines

Regulations 4 and 5 of the Electronic Duty Credit Ledger Regulations (September 2021) stipulated that an exporter shall have the option to create an e-scrip within a period of one year from the date of generation of the scroll in the Customs Automated System.

Scrutiny of 2,31,754 Shipping Bills revealed that in 2,928 cases pertaining to 15 Customs Commissionerates[14] (**Annexure 14**), there were delays in generation of e-scrips beyond the prescribed period of one year. The delay in generation ranged from one day to 469 days as detailed below (**Table 3.7)**. This indicates that the system did not ensure timely generation of e-scrips in accordance with the above Regulations.

Table 3.7: Delay in generation in e-scrips

Period of delay	No. of Cases	Percentage of delayed cases
Up to 1 month	1,289	44
1 to 3 months	764	26
3 to 6 months	467	16
More than 6 months	408	14
Total	**2,928**	

On being pointed out (April-July 2025), Mundra, Amritsar, Ludhiana, Ahmedabad, Jodhpur Chennai (Export-IV), Tuticorin, Kochi, Tughlakabad (Export) Delhi, Kolkata (Port) and Hyderabad Commissionerates stated (June-September 2025) that e-scrips are generated by the exporters with no control by Customs authorities. Customs' role is limited to generating scrolls prior to e-scrip creation. It was further explained that delayed e-scrip generation beyond the one- year limit was due to automated processes and technical glitches. Additionally, it was clarified that EDI system does not provide any functionality for offices to create RoSCTL e-scrips, and not generating e-scrips does not violate the Electronic Duty Credit Ledger Regulations, 2021.

DoR stated (May 2026) that the feature of auto-generation of e-scrips after one year from the date of scroll generation, which was initially unavailable, has been implemented in the ICEGATE system w.e.f. 15 January 2025. Accordingly, where exporters do not opt for e-scrip generation within one year, the system now auto generates the scrips.

The reply confirms that the system feature was not available earlier and generation of e-scrips was prone to inadequate monitoring and control.

[14] *Ludhiana, Amritsar, Ahmedabad, Mundra, Jodhpur, Chennai Sea, Tuticorin, Kochi, Delhi, Tughlakabad, Hyderabad, Kolkata (Airport and Air Cargo Complex), Kolkata (Port), ACC Mumbai and NS-II Mumbai.*

3.12.3 Irregular grant of rebate of RoSCTL to the retrospective cases

Government earlier intended to subsume the RoSCTL scheme w.e.f. 01 January 2021 in the RoDTEP scheme which was also being introduced w.e.f. 01 January 2021. Accordingly, the facility to file Shipping Bill with claim for RoSCTL was discontinued w.e.f. 01 January 2021. Subsequently, it was decided to have independent RoSCTL scheme w.e.f. 01 January 2021 and Notification No. 77/2021-Customs (N.T.) dated 24 September 2021 was issued to operationalise the same.

Scrutiny of 16,251 Shipping Bills revealed that in 855 Shipping Bills filed up to 24 September 2021, seven[15] Customs Commissionerates allowed RoSCTL benefits to exporters who had not claimed RoDTEP at item level. This omission resulted in incorrect grant of RoSCTL benefits amounting to ₹29.57 crore (**Annexure 15**).

For instance, in Commissioner of Customs (General) Delhi, RoSCTL benefit of ₹1.70 crore was granted to an exporter (scrip dated 22 November 2021) though the exporter had not claimed the RoDTEP at item level.

Similarly, in Principal Commissioner of Customs (Port) Kolkata, RoSCTL benefit of ₹27.96 lakh was granted to an exporter (scrip dated 22 November 2021) who had not claimed the RoDTEP at item level.

On being pointed out (March-June 2025), Tughlakabad (Export) Delhi and Kolkata (Port) Commissionerates replied (May-September 2025) that notices/letters have been issued to the concerned exporters, directing them to submit their responses/clarification. Final outcome is awaited (May 2026).

Ahmedabad, Jodhpur, Mundra and Ludhiana Commissionerates replied (April/October 2025) that the exporters had stated that the claims were filed correctly. However, no documentary evidence in support of these claims has been furnished.

3.12.4 Excess grant of RoSCTL benefits due to not adhering to market value cap

Notification No. 77/2021-Customs (N.T.) dated 24 September 2021, provided that the value of the goods exported, for the purpose of calculation of duty credit to be allowed under the Scheme, shall be the declared export Free on Board (FOB) value of such goods or up to 1.5 times the prevailing market price, whichever is less.

Scrutiny of 3,096 Shipping Bills revealed that there was no system in place to verify the correctness of the prevailing market value declared by the exporters and the FOB value declared by the exporters was accepted without validation. Further scrutiny revealed that four Customs Commissionerates (Bengaluru- Air Cargo and

[15] *Ahmedabad, Mundra, Jodhpur, Ludhiana, Delhi, Tughlakabad and Kolkata (Port)*

Airport, Bengaluru-City, Mangalore and Ludhiana) had granted excess RoSCTL incentives, in 278 Shipping Bills, amounting to ₹1.44 crore due to failure to restrict the value of goods to 1.5 times of present market value, as prescribed (**Annexure 16**).

On being pointed out, Customs Commissionerates Bengaluru (Air Cargo and Airport), Bengaluru (City) and Mangalore stated (November-December 2025) that all the exporters mentioned in the Annexure had been issued notices for recovery of excess RoSCTL incentives along with applicable interest. Further progress was awaited (May 2026). Reply in respect of Ludhiana Commissionerate was awaited (May 2026)

3.13 Compliance issues

The compliance issues observed in administration of the RoSCTL scheme by Customs formations are brought out in the succeeding paragraphs.

3.13.1 Not recovering export benefits on unrealised export proceeds

As per Para 5 of the Notification No.77-2021-Customs (N.T.) dated 24 September 2021, stipulates that the duty credit allowed under the Scheme, against export of goods notified shall be subject to realisation of sale proceeds within the period allowed under the FEMA, 1999 (i.e., nine months from the date of export), failing which such duty credit shall be deemed to be ineligible. In the event of not realizing the export proceeds, the exporter shall, himself or on demand by the proper officer, repay the amount of duty credit, along with interest.

(A) Scrutiny of 1,07,130 Shipping Bills revealed that export proceeds in respect of 5,290 Shipping Bills, as summarised in **Table 3.8,** involving RoSCTL rebate of ₹209.20 crore and pertaining to 18 Customs Commissionerates[16], were unrealised as on 31 March 2025 (**Annexure 17A**) .

Table 3.8: Unrealised export proceeds for scrips as on 31 March 2025

Period of delay	No. of cases	Percentage of delayed cases
Upto 1 year 6 months	1,258	24
1 to 2 years	1,617	31
2 to 3 years	1,700	32
Above 3 years	715	13
Total	5,290	

On being pointed out, Customs (Preventive) Commissionerate, Amritsar and Ludhiana Commissionerate replied (November 2025) that export proceeds in

[16] *Ahmedabad, Jodhpur, Bengaluru (Air Cargo and Airport), Bengaluru, Mangalore, Amritsar, Ludhiana, Chennai, Tuticorin, Delhi, Tughlakabad, Vishakhapatnam, Kolkata (Air Cargo and Airport), Kolkata, Lucknow, Noida, ACC-Mumbai and Mumbai NS-II*

respect of most of the BRCs had now been received. In remaining cases, BRCs would be forwarded on receipt of the same.

Ahmedabad, Kolkata (Port) and Tuticorin Commissionerates replied (May-September 2025) that the amount realised would be correlated with the demand notices issued and SCNs would be issued in deficient cases.

Jodhpur Customs Commissionerate stated (December 2025) that an amount of ₹4.76 lakh has been recovered against three SBs (which included interest) and SCNs were issued in respect of eight SBs. Further progress was awaited (May 2026).

Chennai Export-IV Commissionerate stated (June 2025) that the reply may be obtained from BRC Export Commissionerate. However, this stance was untenable, since the Commissionerate, having sanctioned the RoSCTL benefits, was bound to follow up and respond.

Reply from the other Commissionerates was awaited (May 2026).

(B) Similarly, RoSCTL rebate amounting to ₹18.05 crore in respect of 855 Shipping Bills, pertaining to 13 Customs Commissionerates[17] was required to be recovered from the exporters due to partial realization of export proceeds (**Annexure 17 B**).

On being pointed out (March-July 2025), Indore Commissionerate stated that it had recovered (September 2025) an amount of ₹4.00 lakh including interest. Ahmedabad, Mundra, Bengaluru (Airport and ACC), Bengaluru (City), NCH-Mangalore, Kolkata (Airport and ACC) and Tuticorin Commissionerates stated (May-December 2025) that demand notices had been issued to the exporters and after corelating the amount realised with the demand notices issued, further recovery action will be taken. Final outcome was awaited (May 2026).

Chennai Export-IV Commissionerate stated (June 2025) that the reply could be obtained from the BRC Export Commissionerate. However, this position was not tenable, as the Commissionerate, having sanctioned the RoSCTL benefits, was bound to follow up and respond.

Recommendation No. 4:

The follow up mechanism to monitor realisation of export proceeds under FEMA, 1999, needs to be enhanced to facilitate recovery of ineligible RoSCTL credits with interest in cases of not realising export proceeds.

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[17] *Ahmedabad, Mundra, Jodhpur, Bengaluru (Airport and Air Cargo), Bengaluru, Chennai, Tuticorin, Kolkata (Air Cargo and Airport), Kolkata (Port), Lucknow, Noida, Indore and Vishakhapatnam*

DoR in its response stated (May 2026) that RBI monitors export proceeds realisation through the Reserve Bank of India system of Export Data Processing and Monitoring System (EDPMS), operational since 01 March 2014. The prescribed period for realisation includes any extension granted by RBI. Based on EDPMS data, field formations verify export proceeds realisation. Further, CBIC and DoR conducted a one-time reconciliation between RBI's EDPMS and CAS for Shipping Bills from 01 January 2014 to 30 September 2025, and updated remittance records were made available to field formations for necessary action.

The reply reinforces the need for frequent reconciliations to ensure prompt identification and timely follow-up of recovery by field formations.

3.13.2 Excess grant of RoSCTL incentives due to misclassification

Notification No. 77/2021-Customs (N.T.) dated 24 September 2021, issued by DoR, envisages RoSCTL incentives, in the form of RoSCTL scrips, for exports made on or after 1 January 2021 for the goods falling under the Chapters 61, 62 and 63, as per rates prescribed in Ministry of Textiles Notification No. 14/26/2016-IT dated 08 March 2019. Different rates are prescribed for different items to be exported and a Unique Serial Number is allotted to these items.

Scrutiny of 1,15,485 Shipping Bills revealed that excess RoSCTL incentive was paid by 16 Customs Commissionerates[18], in 1,150 SBs, amounting to ₹3.66 crore due to opting of incorrect serial numbers of the Schedules 1 and 2 as compared to the item description (**Annexure 18**).

For instance, in Customs Commissionerate, Ludhiana, M/s. 'C' Ltd. exported items (bed linen, table linen, toilet linen and kitchen linen made of blend containing cotton and man-made Fibre) classifiable under RoSCTL Sl. No. 630202B, which were wrongly classified under Sl. No. 630201B (items made of cotton). The omission resulted in excess grant of RoSCTL benefits of ₹1.54 crore in 60 scrips.

On being pointed out (March-June 2025), Amritsar, Indore, Kochi and Jodhpur Commissionerates stated that they had recovered (March-November 2025) an amount of ₹18.52 lakh including interest and that exporters have been instructed to deposit the remaining amount.

Customs Commissionerates at Jodhpur and ICD Tuglakhabad also stated that an amount of ₹4.88 lakh[19] has been recovered.

Customs Commissionerates at Bengaluru (Airport and Air Cargo), Bengaluru (City), Kolkata (Port), Ahmedabad, Mundra, Hyderabad, Chennai and Tuticorin stated

[18] *Ahmedabad, Mundra, Jodhpur, Bengaluru (Airport and Air Cargo, Bengaluru (City), Ludhiana, Amritsar, Chennai, Tuticorin, Kochi, Delhi, Tughlakabad, Indore, Hyderabad, Vishakhapatnam and Kolkata*

[19] *Customs Commissionerate Jodhpur (₹2.56 lakh which included interest) and ICD Tuglakhabad (₹2.32 lakh)*

(April-September 2025) that notices/letters have been issued to the exporters to submit their response/clarification. Final outcome was awaited (May 2026).

Reply from remaining Commissionerates was awaited (May 2026).

Recommendation No.5:

The Department may consider enhancing the validation controls, to the extent feasible, to prevent misclassification and excess incentive claims.

DoR stated that it is not feasible for Customs Automated System to accurately match the item descriptions mentioned in the Shipping Bill by the exporter with corresponding description of goods against tariff items. However, verification mechanism is available with the risk-based interdiction at the time of assessment and clearance for exports including Post Clearance Audit.

The Department may consider incorporating validations, to the extent feasible, to enable regulation of RoSCTL benefits as per rules, apart from the risk-based checks and audits that have already been instituted.

3.13.3 Excess payment of RoSCTL due to application of incorrect exchange rate

Foreign exchange shall be converted to Indian Rupee using the exchange rates as on the date of Let Export Order (LEO) for computing the export incentives. The CBIC publishes these official exchange rates periodically, which are updated in the EDI system.

(A) Scrutiny of 3,068 Shipping Bills revealed that Customs Commissionerates, Kolkata and Customs Commissionerate (Airport and ACC) Kolkata had calculated RoSCTL benefits using exchange rates as on the Shipping Bill date instead of the LEO date, resulting in grant of excess rebate of ₹3.12 lakh on 97 Shipping Bills. (**Annexure 19 A**).

(B) In Chennai and Tuticorin Customs Commissionerates, the EDI system used USD as ₹82.80 instead of ₹82.20 for the period 07 September 2023 to 21 September 2023 leading to excess payment of RoSCTL benefits amounting to ₹7.55 lakh in respect of 27 Shipping Bills (**Annexure 19 B**).

On being pointed out (April 2025), Tuticorin and Chennai (Export-IV) Commissionerate stated (May/June 2025) that demand letters have been issued to the exporters and Tuticorin Customs also stated that an amount of ₹0.42 lakh has been recovered. Response of the Ministry was awaited (May 2026).

Recommendation No.6

The Department may ensure that the EDI system applies the exchange rates prevailing on the LEO date to calculate RoSCTL benefits, to prevent excess payments.

DoR not accepting the audit observation stated (May 2026) that Audit has considered LEO date for adoption of exchange rate to arrive at FOB value of export goods, rather than the rate of exchange on the date of filing of Shipping Bill for exports. The relevant date for adoption of exchange rate is prescribed under Section 14 of the Customs Act, 1962.

The DoR reply addressed Customs valuation under Section 14 of the Customs Act, wherein the Shipping Bill filing date is adopted for determining the FOB value in INR, while the audit observation was on calculation of benefits. As explicitly stated in the HBP (para 9.12D), for calculating benefits under FTP, the LEO date shall be the date of reckoning of exports. Accordingly, the notified monthly rate applicable on LEO date should have been considered.

3.13.4 Delay in generation of RoSCTL scrolls

Upon commencement of processing by the Customs Systems Directorate, a scroll will be generated in the Customs Automated System. The scroll will contain the details of Shipping Bill, amounts of duty credit allowed against the Shipping Bill etc. Exporter can combine duty credits from one or more scrolls at the particular customs station of export and generate an e-scrip in their electronic ledger maintained in the Customs Automated System.

As per Para-5 of the Advisory for Implementation of RoSCTL Scheme w.e.f. 01 January 2021, a staggered timetable was introduced to avoid system overload while processing backlog shipping bills.

Audit observed abnormal delays, ranging from 30 to 100 days, in scroll generation. These delays postponed disbursal of rightful claims, causing undue hardship to exporters, despite the staggered timetable introduced to manage backlog. For exports from 01 January 2021 to 30 November 2021, delays were noticed in 179 cases (scrip amount ₹24.63 crore) across 12 Customs Commissionerates[20], (**Annexure 20 A**). Similarly, for exports after 30 November 2021, delays exceeding 100 days were observed in 333 cases (scrip amount ₹57.02 crore) across nine Customs Commissionerates[21] (**Annexure 20 B**).

On being pointed out (March-July 2025), Customs (Preventive) Commissionerate, Amritsar and Hyderabad Commissionerate noted the issue for future compliance and stated (June/September 2025) that instructions have been issued to ensure regular generations of scrolls.

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[20] *Ahmedabad, Mundra, Jodhpur, Bengaluru (Airport and Air Cargo) , Bengaluru , Amritsar , Ludhiana , Delhi , Tughlakabad , Hyderabad , Kolkata (Airport and Air Cargo), and Kolkata*

[21] *Bengaluru (Airport and Air Cargo), Bengaluru (227 cases), Mangalore (3 cases), Amritsar (5 cases), Ludhiana (425 cases), Chennai (32 cases), Tuticorin (48 cases), Hyderabad (7 cases) and Vishakhapatnam (30 cases)*

Ahmedabad, Jodhpur, Kolkata (Port), Mundra, Chennai Export-IV, Tuticorin, and Tughlakabad (Export) Delhi Commissionerates attributed delays (May-November 2025) to factors such as exporters not submitting replies to queries, rejections under the Public Financial Management System (PFMS), suspension of IEC based on Directorate General of Analytics and Risk Management (DGARM)/ Risk Management Centre for Customs (RMCC) alerts, errors in EGM filing, frequent ICES network issues and system glitches or technical issues, as well as transfer or rotation of the officers concerned.

Customs Commissionerate NCH Mangalore in their response (November 2025) regretted the delays in generation of scrolls for the exports made after 30 November 2021.

Customs Commissionerate (ACC & Airport) Kolkata stated (December 2025) that SBs were processed by DBK officers within the prescribed time and therefore, the schedule for scroll generation enablement should be determined with reference to the scroll date.

Reply of the Kolkata Commissionerate is not tenable, since the relevant date in the present matter ought to be the Shipping Bill date and not the scroll date.

Reply from the other remaining Commissionerates and that of the Ministry was awaited (May 2026).

Recommendation No.7:

The Department should ensure timely generation of scrolls through system monitoring to facilitate prompt disbursal of RoSCTL benefits.

DoR informed that they had noted (May 2026) the audit observation for compliance and issued an instruction dated 23 April 2026 for generation of RoSCTL scrolls within a time period of three days.

3.13.5 Grant of RoSCTL benefits for exports made from ports other than jurisdictional ports

As per provisions of Notification No. 77/2021-Customs (N.T.) dated 24 September 2021, RoSCTL incentives for exports made on or after 01 January 2021, are granted by Customs in the form of RoSCTL scrips, at the rates prescribed under Ministry of Textiles Notification dated 08 March 2019, against the claim of duty credit made by the exporter in the Shipping Bill. Since the claim is required to be made in the Shipping Bill itself, such claims are to be processed by the port of export or the jurisdictional Customs Commissionerate**,** as applicable.

Though the exports were made from ICD, Irugur, Coimbatore (six Shipping Bills), RoSCTL benefits amounting to ₹24.73 lakh were granted by Ludhiana Customs

Commissionerate, which was not in consonance of the requirement that the claim be processed by the jurisdictional authority (**Annexure 21**).

This was pointed out to the Ministry (February 2026) and response was awaited (May 2026).

3.13.6 Irregular grant of subsequent RoSCTL benefits despite not realising the earlier export proceeds

Notification dated 24 September 2021 prescribed that the duty credit allowed under the Scheme shall be subject to realization of sale proceeds within the period allowed under the FEMA 1999 (within nine months from the export date). If a part of the sale proceeds has been realized, the proportionate amount of duty credit allowed is liable to be recovered.

In two[22] Customs Commissionerates, subsequent RoSCTL benefits of ₹88.07 lakh were incorrectly granted to 28 exporters, even though these were required to be adjusted against the earlier RoSCTL benefits granted of ₹5.96 crore, in respect of which export proceeds had not been realized (**Annexure 22**).

On being pointed out (May 2025), Chennai Export-IV Commissionerate replied (May 2025) that there was partial realization of export proceeds and a reply may be obtained from the concerned BRC section, Export Commissionerate.

The reply was not tenable, as the responsibility to ensure compliance with the conditions of the scheme rested with the Commissionerate, which had allowed the RoSCTL benefits.

Tuticorin Customs Commissionerate replied (September 2025) that correlation between the demand notices issued and the amounts realised would be undertaken and SCNs would be issued in deficient cases.

Ministry's response was awaited (May 2026).

3.14 Internal Controls

3.14.1 Scrutiny under RoSCTL Scheme through functioning of Risk Management System (RMS)

As per Circular No. 22/2021-Customs dated 30 September 2021, RoSCTL claims shall be processed by Customs on the basis of risk evaluation, in line with the Risk Management System (RMS) framework prescribed for processing Duty Drawback claims under Circular No. 15/2021-Customs dated 15 July 2021.

Information and records pertaining to cases selected for scrutiny under RMS, along with the outcomes of such scrutiny, were requisitioned (February–June

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[22] *Chennai (₹21.93 lakh) and Tuticorin (₹66.14 lakh)*

2025) from 22 selected Customs Commissionerates; however, the records were not furnished.

On being pointed out, Amritsar, Chennai Export-IV and Tuticorin Commissionerates replied (May-June 2025) that no data relating to RoSCTL cases selected under RMS had been received or allotted to them. Tughlakabad (Export) Delhi Commissionerate replied (September 2025) that SBs were not being selected by RMS for audit. However, it stated that the observation had been noted for compliance.

Replies from the other remaining Commissionerates were awaited (October 2025).

Thus, it was evident that the instructions regarding implementation of RMS for processing of RoSCTL claims, as prescribed in the relevant circulars, were not being complied with, indicating deficiencies in the risk-based scrutiny mechanism.

DoR stated (May 2026) that the National Customs Targeting Centre (NCTC) under the Directorate General of Analytics and Risk Management, Mumbai administers the risk management framework for import and export consignments through structured risk parameters in the Customs Automated System. Risk relating to RoSCTL has already been covered through appropriate RMS targets to identify possible misdeclaration, valuation issues and inadmissible export benefit claims and the same will continue to be reviewed in light of the audit observations.

The DoR further stated that export risk management is supported through both the pre-clearance interdictions and post-clearance, risk based export incentive verification mechanisms.

As regards electronic selection of Shipping Bills for audit, the DoR stated that development of the Export Post Clearance Audit module, including TBA (Export) has been taken up with the DG Systems and is under process.

3.15 Summary of Findings: Cases related to Customs Department

The examination of RoSCTL scheme implementation by the Customs department revealed that:

(i) Though automation had been implemented; systemic weaknesses persisted, undermining procedural simplification and the ease of doing business.

(ii) Systemic issues included irregular/excess issuance of scrips, delay in creation of e-scrips, and lack of restriction on benefits, with revenue implications aggregating **₹32.77 crore**.

(iii) Compliance lapses led to inadmissible/irregular benefits aggregating **₹314.06 crore**, arising from misclassification of exports, delayed scroll generation, adoption of incorrect exchange rates and pendency in realisation of earlier export proceeds.

(iv) Internal control deficiencies included not selecting cases through RMS, limiting risk-based scrutiny.

3. 16 Coordination among departments and impact analysis

3.16.1 Periodic monitoring of financial management not conducted

The Government has decided to continue the RoSCTL scheme until such time (till March 2026) that the scheme is merged with RoDTEP scheme without any change in scheme guidelines and rates as notified by the Ministry of Textiles.

As per Notification No.12015/11/2020-TTP, dated 13 August 2021, to ensure that the expenditure under these schemes do not exceed the allocation amount, the expenditure and liability under these schemes shall be reviewed on quarterly basis by a Committee headed by the Department of Expenditure (DoE) and consisting of representatives from DoR, DoC and Ministry of Textiles for RoSCTL to keep the expenditure within the prescribed allocation. Customs shall ensure on their system that expenditure under these schemes does not exceed the allocated fund.

Audit scrutiny of records of DoR revealed that only eight Committee meetings were held during the period from October 2021 to September 2024 instead of the required 12 meetings. The details of Committee meetings held from October 2021 to September 2024 were given in **Table 3.9.**

Table 3.9: Details of Committee meetings held

Committee Meetings	Date of Meeting	Quarter for which Meeting was held
First Meeting	21 December 2021	October 2021-December 2021
Second Meeting	16 March 2022	January 2022-March 2022
Third Meeting	12 July 2022	April 2022-June 2022
Fourth Meeting	25 October 2022	July 2022-September 2022
Fifth Meeting	14 February 2023	October 2022- December 2022
Sixth Meeting	13 July 2023	January 2023- March 2023 and April 2023- June 2023
Seventh Meeting	10 January 2024	July 2023- September 2023 and October 2023- December 2023
Eighth Meeting	09 October 2024	January 2024 to March 2024, April 2024 to June 2024 and July 2024 to September 2024

When this was pointed out (February 2025), the DoR, in its response, stated (May 2026) that meetings of the Committee chaired by the Secretary (Expenditure) are held on a quarterly basis for monitoring liabilities under the RoSCTL scheme. Accordingly, the Department contended that the issue does not pertain to DoR/CBIC.

Ministry of Textiles, informed (March 2026) that overall, 12 meetings were held up to December 2025 where various aspects related to monitoring were discussed. The Ministry also stated that the year wise allocation and expenditure details under the scheme may be obtained from the DGFT/DoR.

Reply from the DGFT is awaited (May 2026).

Thus, the responsibility of monitoring the liabilities and expenditure under RoSCTL appears diffused as none of the Ministries provided specific responses to financial management and expenditure monitoring of RoSCTL scheme.

3.16.2 Not conducting periodical assessment and annual impact analysis of RoSCTL scheme

As per para 7.1 of Ministry of Textiles' Notification No. 14/26/2016-IT (Vol-II), dated 07 March 2019, an Inter-Ministerial Committee (IMC) headed by the Secretary, MoT comprising representatives of the DoR, DoE and DoC was required to conduct a periodical assessment of the scheme on parameters of growth in exports and employment.

Further, para 7.5 of the revised guidelines for continuation and implementation of the RoSCTL scheme notified vide File No.12015/11/2020-TTP, dated 13 August 2021 stipulates that the MoT will conduct annual impact analysis of the RoSCTL scheme.

Audit scrutiny revealed that neither the periodical assessment by the Inter-Ministerial Committee (IMC) nor the annual impact analysis by the Ministry of Textiles (MoT) was conducted for the RoSCTL scheme, even after more than five years of its implementation, despite substantial budgetary allocations.

On being pointed out, the Ministry of Textiles in terms of impact analysis reported (March 2026) that the RoSCTL scheme is being regularly reviewed at the Ministry level. It is also part of the Output-Outcome Monitoring Framework (OOMF), with progress reported quarterly to NITI Aayog since 2022–23.

It added that the value of exports covered under the scheme (for textile products in Chapters 61, 62, and 63) increased from ₹1.50 lakh crore in FY 22 to ₹1.70 lakh crore in FY 25. This accounts for 91 *per cent* of India's total exports in these categories. This establishes that majority of exporters are effectively utilizing the scheme. Further, an independent impact assessment study recommended long-term continuation of the scheme.

However, Audit observed that one of the key outcome indicators under OOMF, is the percentage[23] of funds utilized for rebate, out of the total allocation under the scheme. In this context, unavailability of year-wise expenditure data, limited the

[23] *The percentage of budget utilization within a financial year should reach 95 per cent of the allocated budget so that roll-over remains minimum and liquidity of exporters remain high.*

ability to assess the extent of fund utilization and its correlation with the reported export performance.

The Ministry needs to ensure that financial data is integrated with outcome indicators under the Output-Outcome Monitoring Framework, enabling assessment of linkage between expenditure and export performance.

3.17 Conclusion

The Subject Specific Compliance Audit on RoSCTL was conducted to assess adherence to prescribed rules and procedures, effectiveness of internal controls, and overall implementation of the RoSCTL scheme by the DGFT and Customs department. Until December 2020, this scheme was administered by the DGFT and thereafter it was administered by the Customs department.

From a systemic perspective, Audit observed that although the issuance of RoSCTL scrips had been automated, significant shortcomings and validation weaknesses persisted, indicating that automation failed to achieve its intended objectives of procedural simplification and ease of doing business.

Key systemic deficiencies included irregular or excess issuance of scrips, including to entities placed in the Denied Entity List, availing of dual export benefits, issuance of scrips without proper intent or beyond actual entitlement and delays or lack of restrictions in e-scrip creation. These deficiencies had revenue implications aggregating **₹130.39 crore** (₹97.62 crore under DGFT and ₹32.77 crore under Customs).

From a compliance perspective, Audit identified inadmissible and irregular grant of benefits totalling **₹472.69 crore** (₹158.63 crore under DGFT and ₹314.06 crore under Customs) arising from not realising or delayed realisation of export proceeds, misclassification of exported products, erroneous adoption of incorrect incentive rates and schedules, application of incorrect exchange rates and delayed or inaccurate issuance of scrolls.

Internal control weaknesses were also noted, including not selecting cases for scrutiny through the Risk Management System and not conducting internal audits, limiting risk-based scrutiny and oversight.

Overall, the audit highlighted that while automation was implemented, systemic, compliance, and internal control deficiencies persisted, undermining the objectives of the RoSCTL scheme in promoting exports, ensuring proper benefit allocation, and facilitating ease of doing business.

3.18 Recommendations:

(i) DGFT should strengthen monitoring and supervisory controls to prevent issuance of scrips to entities in the Denied Entity List and fix

accountability for irregular issuance, without proper justification (Para 3.7.1).

(ii) The DGFT system should ensure processing of applications only by the jurisdictional RAs. Automated validations may be considered to the extent feasible to ensure correct application of RoSCTL benefits, supported by audit trails and exception reporting (Para 3.8.4).

(iii) The Customs Automated System may be integrated with the DGFT portal to automatically restrict RoSCTL benefits for IECs in the Denied Entity List, while permitting such benefits only in cases where an abeyance order has been issued and is in force (Paras 3.12.1).

(iv) The follow up mechanism to monitor realisation of export proceeds under FEMA, 1999, needs to be enhanced to facilitate recovery of ineligible RoSCTL credits with interest in cases of not realising export proceeds (Para 3.13.1).

(v) The Department may consider enhancing the validation controls, to the extent feasible, to prevent misclassification and excess incentive claims (Para 3.13.2).

(vi) The Department may ensure that the EDI system applies the exchange rates prevailing on the LEO date to calculate RoSCTL benefits, to prevent excess payments (Para 3.13.3).

(vii) The Department should ensure timely generation of scrolls through system monitoring to facilitate prompt disbursal of RoSCTL benefits (Para 3.13.4).

CHAPTER IV

Non- compliance to provisions of Customs Act, Customs Tariff notifications and Export Promotion Schemes of Foreign Trade Policy

4.1 Introduction

Custom Duty, an indirect tax, is levied under the Customs Act 1962. This Act is the primary legislation that regulates the arrival and departure of various types of vessels, aircrafts, and goods, passengers into or out of the country. Like other tax laws, the Customs Act mainly deals with the imposition and collection of duties, but it also serves several equally important purposes, such as: (i) regulation of imports and exports; (ii) safeguarding domestic industries; (iii) preventing smuggling, and (iv) conserving and boosting foreign exchange reserves. According to Section 12 of the Customs Act 1962, Customs duties are to be charged at the rates prescribed under the Customs Tariff Act, 1975, or any other applicable legislation, on goods imported into or exported from India.

4.2 The assessment role of Customs authorities involves determining the correct duty payable while considering any exemptions or benefits claimed under various notifications or export promotion schemes. They must also verify whether the imported goods are subject to any restrictions or prohibitions, and if so, ensure that the necessary permissions, licences or permits have been obtained. Duty assessment primarily requires accurate classification of the imported goods under the Customs tariff, taking into account the rules of interpretations as well as section and chapter notes. It further includes properly applying relevant exemption notifications, where applicable, and confirming compliance with the conditions laid down under promotion schemes of the Foreign Trade Policy.

4.3 Audit Sample

During FY 24, 70 Customs Commissionerates across the country generated a total of 931 lakh import and export records, comprising Bills of Entry (BEs) and Shipping Bills (SBs). Audit scrutiny covered 47 Commissionerates that together accounted for 109.52 lakh records (Bills of Entry-47.40 lakh and Shipping Bills-62.12 lakh), representing 11.76 *per cent* of the total transactions. Using a risk-based approach, Audit selected 6.48 lakh records for detailed examination, which constituted 5.92 *per cent* of the records generated in the audited Commissionerates.

4.3.1 Sample of records generated, audited and recoveries made

Among the 47 Commissionerates audited in detail, field Audit offices based on local risk assessment, selected 4.33 lakh Bills of Entry (9.13 *per cent*) and 2.15 lakh Shipping Bills (3.46 *per cent*) for physical audit. The audit exercise resulted in the identification of 105 significant cases involving a revenue implication of ₹10 lakh or more during the test check of records in Customs Commissionerates and DGFT Regional Authorities. Other irregularities of a minor nature were communicated separately through Inspection Reports for corrective action.

Table 4.1: Records generated/ audited in Commissionerates

Description	Pan India 70 Commissionerates (in lakh)	Sampled in 47 Commissionerates (in lakh)	Percentage of total in 47 Commissionerates (Col. 3/ Col 2)	Percentage of records audited in 47 Commissionerates (Row 3/ row 2)
1	2	3	4	5
Records generated (BE+SB)	931	109.52	11.76	
Records audited (BE+SB)		6.48	0.70	5.92

The instances of non-compliance identified during audit could be grouped into the following categories:

I. Misclassification of imports (**Paragraphs 4.4.1 to 4.4.15**).

II. Incorrect application of notifications:

a) Errors in applying IGST Notification (**Paragraphs 4.5.1 to 4.5.4**).

b) Incorrect application of exemption notifications (**Paragraphs 4.5.5 to 4.5.12**).

III. Non-compliance to provisions of Export Promotion Schemes (**Paragraphs 4.6.1 to 4.6.9**).

IV. Other irregularities **(Paragraphs 4.7.1 to 4.7.2)**

The **Table 4.2** given below presents the status of issues flagged and the recoveries effected as of March 2026.

Table 4.2: Cases objected, acceptance and recoveries made

Para category	Misclassification of imports	Incorrect application of notifications	Non-compliance to provisions of Export Promotion Schemes	Other irregularities	Total
No. of Paras objected	51	33	15	6	**105**
Paras accepted	51	32	15	6	**104**
Recoveries made in paras	24	18	11	3	**56**
Amount objected (₹ in lakh)	3,324	1,584	1,322	206	**6,436**
Amount accepted (₹ in lakh)	2,556	1,324	1,322	206	**5,408**
Amount recovered (₹ in lakh)	709	478	785	52	**2,024**

The Ministries/Departments have accepted 104 paragraphs and initiated rectification measures involving money value of ₹54.08 crore which includes the issue and adjudication of SCNs and have reported recovery of ₹20.24 crore in 56 cases pertaining to incorrect assessment of Customs duties.

Though the Ministry has taken corrective action to recover duty in 104 cases, it is important to emphasise that these are only a limited number of test-checked cases. There is every possibility that such error of omission and commission in assessments, may exist in much larger universe of transactions necessitating corrective measures.

4.4 Misclassification of Imports

Classification of commodities imported is governed under the provisions of the Customs Tariff Act 1975. Levy of applicable duties is dependent on classification applied to the imported commodity.

During test check of records, Audit observed short levy of duty due to misclassification in 51 cases. Each of these cases involved a revenue implication of ₹10 lakh or more, amounting to a total revenue implication of ₹33.24 crore, and has been covered in this chapter. Instances of misclassification of imports involving less than ₹10 lakh have been communicated to the respective Commissionerates through field Inspection reports.

Out of the 51 cases of misclassification detected across 22 Commissionerates, 15 cases involving total revenue implication of ₹26.54 crore are discussed in the following paragraphs, while the remaining 36 cases involving total revenue implication of ₹6.71 crore have been listed in **Annexure 23 (A, B, C).** The Department had accepted all 51 cases and reported recovery of ₹7.09 crore in 24 cases.

4.4.1 Misclassification of 'Clutches and parts for motor vehicles' as 'Parts of machinery and mechanical appliances'

Parts and accessories of motor vehicles of headings 8701 to 8705 are classifiable under heading 8708. Clutches and parts thereof are classified under CTH 870893 and leviable to BCD at the rate of 15 *per cent* and IGST at 28 *per cent* {Notification No. 01/2017-Integrated Tax (Rate), Schedule IV, Sl. No. 170 dated 28 June 2017}.

M/s. 'D' Pvt. Ltd. and seven others imported 151 consignments of various types of clutches for motor vehicles (such as Actuator assembly clutches/Tube connector assembly clutch/Damper assembly clutch etc.) through the Chennai II Customs Commissionerate. The imported goods were misclassified under CTH 8414, 8474, 8482, 8483 (covering parts of machinery and mechanical appliances) and CTH 870840, 870850, 870899 (covering other motor vehicle parts) instead of the correct classification under CTH 870893. These were cleared levying BCD at Nil rate/five/ 6.25 / 7.5 *per cent* and IGST at the rate of 18 / 28 *per cent*.

Audit observed that concessional BCD rates available for imports from South Korea, Thailand and Vietnam were not available for goods classified under CTH 870893. Consequently, imports under this heading merit application of BCD at 15 *per cent* and IGST at 28 *per cent*. Due to this incorrect classification, there was a short levy of customs duty amounting to ₹6.42 crore.

On this being pointed out (November 2022/January 2023/ February 2024), the Department reported (February 2025), recovery of ₹ 0.76 lakh from two importers (M/s. 'E' Pvt. Ltd. and M/s. 'F' Ltd.), confirmed a partial demand for ₹1.42 crore against one importer (M/s. 'D' Pvt. Ltd) and issued SCNs to five importers. Further progress was awaited (May 2026).

4.4.2 'Vitamins/Pro-vitamins' imports misclassified as 'animal feed preparations'

In terms of Rule 3 (a) of General Rules for Interpretation of First Schedule to the Customs Tariff, when the goods are prima facie classifiable under two or more headings, the heading, which provides the most specific description shall be preferred to headings providing a more general description.

Pro-vitamins, Vitamins and their derivatives when used primarily as vitamins, whether or not mixed with solvents are classifiable under Customs Tariff Heading (CTH) 2936. In this regard, the Larger Bench of the Hon'ble Supreme Court in the case of Commissioner of Customs (Import), Mumbai vs. M/s. 'G' Ltd. [2018 (361) E.L.T 577] held that inputs/raw materials used in the manufacture of animal feed are distinct commodities and could not be treated as animal feed itself. Consequently, only prepared and ready to use feed products intended for aquatic animals/poultry/cattle are classifiable under CTH 2309 or CTH 2301.

Further, as clarified by the MoF, DoR in its Circular No. 80/54/2018-GST, Sl. No. 5 dated 31 December 2018, CTH 2309 covers feed supplements formulated using vitamins in combination with other ingredients such as cereals and proteins.

Additionally, the Customs Advance Ruling[24] and the Hon'ble High Court of Allahabad in the case of M/s. 'H' Ltd., reported in 2012 (275) E.L.T. 326 (All.), also held that high concentration vitamins (40 *per cent* to 98 *per cent*) used for manufacture of animal feed are classifiable under CTH 2936.

Consequently, Vitamin/Pro-vitamin, classified under CTH 2936 attract BCD at 7.5 *per cent* (Notification No. 50/2017-Customs dated 30 June 2017, Sl. No.185)

[24] *No. CAAR/Murn/ARC/24/2022 dated 08-07-2022 (M/s. 'J' Ltd., Mumbai Vs the Commissioner of Customs (III), Mumbai)*

and IGST at 18 *per cent* {Notification No. 1/2017-Integrated Tax (Rate), Schedule III, Sl. No. 40 dated 28 June 2017}.

M/s. 'I' Pvt. Ltd and others imported "Vitamins/Pro-vitamins" intended for the preparation of aquatic/ poultry/cattle feed through Chennai II Customs (Import) Commissionerate, against 114 BsE during 2021-22 and 2022-23. The imported goods were incorrectly classified under CTH 2309 and were cleared levying BCD at 20 /15 *per cent* (Sl. No. 118 and 119A of the said Customs Notification No. 50/2017 dated 30 June 2017) and exempted from IGST {Sl.No.102 of IGST Notification No.02/2017-Integated Tax (Rate) dated 28 June 2017}. In view of the aforesaid judgements and the Customs Advance Authority Ruling, the imported goods merit classification under CTH 2936 and attract BCD at 7.5 *per cent* and IGST and 18 *per cent*. This resulted in short levy of duty of amounting to ₹4.37 crore which was recoverable along with applicable interest.

On this being pointed out, the Department reported (March 2025) that demands have been confirmed against all 15 importers. Further progress was awaited (May 2026).

4.4.3 'Apparatus for transmission or reception of voice, image or other data' misclassified as 'Telephones for cellular networks'

'Other apparatus for transmission or reception of voice, image or other data, including apparatus for communication in a wired or wireless network' are classifiable under CTH 85176990 and attract BCD at the rate of 20 *per cent*.

M/s. 'K' Ltd. and ten others imported (June 2020 to March 2022) IP Network Telephone/ SIP phone/IP Phone under 31 BsE through ACC-Import, New Delhi. The imported goods were misclassified under CTH 85171190/ 85171810/ 85171890 as 'Telephones for cellular networks' and were exempted from BCD (Customs Notifications Nos. (i) 24/2005-Customs dated 01 March 2005, Sl. No.13D/13B and (ii) 57/2017-Customs dated 30 June 2017, Sl. No.4).

Audit observed that the imported goods viz. IP Network Telephone/ SIP phone/IP Phone use voice over IP technology to place and transmit calls over an IP network, such as the Internet. Consequently, these goods merit classification under CTH 85176990 attracting BCD at 20 *per cent* instead of being exempt. The misclassification led to a short levy of duty totalling ₹3.22 crore.

On being pointed out (June 2022), the Ministry of Finance, Department of Revenue reported (March 2026) recovery of ₹5.63 crore including interest from six importers, confirmed against four importers and issued a SCN to the remaining one importer. Further progress was awaited (May 2026).

4.4.4 'Dumper trucks for underground mining' misclassified as 'Front end shovel loaders /mechanical shovels'

"Dumper trucks with a net weight (excluding payload) exceeding eight tons and a maximum payload capacity not less than 10 Tons" are classified under CTH 87041010 and attract BCD at the rate of 40 *per cent* and IGST at the rate of 28 *per cent*.

According to the explanatory notes to the Harmonised System of Nomenclature (HSN) issued by the World Custom Organization (WCO), Dumper trucks designed for underground mining and weighing more than Eight tons are classifiable under CTH 87041010. This classification was affirmed by the Customs Authority for Advance Rulings, Mumbai in their ruling dated 11 March 2021.

M/s. 'L' Pvt. Ltd. imported (December 2021/ March 2022) two consignments of Dumper trucks through Kolkata (Port). The goods were misclassified under 84295100/ 84295900 as 'Front end shovel loaders/ mechanical shovels' and were cleared on payment of BCD at 7.5 *per cent* and IGST at 18 *per cent*, instead of the correct applicable rate of 40 *per cent* and 28 *per cent* for Dumper trucks. The misclassification resulted in a short levy of duty amounting to ₹2.82 crore.

On being pointed out (August 2023), the Department intimated (December 2023) that SCN has been issued (December 2023). The adjudication status of the SCN was awaited (May 2026).

4.4.5 Misclassification of 'Solar panels' as 'other photosensitive semi-conductor devices'

'Photovoltaic cells, whether or not assembled into modules or incorporated into panels' classified under CTH 85414200 or 85414300 attract BCD at the rate of 40 *per cent* (w.e.f. 01 April 2022) and IGST at the rate of 12 *per cent*.

M/s. 'M' Pvt. Ltd., imported (February 2023) a consignment of 'Solar panels' through Chennai II Customs Commissionerate. The imported commodity was misclassified under CTH 85414900 as 'Other photosensitive semiconductor devices' and cleared levying 'Nil' BCD (Notification No. 24/2005-Customs dated 01 March 2005) and IGST at the rate of five *per cent*.

It was observed that solar modules or solar panels which are photovoltaic cells assembled into modules or panels, are correctly classifiable under CTH 85414300. These are not eligible for BCD exemption under Notification No. 24/2005-Customs dated 01 March 2005 and therefore attract BCD at 40 *per cent* and IGST at 12 *per cent*. Misclassification and the erroneous availing of the exemption had resulted in a short levy of customs duty amounting to ₹2.77 crore.

On being pointed out, the Ministry reported (March 2026) recovery of ₹2.88 crore, which included interest.

4.4.6. Misclassification of 'Electronic control modules (ECMs) - automotive equipment' as 'Parts and accessories of the instruments'

'Electronic Control Module (ECM)' an automotive onboard computer is classified under CTH 90328990 and attract BCD at the rate of 15 *per cent*. However, 'Parts and accessories of automatic regulating or controlling instruments' are subjected to BCD rate of 7.5 *per cent*.

M/s. 'N' Pvt. Ltd. imported (May 2022 to June 2023) 41 consignments of 'ECM A36B' through ACC-Import, New Delhi. The items were misclassified under CTH 90329000 as 'Other parts and accessories of automatic regulating or controlling instruments' and were cleared levying BCD at the rate of 7.5 *per cent* instead of the applicable rate of 15 *per cent*.

Audit scrutiny revealed that the imported goods 'ECM A36B' are in fact automatic electronic control modules (ECMs) used in automotive electronics to control one or more electrical systems or subsystems in motor vehicles. These qualify as automatic controlling equipment/apparatus and are therefore correctly classifiable under CTH 90328990 and not as 'Parts/accessories'. Accordingly, the goods are liable to BCD at 15 *per cent*. The misclassification resulted in a short levy of duty amounting to ₹ 1.15 crore.

On being pointed out (March 2024), the Department intimated (July 2024) that SCN has been issued (May 2024) to the importer. The adjudication of SCN was pending with the Department (May 2026).

4.4.7 Wafer making machines misclassified as 'Bakery machinery not specified elsewhere in the chapter 84'

'Industrial Plant and Machinery for Cooking and Heating Food' is classifiable under CTH 84198190 and attract BCD at the rate of 10 *per cent*.

M/s. 'O' Ltd. and five others imported (December 2020 to September 2022) eight consignments of "wafer making machines" through ICD, Tughlakabad, Delhi. The imported goods were misclassified under CTH 84381010/ 84381020-as 'Bakery machinery not specified elsewhere in Chapter 84' and were cleared levying BCD at five *per cent* after allowing benefit of Customs Notification No. 50/2017 dated 30 June 2017, Sl. No. 458.

Audit scrutiny revealed that the imported goods are wafer making machines, which involve the cooking of food materials through application of heat. According to the explanatory notes to chapter 84 of the Customs Tariff, machinery and plant for cooking and heating foods are excluded from classification under CTH 8438 and should instead be classified under CTH 8419. Accordingly, the imported goods merit classification under CTH 84198190 and are not eligible for BCD at five *per cent* under Sl. No. 458 of the aforesaid notification. The misclassification and subsequent incorrect grant of notification benefit resulted in short levy of duty amounting to ₹1.15 crore.

On being pointed out (January 2023), the Department reported a recovery of ₹2.67 lakh plus interest of ₹1.27 lakh from two importers (M/s. 'P' Pvt. Ltd. and M/s. 'Q' Pvt. Ltd), confirmed (February/April 2024/January 2025) demands of ₹10.73 Lakh against three importers (M/s. 'R' Ltd., M/s. 'S' Pvt. Ltd. and M/s. 'T' Pvt. Ltd.) and issued (March 2024) an SCN for ₹1.02 crore to M/s. 'O' Ltd..

4.4.8 'System for Signal receiving, search, collection, and analysis' misclassified as 'other machines for measuring or checking instruments'

The 'System for Signal receiving, search, collection, and analysis' is classified under CTH- 85176290 as 'other machines for the reception, conversion and transmission or regeneration of voice, images or other data' and attract BCD at the rate of 20 *per cent*.

M/s. 'U' Ltd. imported (July 2020) a consignment of "TCI Model 903-2 Blackbird Nextgen system for signal receiving, search, collection and analysis including spares" through ACC-Import, New Delhi. The imported item was misclassified under CTH – 90318000 as 'Other instruments, appliances and machines for measuring or checking instruments not specified or included elsewhere in the chapter 90' and was cleared levying BCD at the rate 7.5 *per cent*.

Audit scrutiny revealed that the imported item is a fully integrated system for signal search, detection, visualization, collection, wideband recording, geolocation, analysis and reporting. This system merits classification under CTH 85176290 and is subject to BCD at the rate of 20 *per cent* instead of 7.5 *per cent* applied. Consequently, the misclassification of the imported goods resulted in a short levy of duty amounting to ₹93.03 lakh.

On being pointed out, the Department confirmed (July 2023) a demand for ₹93.03 lakh against the importer.

4.4.9 'Ethernet switches and accessories' misclassified as 'Automatic data processing machines'

'Device Server –Ethernet switches and accessories' merits classification under CTH 85176990- as 'Other apparatus for transmission or reception of voice, images or other data in a wired or wireless network' and attract BCD at the rate of 20 *per cent.*

M/s. 'V' Pvt. Ltd., Bengaluru imported (April 2019 to March 2021) various 'Device Servers and accessories' under 17 Bills of entry through Airport and Air Cargo Complex Commissionerate, Bengaluru. The goods were misclassified and cleared under CTH 84715000 as – 'Processing units, whether or not containing in the same housing storage units, input units and output units'. Based on this classification, the imported goods were exempted from the BCD under Customs Notification No. 24/2005, Sl. No. 8 dated 01 March 2005.

Scrutiny revealed that the imported goods comprised 'Ethernet Switch, items meant for communication in Ethernet LAN, serial to fiber optical converter etc.' These products merit classification under CTH 85176990, which are not eligible for BCD exemption. Consequently, the misclassification resulted in a short levy of duty of ₹73.10 lakhs.

On this being pointed out (January 2022), the Department stated (November 2024) that an SCN for ₹1.09 crore issued in September 2023 and covering this case along with similar other imports, is currently under adjudication. Further progress was awaited (May 2026).

4.4.10 Misclassification of yeast extract

'Yeasts (active or inactive); other single cell micro-organisms, dead (but not including vaccines of heading 3002); prepared baking powders: Culture Yeast' is classified under CTH 21021010 and attracts BCD at the rate of 30 *per cent*.

M/s. 'W' Pvt. Ltd. imported (April 2021 to January 2022) 16 consignments of 'Angel Yeast Extract-Microbiological culture media for Industrial application' through JNCH, Mumbai Commissionerate and declared the goods under CTH 3821 as 'Prepared culture media for development or maintenance of micro-organism (including viruses and the like) or of plant human or animal cells' attracting BCD at 7.5 *per cent.*

Audit scrutiny revealed that the importer M/s. 'W' Pvt. Ltd. is engaged in the Food, Nutrition and Personal care industry. As per the product brochure, the imported item is used in food industry to enhance flavour and tastes in various products. The item description declared in BsE also indicated that the imported goods were intended for industrial application. Since the goods are not meant for the development or maintenance of micro-organisms, they are not classifiable under CTH 3821. Accordingly, the product merits classification under CTH 21021010 which attracts BCD at 30 *per cent.* The misclassification resulted in short levy of duty amounting to ₹61.20 lakh.

On being pointed out (November 2022), the Department reported that a demand for ₹61.20 has been confirmed (February 2025) and a penalty of an equivalent amount has also been imposed.

4.4.11 Misclassification of 'Rheology modifier' as 'Other Clays, whether or not calcined'

Chemical product 'Rheology Modifier' is classified under CTH – 38249900 as "Other-Chemical products and preparations of the Chemical or allied Industries, not elsewhere specified or included in Chapter 38" of the Customs Tariff and is subject to BCD of 7.5 *per cent* plus IGST of 18 *per cent*.

M/s. 'X' Pvt. Ltd. imported (April 2021 to March 2022) seven consignments of 'Rheology Modifier' through JNCH, Mumbai. The imported goods were misclassified under CTH 25081090 as 'Other Clays whether or not Calcined; mullite; chamotte or Dinas earths related to a high temperature ceramic materials' and were cleared levying BCD at five *per cent* and IGST at five *per cent*.

Rheology modifiers are specialized chemical substances that adjust the flow properties of materials, particularly their viscosity, and help control shear thinning or shear thickening behaviour. These properties are vital across a variety of industries, such as coatings, adhesives, pharmaceuticals, and cosmetics, where precise control over the consistency of the material is required. Given their nature, these products merit classification under CTH 38249900 and attract BCD at the rate of 7.5 *per cent* and IGST at the rate of 18 *per cent*. The misclassification resulted in short levy of duty to the tune of ₹52.78 lakh.

On being pointed out (November 2022), the Department reported (June 2024) recovery of ₹73.06 lakh.

4.4.12 Multimedia speakers mounted in different enclosures misclassified as 'Multiple loud speakers mounted in the same enclosures'

Loudspeakers mounted in different enclosures are to be classified under CTH 85182900-"Loudspeakers, whether or not mounted in their enclosures-Others" and attract BCD at the rate of 15 *per cent*.

M/s. 'Y' Pvt. Ltd. and six others imported (February 2018 to April 2019) '5.1 Multimedia speakers (mounted in different enclosures)' under 42 BsE through Cochin Sea Port. The imported goods were misclassified under CTH 85182200 as 'Multiple loudspeakers mounted in the same enclosures' and levied BCD at the rate of 10 *per cent*. The items being loudspeakers mounted in different enclosures merit classification under CTH 8518 2900 which attracts BCD at the rate of 15 *per cent*. The misclassification resulted in short levy of Customs duty amounting to ₹49.62 lakh.

On being pointed out, the Department confirmed demands (July 2022 to May 2023) aggregating ₹49.62 lakh against the importers.

4.4.13 Misclassification of ''Inactive dried yeast' imports

'Inactive Yeasts' are classified under CTH 21022000 and attract BCD at 30 *per cent* and Integrated Goods and Services Tax (IGST) at 12 *per cent* {IGST Notification No. 1/2017-Integrated Tax (Rate), Schedule II, Sl. No. 43 dated 28 June 2017}.

M/s. 'Z' Pvt. Ltd and M/s. 'AA' Pvt. Ltd. imported (April 2020 to January 2022) nine consignments of 'Inactive dry yeasts' through Kolkata Sea Port. The imported goods were misclassified under CTH 23099090 as 'Other preparations of a kind used in animal feeding' and cleared levying BCD at the rate of 20/15 *per cent* (Sl. No.118 and 119A of Notification No.50/2017-Customs dated 30 June 2017) and exempted from IGST {Notification No.2/2017- Integrated Tax (Rate), Sl. No. 102 dated 28 June 2017}.

Audit scrutiny revealed that as per Note 1 to Chapter 23 of the Customs Tariff, CTH 2309 covers products of a kind used in animal feeding, not elsewhere specified or included. However, the imported goods are specifically covered under CTH 21022000. Moreover, it was judicially held by the Custom, Excise & Service Tax Appellate Tribunal (CESTAT), Chennai in the case of M/s. 'AB' Pvt. Ltd. vs Chennai Port (Import) (dated 26 November, 2019) that 'Inactive dried yeast (animal feed supplement)' merits classification under its specific entry CTH 21022000 and not under the residual classification heading CTH 2309. Accordingly, the imported goods attract BCD and IGST at the rate of 30 and 12 *per cent* respectively. This resulted in short levy of duty amounting to ₹45.12 lakh.

On being pointed out (October 2021 and June 2022), the Department intimated (November 2023/December 2025) that SCNs were issued to the importers, which have been adjudicated. In one case, the Commissioner (Appeals) decided (August 2025) in favour of the importer, against which the Department is filing an appeal before the Tribunal. In the other case, the importer has filed an appeal against the adjudication order. Further progress was awaited (May 2026).

4.4.14 'Machinery for Industrial production of cakes' misclassified as 'machinery for preparation of food or drink'

'Machinery used for treating materials through processes such as heating, cooking, roasting, distilling, steaming, evaporating condensing-other than for domestic use' is classified under CTH 84198190 and attract BCD at 10 *per cent*. Accordingly, machinery used for industrial production of cakes are covered under CTH 84198190.

M/s. 'AC' Pvt. Ltd. imported (March 2022) a 'Semi-Automatic Plant System Model ISA-800 USED for the production of cakes' through ICD, Tughlakabad-Delhi. The goods were misclassified under CTH 84381010-as 'bakery machinery, not specified elsewhere in chapter 84' and BCD was levied at five *per cent*.

As per Explanatory notes to Chapter 84 machinery and plant for cooking and heating foods are excluded from the classification under CTH 8438 and covered under CTH 8419. Accordingly, the imported goods merit classification under CTH 8419 and attract BCD at 10 *per cent*, rather than the five *per cent* applied. The misclassification of imported goods resulted in short levy of duty amounting to ₹44.77 lakh.

On being pointed out (January 2023), the Department confirmed (April 2024) a demand for ₹44.77 lakh and also imposed a penalty of ₹four lakh on the importer.

4.4.15 Short levy of BCD due to misclassification of 'Infrared Thermometer'

'Digital thermometers' are classified under Customs Tariff Heading 90251910 and attracts Basic Customs Duty (BCD) at the rate of 10 *per cent*.

M/s. 'AD' Pvt. Ltd. and 31 others had imported (April to December 2020) 37 consignments of 'Infrared thermometers'[25] through Air Customs, Chennai. These goods were misclassified under CTH 90182000/ 90181290/ 90251990 / 90258090 as 'Ultra- violet ray apparatus/other thermometers' and were assessed to BCD at 7.5 *per cent*. The imported goods being 'Digital thermometers' merit classification under the specific CTH 90251910 and which attracts BCD at 10 *per cent*. The misclassification resulted in short levy of duties amounting to ₹44.05 lakh.

On this being pointed out, the MoF, Department of Revenue reported (March 2026) recovery of ₹ 24.25 lakh including ₹ 0.32 lakh as interest, from 24 importers. The Department also stated that demands had been confirmed against four additional importers, while demand letters had been issued to the remaining importers. Further progress was awaited (May 2026).

4.5 Incorrect application of notifications

Test check revealed the improper application of various notifications in 33 cases, each involving revenue of ₹10 lakh or more. The total revenue implication was ₹15.84 crore. Individual cases of improper application of notifications of value less than ₹10 lakh have been reported to the local Commissionerates through field inspection reports. The Department accepted 32 cases and intimated recovery of ₹4.78 crore in 18 cases which included interest.

The 33 observations are grouped into two categories – 'Errors in application of IGST notifications' and 'Incorrect application of exemption notifications'. Twelve cases in these two categories (IGST notification-four cases and Exemption

[25] *An infrared thermometer is a kind of digital thermometer which converts the energy to an electrical signal that is being displayed in units of temperature after being compensated for ambient temperature variation.*

notifications- eight cases) with a revenue implication of ₹11.69 crore are discussed in the succeeding paragraphs. The remaining 21 cases with a total revenue implication of ₹4.16 crore in these two categories are detailed in **Annexure 24 - (A, B, C)-**15 cases and **Annexure 25** (A, B, C)-six cases respectively.

Errors in application of IGST Notification

All imports are deemed to be inter-State supplies under the IGST Act and accordingly, IGST is levied on imports in addition to the applicable Custom duties. The IGST on goods imported into India is charged in accordance with the provisions of the Customs Tariff Act, 1975, on the value determined under the said Act at the point when duties of Customs are levied.

4.5.1 Application of incorrect IGST rate on renewable energy devices

Renewable energy devices and parts for the manufacture of solar power based devices; solar power generator; waste to energy plants/devices; solar lantern/solar lamp; etc. classified under Customs Tariff chapters 84, 85 or 94 attract IGST at the rate of 12 *per cent* (Notification No. 1/2017-Integrated Tax (Rate), Schedule II; Sl. No. 201A dated 28 June 2017, as amended).

M/s. 'AE' Pvt. Ltd and three others imported (October to November 2021) seven consignments of 'Transformer less PV Inverters'/Solar Inverters/ 'PV Grid Connected Inverters' classified under CTH 85044090 through ICD, Khodiyar under Ahmedabad Commissionerate. The goods were cleared on payment of IGST at the rate of five *per cent* under Sl. No. 234A & 234B, Schedule-I of the aforesaid notification.

Audit scrutiny, however, revealed that the five *per cent* IGST rate is applicable only to 'E-waste/Chargers or charging stations for electrically operated vehicles. The imported goods 'Transformer less PV Inverters'/ Solar Inverters/ 'PV Grid Connected Inverters' are covered under Schedule-II, Sl. No. 201A of the notification and therefore attract IGST at the rate of 12 *per cent*. This resulted in short levy of duty amounting to ₹58.56 lakh.

On this being pointed out (August 2022), the Department reported (November 2023) recovery of ₹53.11 lakh from three importers (M/s. 'AF' Ltd., M/s. 'AG' Pvt. Ltd. and M/s. 'AH' Pvt. Ltd- total six BsE) and confirmed a demand of ₹11.54 lakh against the remaining importer (covering one BE).

4.5.2 Short levy of IGST on import of 'Maduramicin ammonium pure' not for medicinal use

"Goods which are not specified in Schedule I, II, IV, V or VI" of the IGST Notification No.1/2017-Integrated Tax (Rate) dated 28 June 2017 attract IGST at the rate of 18 *per cent* under Schedule III, Sl. No. 453 of the notification.

M/s. 'AI' Ltd. imported (April 2020 to February 2022) 12 consignment of "Maduramicin ammonium Pure (Not for medicinal use-captive consumption)" through JNCH Commissionerate. The imported goods were classified under CTH 30039090 as 'Other medicaments consisting of two or more constituents' and were cleared on payment of IGST at the rate of 12 *per cent* (Schedule II, Sl. No.62 of the aforesaid notification).

Scrutiny revealed that the 12 *per cent* IGST rate is applicable to 'medicaments'. However, the imported goods are not intended for medicinal use and are meant solely for captive consumption, rendering them ineligible for classification as medicaments. Accordingly, the goods attract IGST at the rate of 18 *per cent* under Schedule III, Sl. No.453 of the aforesaid notification. This resulted in short levy of duty amounting to ₹55.94 lakh.

On being pointed out (November 2022), the Ministry/Department reported (November 2023/ March 2026), recovery of ₹55.94 lakh along with penalty and interest amounting to ₹29.07 lakh.

4.5.3 Short levy of IGST on import of Disodium tetraborate (borax)

"All inorganic chemicals (other than those specified in the Schedule for exempted goods or other Rate Schedules for goods including fertilizer grade phosphoric acid)" attract IGST at the rate of 18 *per cent* (IGST Notification No. 01/2017–Integrated Tax (Rate), Schedule III, Sl. No. 39 dated 28 June 2017).

Audit analyzed 43 Bills of Entry (BsE) relating to the imports of "Refined Borax - Disodium Tetra borate (Neobor Borax Pentahydrate)" valued at ₹2,286 lakh, through NS I Commissionerate, JNCH, Mumbai (Zone-II) during the period April 2022 to September 2023 and noticed short levy of duty amounting to ₹54.46 lakh in 15 BsE.

M/s. 'AJ' Pvt. Ltd. and one other imported (April 2022 to September 2023) 15 consignments of Disodium tetraborate through NS I Commissionerate, JNCH, Mumbai (Zone-II). The goods were classified under CTH 2840 and assessed to IGST at 12 *per cent* under Sr. No. 56 of Schedule II of aforesaid IGST notification.

Audit scrutiny revealed that the Sl. No. 56 of the notification applies only to micronutrients specified under Sl. No. 1(g), Schedule I, Part (A) of the Fertilizer Control Order, 1985, and manufactured by entities registered under the said Order. However, the imported goods "Disodium tetraborate" are not fertilizer micronutrient covered under the said. Accordingly, the application of 12 *per cent* IGST was incorrect and the goods merit levy of IGST at 18 *per cent* under Schedule III of the IGST notification. Thus, incorrect application of the IGST rate resulted in short levy of duty amounting to ₹54.46 lakh.

On being pointed out (February 2024), the Department accepted the audit observation and stated (April 2024) that consultative letters have been issued to the importers for payment of differential duty. Further progress was awaited (May 2026).

4.5.4 Short levy of IGST on import of 'Parts for railway or tramway locomotives and rolling stock'

Import of 'Parts for railway or tramway locomotives and rolling stock', classified under CTH 8607 attract IGST at the rate of 12/18 *per cent*, effective from 01 October 2019 and 01 October 2021 respectively.

M/s. 'AK' Ltd. imported (April 2020 to January 2022) three consignments of 'Parts of railway locomotives or rolling stock' classified under CTH 8607 through Kolkata (Sea) Port. The goods were cleared levying IGST at the rate of five *per cent*/ 12 *per cent* instead of the applicable rate of 12/18 per cent. Application of incorrect IGST rate resulted in short levy of IGST of ₹54.36 lakh.

On being pointed out (July 2022), the Department intimated (January 2024) recovery of ₹54.36 lakh.

Incorrect application of exemption notifications

4.5.5 Incorrect application of notification benefit on import of 'Subscriber end networking equipment'

Printed Circuit Board Assembly (PCBA) of Multiple Input Multiple output (MIMO) products for use in 'Subscriber end networking equipment' are classifiable under CTH 85177910 and attract BCD at the rate of 10 *per cent* (Sl. No.22 of Customs Notification No.57/2017 dated 30 June 2017.

M/s. 'AL' Pvt. Ltd. and M/s. 'AM' Ltd. imported (February to July 2022) 13 consignments of PCBA of 'Subscriber end networking equipment' through ACC-Import, New Delhi. The goods were correctly classified under CTH 85177910 but were incorrectly exempted from BCD under Sl. No.13S of Notification No. 24/2005-Customs dated 01 March 2005.

Audit scrutiny revealed that PCBA for MIMO are specifically excluded from the exemption benefit under Sl. No. 13S of the notification. Accordingly, the imported goods are liable to BCD at the rate of 10 *per cent*.

Further, the exemption under Notification 24/2005-Customs dated 01 March 2005 is subject to the condition that importers follow the procedure prescribed in the Customs (Imports of Goods at concessional rate of Duty) Rules 2017 and furnish an undertaking at the time of importation to claim the benefit of exemption. However, neither details of the certificate nor the certificate is available in the EDI system for these consignments. Thus, incorrect grant of notification benefit resulted in short levy of duty of ₹3.16 crore.

It was also noticed that one of the Importers (M/s. 'AL' Pvt. Ltd.) had paid BCD at the rate of 10 *per cent* on similar imports comprising consignments during the period December 2020 to November 2022.

On being pointed out, the Department issued (April 2023) a Pre-Consultation Notice to M/s. 'AL' Pvt. Ltd and in August 2024 issued SCN to another importer (M/s. 'AM' Ltd.). Further progress of adjudication status was awaited (May 2026).

4.5.6 Short levy of BCD due to incorrect application of notification benefit

'Black Tiger shrimp' are classified under Customs Tariff Heading (CTH) 0306. These goods attract 30 *per cent* BCD up to 01 January 2022 (Notification No. 50/2017-Customs dated 30 June 2017, as amended).

M/s. 'AN' Pvt. Ltd & M/s. 'AO' Ltd. imported (June 2021 to January 2022) seven consignments of black tiger shrimp through Chennai Air Customs, Commissionerate VII, Chennai. The goods were correctly classified under CTH 03061690, but were cleared by applying the lower 10 *per cent* BCD under Sl.No.6 of Notification No. 50/2017-Customs dated 30 June 2017.

Audit observed that the lower BCD rate up to January 2022 was applicable only to 'White tiger[26] shrimp' and not to 'Black Tiger shrimp'. Accordingly, imports of 'Black Tiger shrimp' up to January 2022 were liable to 30 *per cent* BCD. Thus, incorrect extension of notification benefit resulted in a short levy of duty amounting to ₹1.37 crore.

On this being pointed out (April 2022), the Department accepting the observation reported (September 2022) recovery of ₹26.22 lakh from one importer M/s. 'AN' Pvt. Ltd.. Recovery in respect of another importer was awaited (May 2026).

4.5.7 Short levy of BCD on import of automobiles parts due to incorrect grant of notification benefit

'Other instruments, appliances and machines' classified under CTH 90318000 suitable for use in motor vehicles (CTH 8702), motor cars (CTH 8703) and motor cycles (CTH 8711) attract BCD at the rate of 15 *per cent*. However, other goods under this heading, which are not suitable for use in motor vehicles/motor cars/motor cycles are chargeable to BCD at the lower rate of 7.5 *per cent* (Notification No. 50/2017-Customs, Sl. No. 581B dated 30 June 2017).

M/s. 'AP' Pvt. Ltd. and seven others imported (April 2021 to March 2022) 140 consignments of various automotive parts through Chennai II Customs

[26] *A white tiger shrimp is another species of shrimp, which is grey/green in colour and has an elongated body.*

Commissionerate. These goods were classified under CTH 90318000 and were cleared applying the lower BCD rate of 7.5 *per cent*.

Scrutiny revealed that the importers are engaged in the automobile sector and the goods imported by them are suitable for use in motor cars/motor vehicles. Accordingly, the BCD rate of 7.5 *per cent* was not admissible. These goods were liable to BCD at the standard rate of 15 *per cent*. Incorrect application of the lower rate resulted in a short levy of Customs Duty amounting to ₹1.34 crore.

On this being pointed out (April 2023/February 2024), the Department reported (February 2025) issuance of SCNs to seven importers for recovery of ₹1.32 crore and partially recovered differential duty amounting to ₹1.47 lakh from two importers. Further progress was awaited (May 2026).

4.5.8 Short levy of BCD on import of Electric Motors for automotive use due to incorrect application of notification

'Electric motors including Universal AC/DC motors of varying outputs' classified under CTH 8501 and suitable for use in Motor vehicles (CTH 8702 or 8704), motor cars (CTH 8703) or motor cycles (CTH 8711) attract 15 *per cent* BCD. However, Electric motors classified under CTH 8501 that are not suitable for use in motor vehicles/motor cars/motorcycles are eligible for BCD rate of 10 *per cent* (Notification No. 50/2017-Customs, Sl. No. 485A dated 30 June 2017).

M/s. 'AQ' Pvt. Ltd. and 19 others imported (2021-22) 102 consignments of Electric Motors for automotive use (CTH 8501) through Chennai II Customs Commissionerate. These goods were classified under CTH 8501 and cleared applying BCD rate of 10 *per cent* under Sl. No. 485A of the aforesaid notification.

Audit scrutiny revealed that the imported goods were intended for use in the automobile industry, as the importers are manufacturer and supply of motor vehicles/motor cars. Accordingly, the goods are not eligible for BCD rate of 10 *per cent* applicable to electric motors 'not suitable for use in motor vehicles'. Rather these goods attract BCD at the rate of 15 *per cent*. The incorrect application of notification resulted in short levy of duty amounting to ₹1.09 crore.

On this being pointed out (May 2023/April 2024), the Department stated (May 2024) that SCNs/Demand letters have been issued to 20 importers demanding the short levy of ₹1.48 crore along with interest. Further progress on the SCNs/demand letters issued was awaited (May 2026).

4.5.9 Incorrect application of notification on import of 'Electric control panels/boards for automotive use'

'Boards, panels, consoles for electric controls' classified under CTH 8537 and suitable for use in Motor vehicles (CTH 8702 or 8704), motor cars (CTH 8703) and motor cycles (CTH 8711) attract BCD at the rate of 15 *per cent*. However, Electric

Boards, panels, console controls that are not suitable for use in motor vehicles/motor cars/motor cycles are eligible for BCD at lower rate of 7.5 *per cent* (Notification No. 50/2017-Customs, Sl. No. 490 dated 30 June 2017

M/s. 'AR' Pvt. Ltd. and others imported (2021-22) 92 consignments of 'Control panels/Boards' for automotive use through Chennai II Customs Commissionerate. These goods were classified under CTH 8537 and cleared applying 7.5 *per cent* BCD rate under Sl. No. 490 of the aforesaid notification.

Audit scrutiny revealed that the imported goods were intended for use in the automobile industry, as the importers are manufacturer and supply of motor vehicles/motor cars. Accordingly, the goods are not eligible for BCD rate of 7.5 *per cent* applicable to 'Boards/panels/consoles 'not suitable for use in motor vehicles'. Rather these goods attract BCD at the rate of 15 *per cent*. The incorrect application of notification resulted in short levy of duty amounting to ₹82.40 lakh.

On being pointed out (May 2023/March 2024), the Department reported (May 2024) that SCNs/demand letter have been issued to seven importers demanding differential duty of ₹47.40 lakh and ₹2.77 lakh had been recovered from three other importers. Replies in respect of the remaining five importers were awaited (May 2026).

4.5.10 Incorrect application of notification on import of Shrimp feed

'Preparations of a kind used in animal feeding' classified under CTH 2309 (excluding dog or cat food-CTH 23091000) attract 15 *per cent* BCD (Notification No. 50/2017-Customs, Sl. No.119A dated 30 June 2017, as amended). However, 'Shrimp larvae feed' is leviable to lower BCD rate of five *per cent* (Sl. No. 119 of the aforesaid Notification).

M/s. 'AS' Pvt. Ltd. and three others imported (April 2021 to March 2022) 12 consignments of 'Bio-marine digestible feed', Shrimp hatchery feed, 'Brood stock and Maturation shrimp feed', Booster Pro etc., through Chennai II Customs Commissionerate. These goods were classified CTH 23099031 as 'Prawn and shrimp feed' and were cleared applying lower BCD rate of five *per cent* under Sl. No. 119 of the aforesaid notification.

Audit observed that the imported goods do not qualify as 'Shrimp larvae feed' to merit BCD rate of five *per cent* under Sl. No. 119 of the aforesaid notification. Instead, the imported goods are liable to BCD at 15 *per cent* under Sl. No. 119A of the notification. This resulted in short levy of Customs duty amounting to ₹72.38 lakh.

On this being pointed out (January 2023), the Department reported (January 2025) that demands amounting to ₹66.41 lakh had been confirmed against four importers and ₹3.04 lakh had been recovered from one importer. Further progress was awaited (May 2026).

4.5.11 Erroneous application of the notification on import of energy feed supplements for cows and goats

'Nutracor-88' is a concentrated energy feed supplement for dairy ruminants such as cows and goats and is classified under CTH 23091000 as-'Preparations of a kind used in animal feeding'. Imports of 'Nutracor-88' from Malaysia are not eligible for BCD exemption under Notification 46/2011-Customs dated 1 June 2011 (Sl. No.187) and attract BCD at the rate of 20 or 15 *per cent*, as applicable. While, dog or cat food, when put up for retail sale under the same CTH 23091000, is exempt from BCD when imported from Malaysia.

M/s. 'AT' Pvt. Ltd. imported 'Nutracor-88' from Malaysia through Kolkata Sea Port by availing exemption from BCD under Notification 46/2011-Customs, Sl. No. 187 dated 01 June 2011.

Scrutiny revealed that this exemption from the BCD was available to 'dog or cat food' and the imported product was ineligible for the exemption benefit. This resulted in non-levy of duty amounting to ₹50.83 lakh.

On being pointed out (October 2021/June 2022), the Department reported (September 2023) that the importer had made a partial payment of ₹ 12.25 lakh against six BsE and the remaining dues would be paid shortly. Further progress was awaited (May 2026).

4.5.12 Incorrect application of notification on import of 'Engine control module-ECM' for automotive use

'Module OH6 Production Control- part of Ashok Leyland CNG vehicle engine' is classified under CTH 90328990 as 'Other automatic regulating or controlling apparatus' and attract BCD at the rate of 15 *per cent*. However, BCD is leviable at the rate of 7.5 *per cent* under notification No. 50/2017-Customs Sl. No. 494A dated 30 June 2017 on similar goods not for use in motor vehicles classified under CTH 8702, 8703, 8704 and 8711.

M/s. 'AU' Pvt. Ltd. imported (October 2021 to June 2022) seven consignments of 'ECM Module for Ashok Leyland OH6 Production control- Parts for gas engines' through ACC-Import, New Delhi. The imported items were correctly classified under CTH 90328990 but were cleared by levying BCD at 7.5 *per cent* after allowing benefit of Notification's Sl. No. 494A.

As per information available on the website of importer, the imported goods are electronic control systems for motor vehicles including trucks, buses and lorries, classified under CTH 8702 and 8704. Therefore, the imported goods are not eligible for BCD rate of 7.5 *per cent* under Sl. No. 494A of the aforesaid notification.

Accordingly, the applicable BCD on these imports was 15 *per cent*. This resulted in short levy of duty amounting to ₹43.60 lakh.

It was also observed that the same importer had paid BCD at the rate of 15 *per cent* on similar goods imported on another occasion.

On being pointed out (January 2024/January 2025), the Department reported (October 2024) that SCN has been issued to the importer. Further, action on the adjudication of the SCN was awaited (May 2026).

4.6 Not complying with provisions of Export Promotion Schemes

The Foreign Trade Policy (FTP) provides a framework for increasing exports of goods and services with a focus on improving trade facilitation and ease of doing business. The FTP 2015-2020 was notified by the Central Government under the powers conferred by Section 5 of the Foreign Trade (Development and Regulation) {FTDR} Act 1992, as amended.

Audit observed non-compliance to provisions of Export Promotion Schemes involving revenue implication of ₹13.22 crore in 15 cases comprising of 'Irregular sanction of SEIS scrips for ineligible service exports'**,** 'Non fulfilment of Export obligation', 'Short levy of duty on DTA clearances' and 'Non-recovery of Drawback where export proceeds are not realised'. The Ministry/ Department had accepted all 15 cases and reported recovery of ₹7.85 crore (including interest) up to March 2026 in 11 cases. Nine cases are discussed in the following paragraphs and six additional cases are detailed in **Annexure 26 (A and B)**.

Service Exports from India Scheme (SEIS)

The objective of SEIS is to encourage export of notified services from India. Service providers of notified Services located in India shall be rewarded under Service Exports from India Scheme (SEIS) subject to fulfilment of conditions as notified. Service providers of eligible services shall be entitled to 'Duty Credit Scrip' at rates in Appendix 3D on net foreign exchange earned. Services rendered in the manner as provided in para 9.51 (i) and 9.51(ii) shall only be eligible for duty credit scrip. As per FTP the services under para 9.51 (i) and (ii) are defined as:

(i) Supply of a service from India to any other country; (Mode 1- Cross border trade),

(ii) Supply of a 'service' from India to service consumer(s) of any other country; (Mode 2- Consumption abroad)

'Services' rendered in any other manner as provided under para 9.5 (iii) and 9.5 (iv)[27] would be ineligible for duty credit under the Scheme.

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[27](iii) Supply of a 'service' from India through commercial presence in any other country (Mode -3 commercial presence)

4.6.1 Irregular sanction of SEIS scrips for service exports made by EOUs

Paragraph 3.09 of Foreign Trade Policy (FTP) 2015-20 read with Appendix 3D (as amended) prescribed that 'Export turnover relating to services of units operating under Export Oriented Unit (EOU) scheme or supplies of services made to such units' are not eligible for benefits under SEIS.

Audit scrutiny revealed that Development Commissioner (DC), Falta Special Economic Zone (SEZ) granted (January/April 2019) two SEIS duty credit scrips valuing ₹254.30 lakh and ₹2.90 lakh to M/s. 'AV' Pvt. Ltd. (a 100 *per cent* EOU) and another EOU, respectively, for Service exports made during the period 2015-16 and 2017-18. Audit verification from the Custom Electronic Data Interchange (EDI) system confirmed that all the scrips had been fully utilized.

Audit noticed that the SEIS benefits were granted in respect of service exports made by these EOUs, which were not eligible for SEIS benefits as per aforesaid paragraph 3.09 of FTP read with Appendix 3D. This resulted in irregular grant of SEIS scrips valuing ₹2.57 crore.

On being pointed out, DGFT stated (December 2025) that an amount of ₹2.55 crore has been recovered from M/s. 'AV' Pvt. Ltd. and another EOU (M/s. 'AW' Pvt Ltd.) from whom ₹2.90 lakh is to be recovered has requested for some time to settle the issue. Further progress was awaited (May 2026).

4.6.2 Incorrect grant of SEIS scrip for ineligible services rendered under Mode 4

Out of 56 SEIS scrips granted by the JDGFT during FY 2020, valued at ₹23.22 crore, audit examined 25 scrips valued at ₹10.37 crore and noticed excess grant of duty credit amounting to ₹58.87 lakh in two scrips.

M/s. 'AX' Pvt Ltd., Coimbatore executed two major projects at Mozambique during 2017-18 and 2018-19 under 'Construction and Related Engineering Services- Installation and assembly work (CPC 514)'. The JDGFT, Coimbatore granted two SEIS scrips for ₹1.90 crore and ₹58.90 lakh.

Audit scrutiny revealed that foreign exchange earned from ineligible civil and construction services namely 'cost of erection and installation of pre-fabricated materials for land development/fencing and boundary wall/Internal roadways/ walkways/ parking areas, Installation of LPG bottling plant,' executed in Mozambique under Mode-4 are ineligible for SEIS benefits. This resulted in grant of excess SEIS scrips totalling ₹58.87 lakh (₹44.61 lakh + ₹14.26 lakh).

(iv) Supply of a 'service' from India through the presence of natural person in any other country (Mode -4 presence of natural person – commercial)

On being pointed out, DGFT reported (October 2025) recovery of ₹86.51 lakh which included interest of ₹27.64 lakh.

4.6.3 Excess grant of SEIS scrip because of inclusion of taxes collected

Trade Notice No. 11, dated 21 July 2016 specifies that Service Tax, VAT, Sales Tax, or any other taxes collected along with service charges are not eligible for SEIS benefit.

M/s. 'AY' Pvt. Ltd. during FY 18 provided several port services to Kolkata Port Trust and raised invoices inclusive of applicable duties and taxes. In February 2019, the company filed an application at the DGFT, Mumbai for SEIS rewards amounting to US$7.74 lakh equivalent to ₹4.97 crore (US$1 = ₹64.15) for services rendered during FY 18, declaring NFE of US$1.35 crore under category of Maritime Transport Services. The application also included services valuing at US$10.53 lakh that were rendered during FY 19. The Department disallowed the portion of services pertaining to FY 19 and granted SEIS scrip of ₹4.49 crore on NFE of US$1.24 crore (US$1.35 crore – US$0.11 crore).

Audit scrutiny of the e-BRC and statements of claim revealed that the applicant had received a total amount of ₹79.80 crore, which included taxes and duties collected. As per SEIS provisions, taxes and cess are not to be considered while computing eligible foreign exchange realization. After exclusion of applicable taxes and cess, the actual realized amount for the services provided worked out to ₹73.18 crore only. Accordingly, the admissible entitlement was ₹3.84 crore, whereas the department had incorrectly allowed SEIS rewards of ₹4.49 crore by considering the gross realized amount of ₹79.80 crore. This resulted in excess grant of SEIS scrips amounting to₹65.40 lakh.

On being pointed out (November 2021), DGFT reported (October 2025) recovery of ₹65.40 lakh plus Interest of ₹41.09 lakh.

Advance Authorization Scheme

The Advance Authorization Scheme allows duty-free import of inputs required for manufacturing export goods, subject to fulfilment of export obligation. It helps reduce production costs and improve export competitiveness and is administered by the DGFT under India's Foreign Trade Policy.

4.6.4 Not fulfilling Export Obligation by Advance Authorization holder

Paragraph 4.22 of the Foreign Trade Policy (FTP) – 2015-20 read with Handbook of Procedures (HBP) (Paras 4.20 and 4.44) and Notification No 18/2015-Customs dated 01 April 2025, stipulates that in the event of failure to fulfil the export obligation against Advance Authorization (AA) within the prescribed time limit (18 months) and non-submission of exports evidence within two months thereafter, the Authorization holder (AH) is liable to pay customs duty foregone on the unutilized value of the imported material along with interest.

RA Bengaluru issued (April 2019) an AA to M/s. 'AZ' Pvt. Ltd. for import of "items for Flexible Plastic tanks" with a CIF value of ₹7.09 crore subject to the condition that finished goods worth ₹8.52 crore would be exported within 18 months from the date of issue of license (i.e. up to September 2020). The duty foregone availed under the authorization was ₹1.94 crore.

The authorization holder imported goods (April 2019) through Inland Container Depot, Bengaluru and availed the duty benefits of ₹1.94 crore. However, the AH failed to fulfil the stipulated export obligation even after the lapse of more than two years from the expiry of EO period (September 2020). Consequently, the AH was liable to pay Customs duty of **₹**1.94 crore along with applicable interest.

On this being pointed out, DGFT reported (December 2025) that RA, Bangalore has issued a SCN to the authorization holder. Further progress was awaited (May 2026).

4.6.5 Not fulfilling Export Obligation by Advance Authorization holder

RA Bengaluru issued (September 2019) an AA dated 30 September 2019 to M/s. 'AAA' Pvt. Ltd. for import of "LDPE Granules" with CIF value of ₹2.72 Crores with a stipulation to export finished goods worth ₹3.75 crore within 18 months (up to March 2021) from the date of issue of license.

The authorization holder imported goods under an EDI Bond dated 30 September 2019 through Inland Container Depot, Bengaluru and availed the duty benefits amounting to ₹45 lakh. The AH failed to fulfil the export obligation even after more than two years from the expiry of EO period in March 2021. Accordingly, the AH was liable to pay Customs duty of ₹45 lakh plus applicable interest. The Department had not taken any action to recover the duty and interest.

On this being pointed out (March 2023), DGFT reported (December 2025) that RA, Bangalore has issued SCN to the authorization holder. Further progress was awaited (May 2026).

Export Oriented Units (EOUs)

Units undertaking to export their entire production of goods and services {except permissible sales in Domestic Tariff Area (DTA)}, may be set up under the Export Oriented Unit (EOU) Scheme. The objectives of these schemes are to promote exports, enhance foreign exchange earnings, attract investment for export production and employment generation. Trading units are not covered under this scheme.

4.6.6 Short levy of Basic customs duty (BCD) on clearances to DTA due to incorrect availing of concession notification

Paragraph 6.08 of FTP 2015-20 provides that EOUs are allowed to sell goods manufactured by them in the DTA up to 50 *per cent* of the FOB value of exports, subject to achievement of positive Net Foreign Exchange earned (NFE) and payment of applicable concessional duties. Service exporters, including software units are permitted to make DTA sales up to 50 *per cent* of the foreign exchange earned, provided that payment of such services is received in foreign exchange.

Scrutiny revealed that M/s. 'AAB' Pvt. Ltd. and three other units under KASEZ, Gandhidham made 167 clearances in DTA of "Cold Rolled Stainless Steel Sheet in Coils (J3 Grade)". The cleared goods were classified under CTH 72209022 as 'Steel strips Nickel Chromium austenitic type[28]'. Customs Duty on these DTA clearances was paid at the concessional rate of 4.125 *per cent* by availing the benefit of exemption Notification No. 50/2018-Customs, Sl. No. 734 dated 30 June 2018.

However, examination of the Chemical Analysis Report (Mill Test Certificate) submitted with the import documents showed that the cleared goods contained Nickel (Ni) 1.03 -1.07 *per cent*, Chromium (Cr) 12.4 -12.5 *per cent* and Manganese (Mn) 9.2 -9.4 *per cent.* These percentages are significantly lower than the prescribed composition of Austenitic Stainless steel of the nickel Chromium type. Accordingly, they did not merit classification under CTH-72209022. Instead, the goods were more appropriately classifiable under CTH 72209090- as 'Other stainless-steel strips' and were therefore not eligible for concessional rate of BCD under aforesaid notification. This resulted in short levy of duty amounting to ₹1.80 crore.

It was further observed that similar goods cleared to the DTA by these units during the same period were in some instances, correctly classified under CTH 72209090 and the applicable duties were paid.

On this being pointed out, DGFT reported (December 2025) that one unit- M/s. 'AAB' Pvt. Ltd. had deposited the duty of ₹17 lakh along with interest of ₹5.87 lakh and adjudication proceedings have been completed against M/s. 'AAC' Pvt. Ltd. and M/s. 'AAD' Pvt. Ltd. In respect of the remaining unit M/s. 'AAE' Pvt. Ltd., SCN is under finalization. Further progress was awaited (May 2026).

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[28] Austenitic Stainless-Steel grades have essentially content by weight (%) of alloying elements Chromium (Cr) 16-19 *per cent* and Nickel (Ni) 3.5 – 6 *per cent*, as specified in IS 6911:1992.

4.6.7 Customs Duty on DTA sales not/short paid

Service exporters, including software units are also permitted to sell to DTA up to 50 *per cent* of foreign exchange earned, where payment of such services is received in foreign exchange.

Scrutiny revealed that M/s. 'AAF' Pvt. Ltd (Unit A), and M/s. 'AAG' Pvt. Ltd. (Unit B), EOUS engaged in the service and manufacturing sector respectively, made DTA sales of ₹167.82 crores and ₹8.67 crores during the period 2015-16 to 2019-20 and 2018-19 and 2019-20, respectively.

The Unit 'A' effected exports valued at ₹275.53 crores during the relevant period and was therefore, entitled to undertake DTA sale upto ₹137.76 crores (50 *per cent* of the FOB value of exports). However, against the permissible limit, the unit made DTA sales of ₹167.82 crores which was in excess by ₹30.06 crores (₹167.82 crores - ₹137.76 crores). Consequently, the unit was liable to pay the duty of ₹1.23 crore along with applicable interest (₹0.55 crore) on excess DTA sales.

Similarly, it was observed that the Unit 'B', an EOU engaged in manufacturing effected DTA sales of ₹8.67 crores without payment of applicable Customs Duty amounting to ₹29.64 lakh, which was recoverable with interest (₹5.99 lakh).

On being pointed out, the Development Commissioner, Cochin SEZ (CSEZ) accepting the observation reported (November 2025) recovery of ₹1.78 crore (inclusive of interest) from Unit 'A' and ₹35.63 lakhs (inclusive of interest) from Unit 'B'**.**

Export Promotion Capital Goods Scheme (EPCG)

The scheme allows import of capital goods at zero or concessional duty, subject to fulfilment of a prescribed export obligation within a specified period. The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.

4.6.8 Non-fulfilment of export obligation (EO)

Foreign Trade Policy 2015-2020 (paragraph 5.01) allows import of capital goods at concessional rate of customs duty subject to export obligation equivalent to six times of duty saved on capital goods imported under EPCG scheme to be fulfilled block wise (paragraph 5.8.3 of Handbook of Procedure (2015-20) within a period of six years from the date of issue of license. In case of non-fulfilment, the licensee shall within three months from the block years, pay customs duties on the non-fulfilled portion of the export obligation with interest.

RA Bengaluru issued (April 2016) an EPCG License to M/s. 'AAH' Pvt. Ltd., Bengaluru for the import of a 'knitting machine' for the manufacture and export of 'Ready-made garments sweaters'. Against a duty saved amount of ₹70 lakh, the authorization holder is required to fulfil an export obligation for ₹4.20 crore (six times the duty saved) within six years period from the date of issue of license i.e. up to April 2022.

Audit observed that, the authorization holder had imported goods through Inland Container Depot, Bengaluru but failed to fulfil the export obligation even after expiry of the stipulated EO period. Consequently, the authorization holder became liable to pay customs duty of ₹70 lakh along with applicable interest.

On this being pointed out, DGFT informed (February 2026) that RA, Bangalore has issued (January 2026) a SCN to the authorization holder. Additionally, the Commissionerate of Customs, Bengaluru had issued (September 2023) an enforcement order for invocation of the bond. However, details of the action taken to enforce the bond have not been furnished. Further progress was awaited (May 2026).

Duty Drawback Scheme

The Duty Drawback Scheme refunds customs and excise duties paid on inputs used in exported goods, reducing export costs. Exporters can claim drawback at notified rates based on actual duties paid. The scheme aims to boost export competitiveness by neutralizing domestic tax burdens.

4.6.9 Not recovering Drawback where export proceeds are not realised

Rule 16A/Rule 18 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 2006/2017 (as amended) stipulates that drawback paid on exported goods is recoverable if export proceeds are not realised within the nine-month period prescribed under the FEMA, 1999. Where the exporter fails to furnish proof of realisation within the stipulated time, SCN is to be issued. In the absence of such proof within 30 days of receipt of the notice, the Assistant/Deputy Commissioner of Customs shall order recovery of the drawback amount, which must be repaid within thirty days of receipt of the order.

Scrutiny of records of ICD-Agra revealed that 2,852 Bank Realisation Certificates (BRCs), evidencing realisation of export proceeds, were pending against exports made during the period January 2015 to December 2020, despite expiry of the period prescribed under FEMA. The department had not initiated recovery proceedings under the Drawback Rules, even though the exporters failed to submit the required BRCs. Duty drawback amounting to ₹28.86 crore had been paid in respect of these unrealised export proceeds.

The pendency of BRCs, ranging from three to ten years beyond the due date, indicates a lapse on the part of the department in initiating timely action against defaulters, resulting in non-recovery of revenue amounting to ₹28.86 crore as detailed in below **Table 4.1**.

Table 4: Age wise breakup of BRCs pendency of ICD, Agra

Sl. No.	LEO Year	No. of SBs	DBK Involved (₹ in crore)	Analysis w.r.t. Expected Date of Submission of BRC	Audit Comments
1	2015	17	0.26	In 09 cases 1st July, 2015	Pending for more than 10 years
				In 08 cases 1st Jan, 2016	Pending for more than 9 years
2	2016	6	0.03	In 04 cases 1st July, 2017	Pending for more than 8 years
				In 02 cases 1st Jan, 2018	Pending for more than 7 years
3	2017	64	0.53	In 29 cases 1st July, 2018	Pending for more than 7 years
				In 35 cases 1st Jan, 2019	Pending for more than 6 years
4	2018	128	0.64	In 72 cases 1st July, 2019	Pending for more than 6years
				In 56 cases 1st Jan, 2020	Pending for more than 5 years
5	2019	355	3.25	In 179 cases 1st July, 2020	Pending for more than 5 years
				In 176 cases 1st Jan, 2021	Pending for more than 4 years
6	2020	2,282	24.15	In 967 cases 1st July, 2021	Pending for more than 4 year
				In 1,315 cases 1st Jan, 2022	Pending for more than 3 months
	Total	**2,852**	**28.86**		

On being pointed out (September–December 2022), the Department, while accepting the facts, reported (October 2023/December 2025) that out of 2,852 cases, BRCs were obtained from exporters in 1,703 cases, and in the remaining 1,149 cases, 127 SCNs had been issued. Of these 127 SCNs, eight were dropped, 118 were adjudicated resulting in demands of ₹1.54 crore, while one SCN remains pending adjudication (May 2026).

The reply must be viewed in the context that the Department failed to initiate recovery proceedings after the expiry of the nine-month period prescribed under FEMA, and action was taken only after the matter was highlighted through audit observations.

Furthermore, the SCNs issued during August–September 2023, involving an amount of ₹1.97 crore, were adjudicated only in March 2025. This delay is in contravention of the provisions of Section 28 of the Customs Act, 1962, which mandates adjudication within a period of six months to one year from the date of issuance of the notice.

4.7 Other irregularities

Paragraph 7.1 of CBIC Circular No. 02/2021–Customs dated 19 January 2021, stipulates that Cost Recovery Charges (CRC) for the Customs staff posted shall be paid by Custodians at 1.85 times the monthly average cost of the post, including applicable allowances. While calculating CRC, additional Dearness Allowance, including arrears, shall be recovered as sanctioned and House Rent Allowance shall be included on a notional basis, even if not actually drawn.

4.7.1 Short recovery of Cost recovery charges (CRC)

M/s. 'AAI' Pvt. Ltd. was granted a special warehousing license by Principal Commissioner of Customs (Airport) Zone -III, Mumbai vide license no. F.No. S/15-01/08ACC dated 16 August 2016 meant for supply as stores to aircraft subject to conditions prescribed in the license.

Audit scrutiny of CRC for the period April 2019 to March 2022 revealed that the charges recovered from M/s. 'AAI' Pvt. Ltd. in respect of two units did not include the arrears on account of increase in DA and HRA. Not raising of the DA and HRA arrears demand resulted in short recovery of CRC amounting to ₹39.71 lakh.

On being pointed out, the Ministry of Finance, Department of Revenue/the Commissionerate reported (March 2026) recovery of the entire charges of ₹39.71 lakh from these units.

4.7.2 Non-levy of Anti-Dumping Duty on imports

Imports of 'Polytetrafluorethylene', 'Aluminium printing plates of a thickness exceeding 0.2 mm' (CTH 76069290), 'Untreated Fumed Silica' (CTH 28112200) and 'Synthetic Grade Zeolite 4A' (CTH 28421000), originating in or exported from China PR and Thailand attract anti-dumping duty at prescribed rates.

M/s. 'AAJ' Ltd. and ten others, cleared (April 2021 to December 2023) 21 consignments of these goods through New Custom House, Mumbai and JNCH, Mumbai without levy of applicable anti-dumping duty resulting in not levying of ₹1.66 crore.

On being pointed out, the Ministry of Finance, Department of Revenue reported (March 2026), recovery of ₹12.39 lakh (including interest) from one importer and issued consultative letters to four importers for recovery of the ADD along with applicable interest. Further progress was awaited (May 2026).

New Delhi
Dated: 28 July 2026

(Smita Gopal)
Principal Director (Indirect Taxes)

Countersigned

New Delhi
Dated: 29 July 2026

(K. Sanjay Murthy)
Comptroller and Auditor General of India

ANNEXURE

Annexure 1
Fact Sheet on Special Economic Zones

As on 1 April 2024 (Refer para 1.9)

Number of Formal approvals	423		
Number of notified SEZs	375 plus 7 Central Govt. plus 12 State/Pvt. SEZs		
Operational SEZs	280		
Units approved in SEZs	6,279		
Investment	**Investment (As on February 2006)**	**Incremental Investment**	**Total Investment (As on 1 April 2024)**
Central Government SEZs	₹2,279.20 Cr.	₹30,059.82 Cr.	₹32,339.02 Cr.
State/Pvt. SEZs set up before 2006	₹1,756.73 Cr.	₹19,086.84 Cr.	₹20,843.15 Cr.
SEZs notified under the Act	-	₹6,54,159.43 Cr.	₹6,54,159.43 Cr.
Total	**₹4,035.93 Cr.**	**₹7,03,306.09 Cr.**	**₹7,07,341.60 Cr.**
Employment	**Employment (As on February 2006)**	**Incremental Employment**	**Total Employment (As on 1 April 2022)**
Central Government SEZs	1,22,236 persons	89,258 persons	2,11,494 persons
State/Pvt. SEZs set up before 2006	12,468 persons	1,10,801 persons	1,23,269 persons
SEZs notified under the Act	-	28,59,341 persons	28,59,341 persons
Total	**1,34,704 persons**	**30,59,400 persons**	**31,94,104 persons**
Export performance			
Year	**Exports (₹ in crore)**		**Growth percentage**
FY 20	7,96,669		14
FY 21	7,59,524		(-)5
FY 22	9,90,747		30
FY 23	12,63,578		28
FY 24	13,55,220		7.25

Total Investment (₹ in crore)	**FY 20**	**FY 21**	**FY 22**	**FY 23**	**FY 24**
Central Government SEZs	20,557	21,505	23,113	24,233	32,339
State/Pvt. SEZs set up before 2006	13,534	15,194	14,153	13,475	20,843
SEZs notified under the Act	5,37,644	5,80,800	6,12,439	6,22,476	6,54,159
Total	**5,71,735**	**6,17,499**	**6,49,705**	**6,60,184**	**7,07,341**
Employment (in person)	**FY 20**	**FY 21**	**FY 22**	**FY 23**	**FY 24**
Central Government SEZs	1,97,777	1,87,879	1,95,967	1,93,815	2,11,494
State/Pvt. SEZs set up before 2006	1,09,124	1,06,553	1,09,905	1,08,690	1,23,269
SEZs notified under the Act	19,31,404	20,63,704	23,90,308	25,93,107	28,59,341
Total	**22,38,305**	**23,58,136**	**26,96,180**	**28,95,612**	**31,94,104**

Source: Ministry of Commerce & Industry letter no.K-43015(18)/2019-SEZ dated 11.05.2025

Annexure 2

Duty evasion cases detected by DRI (Scheme-wise)

(Refer para 1.13.1)

Sl. No	Scheme	FY 20	FY 21	FY 22	FY 23	FY 24
		No. of cases	No. of cases	No. of cases	No. of cases	No. of cases
		Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)	Duty (₹ in Cr.)
1	Misuse of End-Use & Other Notification conditions.	17	39	46	59	52
		117.90	691.29	765.94	200.95	488.51
2	Misuse of EPCG	77	45	28	25	6
		389.42	161.60	113.11	47.42	21.80
3	Undervaluation	45	34	37	47	58
		106.85	201.33	139.32	547.19	329.99
4	Mis-declaration	179	425	205	201	204
		349.45	1,419.30	1,626.02	1,497.20	1,865.56
5	Misuse of Drawback Scheme	83	53	47	13	10
		257.71	66.64	23.85	18.28	77.59
6	Misuse of EOU/EPZ/SEZ	2	5	3	4	4
		1.57	7.05	4.83	32.75	32.75
7	Misuse of DEEC/ Advance licence	70	34	26	29	29
		335.73	220.28	434.12	102.10	278.02
8	Others	288	170	213	204	198
		624.80	720.69	1,497.04	1,810.29	2,547.29
	Total	**761**	**805**	**605**	**582**	**532**
		2,183.43	**3,488.19**	**4,604.24**	**4,256.19**	**5,608.75**

Source: MoF letter no. F.No.307/46/2022-(PAC-CUS) dated 07.03.2025 for FY 23 & FY 24

Annexure 3: Details of issuance of RoSCTL scrips to IEC holders listed in the Denied Entity List

(Refer para No. 3.7.1)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	Objected amount (₹ in lakh)
1	RA Bengaluru	3	1	124.57
2	RA Ludhiana	12	3	265.57
3	RA Panipat	13	1	93.56
	Total	**28**	**5**	**483.70**

Annexure 4: Excess grant of RoSCTL duty credit

(Refer para no. 3.7.2)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	Objected amount (₹ in lakh)
1	RA Chennai	1	1	1.46
2	RA Coimbatore	40	7	19.98
3	RA Kolkata	5	4	1.61
	Total	**46**	**12**	**23.05**

Annexure 5: Incorrect grant of RoSCTL benefits without Intent

(Refer para No. 3.7.3)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected Amount (₹ in lakh)
1	RA Ahmedabad	1	1	1	2.18
2	RA Surat	1	1	1	1.03
3	RA Jaipur	7	3	14	8.87
4	RA Bengaluru	5	4	5	1.89
5	RA Ludhiana	74	29	204	122.63
6	RA Panipat	51	39	173	58.83
7	RA Chennai	23	21	33	13.11
8	RA Coimbatore	194	155	297	216.50
9	RA Kochi	4	4	4	1.80
10	RA Delhi	754	460	1,513	688.15
11	RA Indore	21	2	3	0.38
12	RA Hyderabad	1	1	5	7.87
13	RA Kolkata	105	62	322	136.17
14	RA Kanpur	4	3	4	0.83
15	RA Mumbai	8	7	13	38.77
16	RA Pune	2	2	34	84.36
	Total	**1,255**	**794**	**2,626**	**1,383.38**

Annexure 6A: Multiple RoSCTL scrips issued using the same Shipping Bills {Refer para no. 3.7.4 (a)}

Sl. No.	Name of RA	No. of Scrips (1st Scrip)	No. of Scrips (2nd Scrip)	No. of Scrips (3rd Scrip)	Number of IEC Holders	No. of SBs	Objected Amount (₹ in lakh)
1	RA Bengaluru	2	2		1	96	**158.45**
2	RA Ludhiana	1	1		1	1	**8.37**
3	RA Panipat	1	1		1	2	**1.37**
4	RA Coimbatore	1	1		1	1	**0.06**
5	RA Delhi	14	13	1	11	73	**115.63**
	Total	**19**	**18**	**1**	**15**	**173**	**283.89**

Annexure 6B: Multiple RoSCTL scrips issued using the same Shipping Bills {Refer para no. 3.7.4 (b)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected Value (₹ in lakh)
1	RA Ludhiana	6	2	89	236.60
	Total	**6**	**2**	**89**	236.60

Annexure 7: Not recovering irregularly availed MEIS benefits (Refer para no. 3.7.5)

Sl. No.	Name of RA	Number of IEC Holders	Recovery pending Amount (₹ in lakh)
1	RA Ahmedabad	3	12.96
2	RA Bengaluru	5	657.36
3	RA Chennai	8	14.96
4	RA Coimbatore	34	136.84
5	RA Delhi	68	269.27
6	RA Indore	1	0.50
7	RA Jaipur	12	13.31
8	RA Kanpur	2	4.15
9	RA Kolkata	27	273.21
10	RA Ludhiana	8	4.92
11	RA Mumbai	29	5,786.79
12	RA Panipat	7	27.39
13	RA Rajkot	1	2.46
14	RA Srinagar	26	83.83
15	RA Surat	12	32.65
16	RA Vadodara	1	9.14
17	RA Varanasi	1	0.05
18	RA Vishakhapatnam	3	21.32
	Total	**248**	**7,351.10**

Annexure 8A: Not receiving Bank Realisation Certificates

(Refer para no. 3.8.1)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected amount (₹ in lakh)
1	RA Ahmedabad	8	6	13	26.43
2	RA Surat	9	8	25	75.38
3	RA Jaipur	26	18	77	319.27
4	RA Bengaluru	6	1	10	62.55
5	RA Ludhiana	549	152	1626	5,250.09
6	RA Panipat	174	78	415	452.31
7	RA Kochi	11	9	75	133.96
8	RA Delhi	87	58	1332	5,758.60
9	RA Indore	6	2	11	124.75
10	RA Bhopal	1	1	3	4.74
11	RA Hyderabad	6	3	6	2.94
12	RA Kanpur	91	30	1,822	985.06
13	RA Varanasi	81	28	991	1,318.45
14	RA Mumbai	76	36	741	809.82
15	RA Pune	2	2	6	13.23
	Total	**1,133**	**432**	**7,153**	**15,337.58**

Annexure 8B: Details of RoSCTL scrips where export proceeds were partially realised

(Refer para no. 3.8.1)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected Amount (₹ in lakh)
1	RA Ahmedabad	11	4	17	6.67
2	RA Bengaluru	13	7	20	18.08
3	RA Hyderabad	7	2	9	3.59
	Total	**31**	**13**	**46**	**28.34**

Annexure 9: Issuance of RoSCTL Scrips against provision of jurisdictional RA

(Refer para no. 3.8.2)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected amount (₹ in lakh)
1	RA Delhi	1	1	27	65.64
	Total	**1**	**1**	**27**	**65.64**

Annexure 10A: Excess grant of RoSCTL incentives due to misclassification

{Refer para no. 3.8.3(A)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected Amount (₹ in lakh)
1	RA Ahmedabad	12	6	32	13.69
2	RA Surat	6	4	18	3.87
3	RA JAIPUR	1	1	1	0.97
4	RA Bengaluru	32	7	85	16.87
5	RA Ludhiana	66	3	370	78.94
6	RA Panipat	596	117	2,337	81.42
7	RA Chennai	2	2	2	0.18
8	RA Coimbatore	42	41	56	3.30
9	RA Kochi	43	15	186	36.40
10	RA Delhi	55	24	96	13.39
11	RA Indore	2	1	6	1.33
12	RA Hyderabad	13	5	35	1.76
13	RA Kolkata	83	28	226	37.20
14	RA Mumbai	18	15	36	7.63
15	RA Pune	1	1	3	0.01
	Total	**972**	**270**	**3,489**	**296.97**

Annexure 10 B: Excess grant of RoSCTL incentives due to misclassification

{Refer para no. 3.8.3(B)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected Amount (₹ in lakh)
1	RA Delhi	10	7	15	1.36
2	RA Kolkata	9	3	19	3.91
	Total	**19**	**10**	**34**	**5.27**

Annexure 11A: Excess grant of RoSCTL benefits due to application of incorrect schedules

{Refer para no. 3.8.4(A)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected amount (₹ in lakh)
1	RA Ludhiana	11	9	20	3.40
2	RA Kochi	5	2	5	0.22
3	RA Delhi	147	106	215	54.93
4	RA Kolkata	11	7	53	20.63
	Total	**174**	**124**	**293**	**79.18**

Annexure 11B: Excess grant of RoSCTL benefits due to application of incorrect schedules

{Refer para no. 3.8.4(B)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Scrip value (₹ in lakh)
1	RA Ludhiana	2	2	4	0.07
	Total	**2**	**2**	**4**	**0.07**

Annexure 12 A: Incorrect adoption of Exchange Rate for computation of RoSCTL benefits

{Refer para no. 3.8.5(A)}

SL. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected amount (₹ in lakh)
1	RA Bengaluru	25	6	35	2.11
2	RA Ludhiana	611	107	1,492	23.38
3	RA Panipat	39	8	110	2.98
4	RA Delhi	41	21	121	3.96
5	RA Kolkata	228	97	378	5.41
6	RA Mumbai	107	68	528	9.54
7	RA Pune	6	5	12	0.17
	Total	**1,057**	**312**	**2,676**	**47.56**

Annexure 12B: Incorrect adoption of Exchange Rate for computation of RoSCTL benefits

{Refer para no. 3.8.5(B)}

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Scrip value (₹ in lakh)
1	RA Bengaluru	24	8	61	0.13
2	RA Ludhiana	147	67	291	1.52
3	RA Delhi	13	8	32	0.29
	Total	**184**	**83**	**384**	**1.95**

Annexure 13: Incorrect payment of RoSCTL benefits to IEC holders placed in DEL

(Refer para no. 3.12.1)

Sl. No.	Name of RA	No. of Scrips	Number of IEC Holders	No. of Shipping Bills	Objected amount (₹ in lakh)
1	CC (Exports-IV), Chennai	6	3	7	16.76
2	CC, Tuticorin.	33	7	57	142.08
	Total	**39**	**10**	**64**	**158.84**

Annexure 14: Not creating of e-scrip within regulatory timelines
(Refer para no. 3.12.2)

Sl. No.	Customs Commissionerate	Time taken for creation of e-scrips			
		Upto one month	One to three months	Three to six months	More than six months
1	ACC Mumbai	40	16	24	5
2	Ahmedabad	23	12	1	5
3	Chennai (Export IV)	147	125	48	60
4	CC General Delhi	188	58	49	51
5	CC P Amritsar	2	0	1	0
6	CC Kochi	28	20	13	26
7	CC Ludhiana	6	4	5	4
8	NS-II Mumbai	633	399	243	163
9	CC Jodhpur	31	32	25	21
10	CC Mnudra	23	18	5	8
11	CC Airport & Air cargo Kolkata	6	0	8	1
12	CC Port kolkata	14	4	3	9
13	CC Hyderabad	3	2	0	0
14	CC ICD Tuglakabad	65	25	16	33
15	CC Tuticorin	80	49	26	22
	Total	**1,289**	**764**	**467**	**408**

Annexure 15: Irregular grant of rebate of RoSCTL to the retrospective cases

(Refer para no. 3.12.3)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC Ahmedabad	4	4	6	15.93
2	CC General Delhi	20	13	285	752.25
3	CC Ludhiana	10	8	18	54.22
4	CC Jodhpur	5	2	28	12.01
5	CC Mundra	2	2	2	7.25
6	CC Port kolkata	53	34	97	334.06
7	CC ICD Tuglakabad	44	32	419	1,781.19
	Total	**138**	**95**	**855**	**2,956.91**

Annexure 16: Excess grant of RoSCTL benefits due to not adhering to market value cap (Refer para no. 3.12.4)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC Bengaluru	13	3	27	12.97
2	CC Mangalore	1	1	1	2.77
3	CC Ludhiana	144	17	234	125.41
4	CC Airport Aircargo Bengaluru	12	10	16	2.77
	Total	**170**	**31**	**278**	143.91

Annexure 17 A: Not recovering export benefits on unrealised export proceeds {Refer para no. 3.13.1(A)}

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Scrips Value (₹ in lakh)
1	CC Ahmedabad	3	2	3	26.07
2	CC (Export-IV) Chennai	494	242	895	2422.36
3	CC General Delhi	23	12	95	124.06
4	CC (P) Amritsar	5	3	5	4.76
5	CC Bengaluru city	14	5	93	644.89
6	CC Mangalore	2	1	10	98.26
7	CC (Airport & ACC) Kolkata	19	14	30	64.80
8	CC Ludhiana	127	36	198	894.11
9	CC Jodhpur	8	5	11	45.37
10	CC Lucknow	56	11	100	353.67
11	CC Noida	81	23	508	2744.00
12	CC Port Kolkata	71	34	113	507.99
13	CC Airport & ACC Bengaluru	30	16	72	225.70
14	CC Tughlakabad Delhi	74	47	652	4833.07
15	CC Vishakhapatnam	4	2	8	38.10
16	CC Tuticorin	966	463	1624	6521.64
17	CC NS II JNCH Mumbai	55	16	197	755.81
18	CC ACC Mumbai	22	20	676	615.68
	Total	**2,034**	**952**	**5,290**	**20,920.34**

Annexure 17 B: Not recovering export benefits on unrealised export proceeds {Refer para no. 3.13.1(B)}

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC Ahmedabad	4	2	13	2.35
2	CC (Export-IV) Chennai	182	91	240	478.21
3	CC (Airport & ACC) Kolkata	4	4	4	4.04
4	CC Bengluru City	2	1	3	61.71
5	CC Jodhpur	3	3	4	0.94
6	CC Lucknow	15	7	22	7.98
7	CC Mundra	10	4	38	47.72
8	CC Noida	20	11	33	36.69

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
9	CC Port Kolkata	6	5	6	6.79
10	CC airprt & air cargo Bengluru	6	3	6	145.46
11	CC Tuticorin	343	192	461	946.08
12	CC Vishakhapatnam	6	1	19	64.41
13	CC Indore	5	1	6	2.90
	Total	**606**	**325**	**855**	**1,805.27**

Annexure 18 : Excess grant of RoSCTL incentives due to misclassification

(Refer para no.3.13.2)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC (Export-IV)(Sea) Chennai	105	80	156	23.99
2	CC(General), Delhi	139	88	160	23.88
3	CC Bengaluru City	5	3	5	2.56
4	CC Kochi	13	4	27	18.49
5	CC Indore	2	1	2	0.31
6	CC Amritsar	3	3	3	0.43
7	CC Ludhiana	80	8	329	175.16
8	CC Jodhpur	11	8	20	2.07
9	CC Airport & cargo Kolkata	5	3	5	4.16
10	CC Ahmedabad	6	4	10	3.26
11	CC Airport Bengaluru	16	9	36	21.06
12	CC Hyderabad	1	1	1	0.31
13	CC Tughlakabad	59	44	72	23.98
14	CC Mundra	4	1	19	12.57
15	CC Vishakhapatnam	5	1	9	4.70
16	CC Tuticorin	225	147	296	48.56
	Total	**679**	**405**	**1,150**	**365.50**

Annexure 19 A: Excess payment of RoSCTL due to application of incorrect exchange rate {Refer para no. 3.13.3 (A)}

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Value (₹ in lakh)
1	CC Airport & ACC Kolkata	10	6	11	0.34
2	CC (Port) Kolkata	69	28	86	2.79
	Total	**79**	**34**	**97**	**3.12**

Annexure 19 B: Excess payment of RoSCTL due to application of incorrect exchange rate {Refer para no. 3.13.3(B)}

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC Export-IV Chennai	8	7	8	0.69
2	Tuticorin Customs	17	17	19	6.86
	Total	**25**	**24**	**27**	**7.55**

Annexure 20 A: Delay in generation of RoSCTL Scrolls

(Refer para no. 3.13.4)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Scrips Amount (₹ in lakh)
1	CC(General), Delhi	11	9	48	130.07
2	CC (P)Amritsar	6	3	11	12.93
3	CC Bengaluru City	7	2	74	338.21
4	CC Ludhiana	58	26	106	502.81
5	CC Jodhpur	1	1	2	7.74
6	CC Airport & Air Cargo Kolkata	14	8	32	68.62
7	CC Port Kolkata	22	13	34	125.37
8	CC Ahmedabad	3	3	9	32.50
9	CC Airport Bengaluru	32	22	153	416.87
10	CC Hyderabad	4	4	15	35.62
11	CC Tughlakabad	15	9	56	319.27
12	CC Mundra	6	3	59	472.92
	Total	**179**	**103**	**599**	**2,462.93**

Annexure 20 B: Delay in generation of RoSCTL Scrolls

(Refer para no. 3.13.4)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Scrips Amount (₹ in lakh)
1	CC Export-IV Chennai	7	4	32	309.04
2	CC (P) Amritsar	2	2	5	8.08
3	CC Bengaluru City	20	7	227	1,415.17
4	CC Mangalore	1	1	3	13.81
5	CC Ludhiana	191	59	406	1,990.97
6	CC Airport Bengaluru	63	23	591	1,634.13
7	CC Hyderabad	3	2	7	15.29
8	CC Vishakhapatnam	6	2	30	149.54
9	CC Tuticorin	40	37	48	165.99
	Total	**333**	**137**	**1,349**	**5,702.01**

Annexure 21: Grant of RoSCTL for exports made from ports other than jurisdictional ports

(Refer para no. 3.13.5)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC Ludhiana	4	3	6	24.73
	Total	**4**	**3**	**6**	**24.73**

Annexure 22: Irregular grant of subsequent RoSCTL benefits despite not realising the earlier export proceeds

(Refer para no. 3.13.6)

Sl. No.	Name of Customs Commissionerate	Number of Scrips	Number of IEC Holders	Number of SBs	Objected Amount (₹ in lakh)
1	CC (Export iv) Chennai	29	9	9	21.93
2	CC Tuticorin	37	19	19	66.14
	Total	**66**	**28**	**28**	**88.07**

Annexure 23 A– Misclassification of imports wherein duties recovered

(Refer Para 4.4)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	3	Short levy of duty due to misclassification	10.00	10.00	10.00	ACC, Kolkata	Cameras with accessories used for medical purposes
2	6	Short levy of duty due to misclassification	24.70	24.70	35.78	Kolkata (Sea)	Solar power generating system
3	13	Short levy of duty due to misclassification	11.31	11.31	14.59	Mundra	Non-woven geo textiles
4	17	Short levy of duty due to misclassification	16.15	16.15	20.57	NCH, Mumbai	252 KV Gas Insulated Switchgear
5	24	Short levy of duty due to misclassification	12.18	12.18	12.18	ACC, Shamshabad	Grapefruit seed extract
6	28	Short levy of duty due to misclassification	25.86	25.86	29.64	Pipavav	2-Methylsufonyl-4, 6-Dimethoxy pyrimidine
7	29	Short levy of duty due to misclassification	20.58	20.58	26.79	ACC, Bengaluru	Leica TCS Sp8 microscope with standard accessories
8	30	Short levy of duty due to misclassification	16.22	16.22	42.95	Dahej	Mixture of Di Chloro Benzene’
9	31	Short levy of duty due to misclassification	15.52	13.77	23.58	ICD, Patparganj, Delhi	Nylon taffeta ribbons/tape and Polyester webbings’
10	32	Short levy of duty due to misclassification	12.60	12.60	12.60	ACC, Bengaluru	3D Bio Plotter Manufacturer Series
11	34	Short levy of duty due to misclassification	12.49	12.49	17.12	ICD, Patparganj, Delhi	Nylon taffeta ribbons/tape and Polyester webbings
12	37	Short levy of duty due to misclassification	15.00	15.00	19.05	Vijayawada Customs	Lithium batteries
13	82	Short levy of duty due to misclassification	11.38	11.38	13.00	Kolkata Port	Medium Gaosline Engines/Diesel engines
		Total	**203.99**	**202.24**	**277.85**		

Annexure 23 B – Misclassification of imports wherein duty demands confirmed

(Refer Para 4.4)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	9	Short levy of duty due to misclassification	14.52	14.52	0	JNCH, Mumbai	Fryers
2	19	Short levy of duty due to misclassification	37.84	37.84	0	JNCH, Mumbai	Capstone FS-93
3	35	Short levy of duty due to misclassification	13.32	13.32	0.08	ICD, Tughlakabad-Delhi	Friers for Industrial use
4	44	Short levy of duty due to misclassification	12.33	12.33	9.53	Hyderabad Customs	Milk and Honey Gold shampoo
5	49	Short levy of duty due to misclassification	10.18	10.18	0.56	ICD Tughlakabad, Delhi	Fried Instant Noodle Line and Electrical Noodle Cooking Machine
6	58	Short levy of duty due to misclassification	25.36	25.36	0	ICD-Tughlakabad, Delhi	Flat panel detector radiography equipment
7	60	Short levy of duty due to misclassification	18.74	18.74	0	ICD-Tughlakabad, Delhi	Raw material unloading system/Conveying system
8	64	Short levy of duty due to misclassification	35.74	35.74	0	ICD-Tughlakabad, Delhi	Steel Luggage trolley modified
9	68	Short levy of duty due to misclassification	18.12	18.12	0	ICD Patparganj Delhi	Mentofin and Orego-Stim Liquid /powder in cans for retail sale
10	71	Short levy of duty due to misclassification	39.16	39.16	0	*Tuticorin Customs*	Power supply unit and Panel for direct communication

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
11	87	Short levy of duty due to misclassification	22.05	22.05	0	NCH, Mumbai, Zone-I	Fryer
12	106	Short levy of duty due to misclassification	31.74	31.74	0	ICD Talegaon, Pune	Variable speed blower
13	109	Short levy of duty due to misclassification	11.84	11.84	0	ICD Talegaon, Pune	Electric heading resistors
	Total		**290.94**	**290.94**	**10.17**		

Annexure 23 C – Misclassification of imports wherein duty demands accepted

(Refer Para 4.4)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	50	Short levy of duty due to misclassification	11.03	2.55	1.96	ICD Tughlakabad, Delhi	Steel Dustbins, buckets; bottles ashtrays, hangers
2	54	Short levy of duty due to misclassification	11.18	11.18	0	ACC-Import, New Delhi	PWB Visual Inspection Machine Model RV-2-3DH' and 'Juki Automatic Test and Inspection High Speed PWB Model RV-2'
3	55	Short levy of duty due to misclassification	32.51	32.51	0	ACC, Bengaluru	L Glutamine with Berries
4	67	Short levy of duty due to misclassification	24.84	24.84	0.32	ACC-Import, New Delhi	Automobile AC compressor sub-assembly

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
5	70	Short levy of duty due to misclassification	10.64	10.64	0	Kattupalli Port under Chennai II Customs	Piston, Piston guide, Piston Rings, Piston assembly
6	79	Short levy of duty due to misclassification	19.21	19.21	0	ACC-Import, New Delhi	REF Slim Tube System- STS 700 including parts and accessories'
7	84	Short levy of duty due to misclassification	11.28	11.28	0	ACC, Mumbai	Water Meters
8	85	Short levy of duty due to misclassification	13.09	13.09	0	ACC, Mumbai	Sorbitol Sorbitan Solution
9	86	Short levy of duty due to misclassification	20.69	20.69	0	ACC, Mumbai	Apple watch Band'
10	89	Short levy of duty due to misclassification	21.22	21.22	0	NCH, Mumba	Conductor rails
	Total		**175.69**	**167.21**	**2.28**		

Annexure 24 A– Incorrect application of IGST notification wherein recoveries made

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	21	Short levy of IGST	17.59	17.59	17.59	Mundra	various machines namely 'Bead mill with spare parts, Pulverizer spare parts, Intelligent feeder check unit
2	27	Non-levy of IGST	21.51	21.51	33.84	Mundra	Stainless Steel Seamless Hot Finish Pipes
3	38	Incorrect exemption of Integrated Tax on imports	32.00	32.00	20.87	Tuticorin	Wet dates
4	39	Short levy of duty due to incorrect application of IGST rate	11.36	11.36	9.38	ACC (Import), NCH, New Delhi	various types of fuel/ cooling pumps
5	45	Short levy of IGST due to application of incorrect rate	12.42	12.42	14.28	Kolkata (Sea)	inorganic chemicals-Ammonium Bicarbonate, Coated and uncoated Calcium Carbonate
6	74	Short levy of Integrated Tax	39.18	39.18	51.14	Chennai-II, Customs	Uninterruptible Power Supply (UPS) -without battery
7	94	Short levy of duty due IGST	39.10	39.10	41.15	JNCH, Mumbai	Sterile Grade Hydrogen Peroxide
		Total	**173.16**	**173.16**	**188.25**		

Annexure 24 B – Incorrect application of IGST notification wherein duty demands confirmed

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	4	Shot levy of IGST due to incorrect application of exemption notification	16.85	16.85	0	Kolkata, Port	Dog food/Food for dog feeding
2	25	Ineligible grant of IGST exemption	12.58	12.58	5.25	Cochin (Sea)	Wet dates
3	63	Application Incorrect IGST rates	30.57	30.57	0	ICD, Tughlakabad	Compressed mask sheets, facial masks
4	75	Short levy of IGST	26.62	26.62	0	Kolkata (Sea)	Dry / processed dates
5	103	Short levy of IGSST on imports	19.77	19.77	0	JNCH, Mumbai	TLC Silica gel Aluminium sheets
		Total	**106.39**	**106.39**	**5.25**		

Annexure 24 C – Incorrect application of IGST notification wherein duty demands accepted

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	**48**	Incorrect application of IGST rate	12.40	12.40	2.84	ACC (Import), NCH, New Delhi	various machines/parts
2	**95**	Short levy of IGST	26.62	0	0	JNCH, Mumbai	Organic surface-active agents/ Cleaning solvents for Printing Industry/cleaning preparations
3	**96**	Short levy of IGST on imports	14.49	14.49	0	JNCH, Mumbai	(a) Paper Tape IBS-Special Brown, (b) Lollipop Paper Stick, (c) Insole Sheets, and (d) Gift Wrapping Paper
		Total	**53.51**	**26.89**	**2.84**		

Annexure 25 A– Incorrect application of exemption notifications wherein recoveries made

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	2	Short levy of duty due to incorrect grant of notification benefit	10.79	10.79	11.21	Kolkata (Sea)	Screws, washers, Bolts, Nuts
2	76	Short levy of duty on High Speed Diesel	12.47	12.47	12.47	Kolkata (Sea)	High-Speed Diesel (HSD)
3	101	Short levy of duty due to incorrect grant of notification benefit	13.24	13.24	15.63	ACC (Import) New Delhi.	Camera module
		Total	**36.50**	**36.50**	**39.31**		

Annexure 25 B– Incorrect application of exemption notifications wherein duty demands confirmed

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	59	Short levy of duty due to incorrect grant of notification benefit	10.80	10.80	0	ACC (import) New Delhi	X-Ray Collimator
2	73	Short levy of duty due to incorrect grant of notification benefits	10.46	10.46	0	ICD, Tughlakabad	Display Assembly for manufacturing of Mobile Phones
		Total	**21.26**	**21.26**	**0**		

Annexure 25 C– Incorrect application of exemption notifications

(Refer Para 4.5)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	61	Short levy of duty due to incorrect grant of notification benefit	25.07	25.07	0	ICD, Tughlakabad	PCBA for Subscriber end equipment for 1GE (Parts for Networking Product)
		Total	**25.07**	**25.07**	**0**		

Annexure 26 A – Not complying with provisions of Export Promotion Schemes

(Refer Para 4.6)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	33	Excess payment of Drawback due to misclassification	10.28	10.28	11.17	ICD, Ballabhgarh	woven ladies dress
2	40	Non levy of IGST on DTA clearance	31.39	31.39	42.95	APSEZ, Mundra	CT Tractor Trailer oil well equipment
3	41	Short levy of duty on DTA sale of goods	10.81	10.81	11.04	Falta SEZ, Kolkata	waste/scraps, (e-waste) Aluminium scrap
4	46	Non fulfilment of conditions of import of spices by EOU	10.10	10.10	10.11	Customs Preventive, Kochi	Cardamon and Pink pepper
5	69	Irregular grant of Transport and marketing assistance (TMA)	20.66	20.66	24.38	DGFT, Kolkata	Tea
		Total	**83.24**	**83.24**	**99.65**		

Annexure 26 B – Not complying with provisions of Export Promotion Schemes

(Refer Para 4.6)

Sl. No.	DAP No.	Subject	Amount Objected (₹ in lakh)	Amount Accepted (₹ in lakh)	Amount Recovered (₹ in lakh)	Commissionerate	Commodity
1	**42**	Avoidable expenditure on account of payment of interest	17.65	17.65	0	ICD Mandideep, Gwalior	Jeans
		Total	**17.65**	**17.65**	**0**		

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