SUPREME AUDIT INSTITUTION OF INDIA
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# Report of the
# Comptroller and Auditor General of India
# on
# Project Imports Scheme

## Union Government
## Department of Revenue (Indirect Taxes -Customs)
**Report No. 27 of 2026**
**(Performance Audit – Civil)**

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**(Laid on the table of Lok Sabha/Rajya Sabha on ............)**

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# Preface

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

The Report contains significant results of the Performance Audit on 'Project Imports Scheme'.

The instances mentioned in this Report are those which came to notice in the course of test audit conducted during the period 2024-25, and covering transactions of the period April 2019 to March 2024.

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

Audit acknowledges the cooperation received from Ministry of Finance (MoF), Department of Revenue (DoR) and their field formations at each stage of the audit process.

# Executive Summary

## About this Performance Audit

The Project Import (PI) scheme is designed to facilitate the rapid, duty-concessional import of machinery, components, and raw materials for setting up new industrial plants or substantial expansion of capacity greater than 25 *per cent* of industrial plants. The scheme seeks to achieve the objective of smooth and quick assessment of imports by providing for a simplified process of classification and valuation.

Under the scheme, all goods imported for a project are classified under one chapter heading 9801 of the Customs Tariff Act, 1975 and are assessed at a uniform customs duty rate even though other headings may cover these goods more specifically. The scheme is available to projects falling under specified sectors like, industrial plant, irrigation project, power project, mining, and oil/ mineral exploration project.

The scheme of project imports is mainly governed by the Customs Tariff Heading (CTH) 9801 and Notes to Chapter 98 of the Customs Tariff Act, 1975; Project Import Regulations (PIR), 1986; General Exemption Notification Nos. 12/2012-Customs dated 17 March 2012 and 21/2012-Customs dated 17 March 2012.

The performance audit was conducted to assess adequacy of statutory provisions to support simplified procedures for project imports, compliance with procedural requirements and effectiveness of internal controls. The audit covered various aspects relating to registration, importation and finalisation of contracts of project import scheme at the port level.

The audit was carried out for the period of five years from FY 2019-20 to FY 2023-24. As per the DG Systems' data, during this period, a total of 485 contracts were registered under the Project Import Scheme with CIF value of ₹1.34 Lakh crore. The total revenue collected under the scheme amounted to ₹ 10,567.09 crore and duty foregone on account of concessional assessment under the scheme stood at ₹ 6,704.55 crore.

Out of the total 1,467 PI registrations across 34 Customs Commissionerates, a sample of 915 cases (62.37 *per cent*) were drawn from three categories, viz., Finalised (421 cases), Ongoing (449 cases), Registration done but no imports made (45 cases) from 18 Commissionerates. Out of the total 915 selected cases, 139 cases involving a CIF value of ₹15,818.11 crore pertaining to nine Commissionerates were not made available to Audit.

A declining trend was observed in both the number of contracts registered and the CIF value of the contracts during the period from FY 19-20 to FY 23-24. Over these years, the proportion of new contracts registered under the scheme decreased significantly by 78.10 *per cent* and the value of the contracts by 77.45 *per cent* mainly due to simplification/revision in duty structure during last 15 years and lesser rate of duty in categories of goods required for setting up of an industrial plant or project. Among all eligible sectors, the power sector accounted for the largest share of project imports during this period.

### Structure of the Report

This report contains 36 audit observations and 11 recommendations. The performance audit has revenue implication of ₹128.58 crore along with procedural irregularities involving ₹2,979.33 crore. Responses were received from CBIC and its field formations for 28 paras, which have fully/partially accepted the audit findings. Response for remaining eight paras are awaited. Similarly, nine out of 11 recommendations have been accepted by CBIC, and not accepted in respect of two recommendations.

This report is divided into four chapters. Chapter I presents an overview of Project Imports Scheme along with audit objectives, scope, sample, audit criteria and audit methodology used to conduct this Performance Audit. Chapters II to IV cover the audit findings, conclusions and recommendations related to review of procedural adequacy in project imports scheme, Ease of Doing Business measures under the scheme, and monitoring and internal controls. The Key findings from the performance review are highlighted in subsequent paragraphs.

## Summary of Audit Findings

### Chapter II: Review of procedural adequacy in the Project Import Scheme

In this chapter, Audit reviewed the existing statutory provisions of the scheme and identified various ambiguities arising from subsequent notifications, compliance irregularities, and lack of clarity in regulatory provisions. The chapter includes 21 audit observations involving a revenue implication of ₹125.58 crore, procedural irregularities involving ₹2,112.78 crore, along with five recommendations.

The Project Import Regulations (PIR), 1986 do not prescribe specific timelines for registration of projects or for completion of imports under registered contracts. The absence of defined timeframes impacts project implementation schedules, reflect procedural inefficiencies and further weakens control over import compliance, and may potentially lead to duty evasion, not accounting of goods, and loss of revenue to the Government.

**(Para 2.1 and 2.2)**

Extension of Project Import benefits to not notified projects and ineligible machinery/goods indicates deficiencies in verification of project eligibility at the assessment stage and not adhering to notification provisions, leading to loss of revenue.

**(Para 2.4 and 2.7)**

Audit scrutiny of 383 finalised Project Import cases revealed that in 57 cases across eight Commissionerates, contracts were finalised without obtaining mandatory Installation Certificates, conducting the prescribed Plant Site Verification (PSV) and obtaining other prescribed documents such as Reconciliation Statements, copies of Bills of Entry, invoices, and final payment certificates. These deficiencies in finalisation of the contracts, indicated not adhering to prescribed procedures under the Project Import Regulations (PIR) and the Customs Law Manual.

**(Para 2.11 and 2.12)**

## Chapter III: Ease of Doing Business initiatives for facilitation of Imports under Project Import Scheme

In this chapter, Audit examined key aspects of trade facilitation, including cargo dwell time, documentation requirements, time taken for finalisation of assessments and contracts, and transaction costs. The chapter contains six audit observations with no monetary value and includes two recommendations.

Audit observed substantial delays in the clearance of goods under the Project Import (PI) Scheme, which is contrary to the objective of procedural simplification and expeditious cargo movement. Such delays (ranging from 3 to 1,149 days) point to inefficiencies in coordination, document processing and system-level approvals within the Project Import framework. Not adhering to prescribed timelines adversely impacts project implementation schedules and undermines the targets envisaged under the National Trade Facilitation Action Plan (NTFAP), thereby affecting the ease of doing business.

**(Para 3.1)**

The delays and inconsistencies observed in the finalisation of Bills of Entry, even after completion of project contracts, indicate deficiencies in post-clearance monitoring and inadequate linkage of records between project registration and related import documentation. Further, instances of premature finalisation of

Bills of Entry without corresponding finalisation of project contracts were also noticed, which point to weak internal controls and lack of coordination between the assessing and project monitoring sections.

**(Para 3.3)**

## Chapter IV: Monitoring and Internal Control

Although the Customs Department has computerized its operations through the Electronic Data Interchange system, the performance audit identified systemic issues in the finalisation of provisional assessments and Project Import contracts, as well as in the adequacy of oversight mechanisms and internal controls. The chapter includes nine systemic audit observations involving a revenue implication of ₹3.00 crore, procedural irregularities involving ₹866.55 crore, along with four recommendations.

Audit observed instances of not renewing of Bank Guarantees and Bonds in cases where finalization of Project Import contracts remained pending, indicating deficiencies in monitoring and weak internal controls.

**(Para 4.1)**

The pendency of recovery in confirmed demand cases indicates weaknesses in the Department's follow-up and monitoring mechanism for enforcement of adjudicated demands. Prolonged delays or failure in recovery not only result in blockage of government revenue but may also lead to difficulties in realization due to expiry of limitation periods or not traceable of importers.

**(Para 4.3)**

## Recommendations

***Recommendation No 1:* CBIC *may consider prescribing a specific time frame for completion of Project Import contract registration after receipt of a complete application, and issue suitable instructions to ensure uniform compliance across field formations.***

***Recommendation No 2*: *CBIC may consider amending the Project Import Regulations, 1986 to prescribe a time limit for completion of imports and closure of projects. Besides, integrating system-based alerts in ICES to flag cases where no import activity has occurred beyond a prescribed period, will enable timely review and closure of such registrations*.**

***Recommendation No 3: CBIC may ensure automated document validation controls are embedded within the ICES registration module to prevent registration without submission of mandatory documents.***

***Recommendation No 4: CBIC may review similar project import cases to ensure correct classification and duty application as per tariff provisions. Further, Board may integrate automated validation controls within the ICES/License Module to flag ineligible contract registrations based on the registration date, classification, etc. thereby ensuring compliance with the conditions prescribed in the relevant customs notifications.***

***Recommendation No 5: The CBIC may institute mandatory system-based validation checks within ICES to ensure that finalisation of Project Import case cannot be processed unless the Installation Certificate and Plant Site Verification report are uploaded and verified.***

***Recommendation No 6: CBIC may consider introducing system-based monitoring of dwell time for all Project Import Bills of Entry in ICES and analyse delays across its field formations to identify process bottlenecks and take corrective measures.***

***Recommendation No 7: CBIC may consider incorporating a linkage mechanism in ICES to ensure that finalisation of Project Import contracts automatically triggers validation of associated Bills of Entry, preventing isolated or premature closure. Besides, automated alerts for pending or overdue BEs finalisations would also enable systematic monitoring at the Commissionerate level.***

***Recommendation No 8: CBIC may instruct field formations to strictly enforce the requirement for renewal of Bonds and Bank Guarantees until the Project Import contracts are finalized in accordance with the provisions of the PIR, 1986. A system-based alert mechanism in ICES may be instituted to monitor the validity of Bonds/BGs and flag pending cases nearing expiry.***

***Recommendation No 9: CBIC may direct all field formations to ensure that all imports involving related parties, covered under the Project Import Regulations, 1986, are promptly referred to the Special Valuation Branch (SVB) in accordance with prescribed guidelines. Further, an internal compliance checklist may be integrated into the ICES system to flag related-party transactions automatically for SVB reference before assessment.***

***Recommendation No 10: CBIC may strengthen its demand recovery and monitoring framework by instituting a centralized register or digital tracker within ICES to capture the status of all confirmed demands along with recovery actions initiated.***

***Recommendation No 11: CBIC may direct all field formations to strictly adhere to the reporting and monitoring framework prescribed in Circular No. 22/2011-Customs dated 4 May 2011. The Project Import Registers may be digitally maintained and monitored periodically to ensure data integrity. The Directorate General of Performance Management (DGPM) may consider developing an automated dashboard linked with ICES to capture and consolidate pendency across Commissionerates in real time.***

# Glossary of Terms and Abbreviations

| Abbreviation | Expanded Form |
|---|---|
| AAR | Authority of Advance Ruling |
| ACC | Air Cargo Complex |
| ADD | Anti-Dumping Duty |
| AIDC | Agricultural Infrastructure and Development Cess |
| BCD | Basic Custom Duty |
| BE | Bills of Entry |
| BG | Bank Guarantees |
| BRC | Bank Realisation Certificate |
| CAG | Comptroller and Auditor General of India |
| CBIC | Central Board of Indirect Taxes and Customs |
| CGST | Central Goods and Services Tax |
| CIF | Cost, Insurance and Freight Value |
| CRIP | Corporate Insolvency Resolution Process |
| CTH | Custom Tariff Heading |
| CVD | Countervailing Duty |
| DGPM | Directorate General of Performance Management |
| EDI | Electronic Data Interchange |
| EODB | Ease of Doing Business |
| EPCG | Export Promotion Capital Goods |
| GST | Goods and Service Tax |
| IAD | Internal Audit Department |
| IBC | Insolvency and Bankruptcy Code |
| ICD | Inland Container Depot |
| ICES | Indian Customs EDI System |
| IGST | Integrated Goods and Service Tax |
| JNCH | Jawaharlal Nehru Custom House |
| MIS | Management Information System |
| MPR | Monthly Progress Report |
| MTPA | Million Tonnes Per Annum |
| NAC | National Assessment Centre |
| NCH | New Customs House |
| NCLT | National Company Law Tribunal |
| NTFAP | National Trade Facilitation Action Plan |
| NTPC | National Thermal Power Corporation |
| OOC | Out of Charge |
| PA | Performance Audit |

| Abbreviation | Expanded Form |
|---|---|
| PAC | Public Accounts Committee |
| PD | Provisional Duty Bond |
| PI | Project Import |
| PIR | Project Import Regulations |
| PSV | Plant Site Verification |
| SCN | Show Cause Notice |
| SEZ | Special Economic Zones |
| SVB | Special Valuation Branch |
| SWS | Social Welfare Surcharge |
| TRA | Telegraphic Release Advice |
| WTO | World Trade Organisation |

# CHAPTER I
# Overview of Project Imports Scheme

## 1.1 Introduction

Project Imports scheme facilitates importing various items of machinery, equipment, raw materials, etc. required for initial setting up or for substantial expansion of an existing project involving not less than 25 *per cent* of the installed capacity. These imports are subject to certain procedural requirement to be complied by the importers.

The Project Imports (PI) scheme was first introduced in 1965 through the Project Imports (Registration of Contract[1]) Regulations, 1965, which established project-wise pre-assessment/registration procedures under the Customs/Tariff framework. This was superseded by Project Import Regulations, 1986 (PIR) vide Ministry of Finance, Notification No.230/1986-Customs dated 3 April 1986.

The objective of the scheme is to simplify the procedures with a view to facilitate quicker customs clearance of goods imported. Goods under Project Imports are assessed at lower rate of duty than the Tariff Rate under Notification No.50/2017[2] dated 30 June 2017, as amended from time to time.

## 1.2 Project Imports – An Overview

Normally, imported goods are classified separately under different tariff headings and assessed to applicable Customs duty, but as a variety of goods are imported for setting up of an Industrial Project, their separate classification and valuation for assessment to duty becomes cumbersome. Further, the suppliers of a contracted project, do not value every item or parts of machinery which are supplied in stages. Hence, ascertaining values for different items delays assessment leading to demurrage and time and cost overruns for the project.

Therefore, to facilitate smooth and quick assessment by a simplified process of classification and valuation, the goods imported under Project Import Scheme are placed under a single CTH 9801 in the Customs Tariff Act, 1975. This facilitates assessment and ensures faster clearances of goods.

**[1] Registration of Contracts is done under Regulation 5 of the Project Imports Regulations, 1986 whereby an importer intending to avail the benefits of the Project Imports Scheme must register the project contract with Customs before importing the goods.**

**[2] In supersession of Notification Nos.12/2012-Customs dated 17-03-2012, 21/2002-Customs dated 01-03- 2002 & 17/2001-Customs dated 01-03-2001**

The projects covered under this Scheme are Industrial Plant Projects; Irrigation Plant Projects; Power Projects (other than solar power plant/projects[3]); Mining Projects; Projects for the exploration of oil or other minerals, and such other projects as the Central Government may, having regard to the economic development of the country, notify in the Official Gazette.

Goods that can be imported under Project Import Scheme are machinery, prime movers, instruments, apparatus, appliances, control gear, transmission equipment, auxiliary equipment, equipment required for research and development purposes, equipment for testing and quality control, components, raw materials for the manufacture of these items, etc. In addition, spare parts, consumables up to 10 *per cent* of the assessable value of the goods can also be imported under Project Import.

The Basic Customs Duty (BCD)/ Additional duty of customs (equivalent to excise duty) on imports has been fully/ partially exempted (subject to with/without conditions as specified against each entry) on the goods falling under Tariff heading 9801 of the Customs tariff. The effective rate of BCD applicable to such projects is Nil / 2.5 *per cent* / 5 *per cent* ad valorem and IGST[4] is applicable at 18 *per cent* ad valorem. Other duties such as countervailing duty (CVD) on subsidised articles, Countervailing Duty (CVD) of Central Excise Duty (pre-GST period), Social Welfare Surcharge[5] (SWS), Anti-Dumping Duty (ADD), Agricultural Infrastructure and Development Cess[6] (AIDC) are payable unless otherwise they are specifically exempted.

## 1.3 Audit Objectives

The objectives of the PA were to assess

(i) whether the statutory provisions/ rules, regulations, instructions/ notifications with regard to registration, imports, monitoring and finalization of Project Imports were adequate;

(ii) whether there was compliance to rules, regulations and procedures framed under Customs Act 1962, Project Import Regulations 1986, Notifications and Instructions issued by the Board from time to time;

(iii) whether adequate and effective internal controls exist to safeguard the interests of the Government.

**[3] Inserted vide Notification No.54/2022-Cus., dated 19-10-2022**
**[4] Notification No.01/2017-Integrated Tax (Rate), dated 28-06-2017**
**[5] Notification No.11/2018-Customs, dated 02-02-2018**
**[6] Notification No.11/2021-Customs, dated 01-02-2021**

## 1.4 Audit Scope & Sampling Methodology

The assessment period covered under this PA was from FY 2019-20 to FY 2023-24. Out of a total of 34 Customs Commissionerates dealing with the Project Imports Scheme, 18 Commissionerates (52.94 *per cent*) were selected for this audit.

During the course of audit, various aspects of Project Imports Scheme, relating to registration, importation and finalisation of contracts were examined at ports viz., Sea/Air Cargo, Inland Container Depot (ICD) within the jurisdiction of the selected 18 Commissionerates.

Based on risk assessment and data analysis, 915 cases out of the total 1467 PI registrations (62.37 *per cent*) were selected under the following three categories for detailed examination, as elaborated in table below:

***Table 1.1: Category-wise Sample Selection***

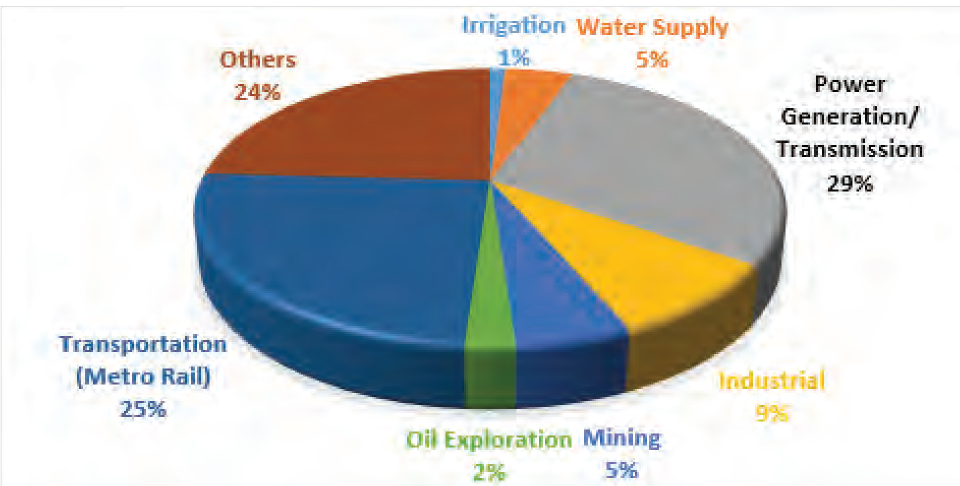
| Finalised | | Ongoing | | Registration done but no imports made | | Total cases/ selected | Sample produced to Audit | Sample not Produced to Audit |
|---|---|---|---|---|---|---|---|---|
| Total | Selected | Total | Selected | Total | Selected | | | |
| 534 | 421 | 888 | 449 | 45 | 45 | 1,467/ 915 | 776 | 139 |

***Source: DG Systems, CBIC***

The details of Universe and Sample selected audit office-wise are given in **Appendix - 1** and the list of cases not produced to Audit are given in **Appendix-2**

The sectoral representation of the selected 915 sample cases are depicted below:

***Chart 1.1: Sectoral representation of selected sample***




***Source: DG Systems, CBIC***

The objectives, scope and audit methodology for the Performance Audit were discussed in the Entry Conference held on 18 March 2025 between Audit and Department of Revenue. The draft findings were discussed during the Exit Conference held on 05 May 2026 and response received from DoR on 04 May 2026 have been incorporated along with suitable rebuttals, wherever applicable.

## 1.5 Audit Criteria

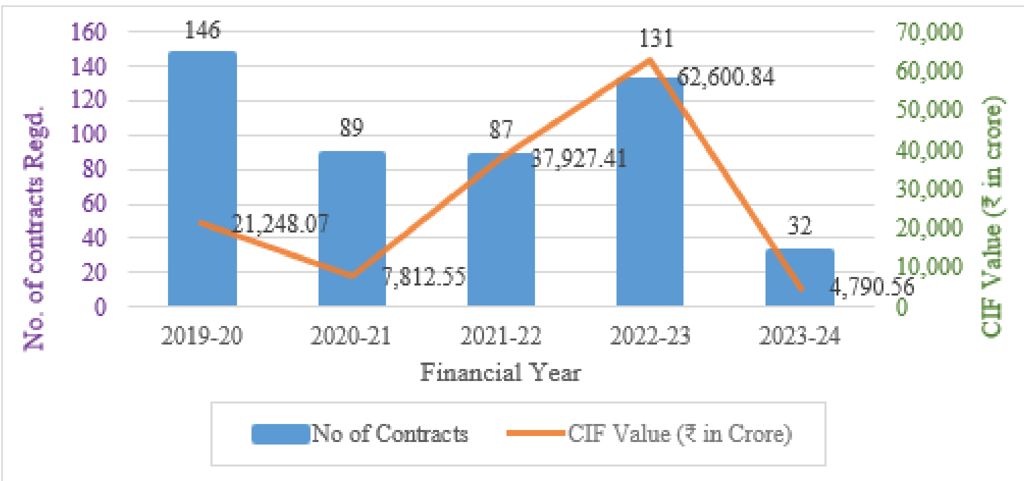
The Audit criteria for the audit were drawn from the following:

- The Customs Act, 1962;
- The Customs Tariff Act, 1975;
- Project Imports Regulations,1986;
- Customs Valuation (Determination of value of Imported Goods) Rules, 2007;
- Customs (Finalisation of Provisional Assessment) Regulations, 2018, and
- Customs Manual and Circulars and Notifications issued by CBIC from time to time.

## 1.6 Cases registered during the audit period

During the audit period FY 2019-20 to FY 2023-24, a total of 485 contracts were registered under the Project Imports Scheme, involving an aggregate CIF value of ₹1.34 lakh crore. The year-wise break-up of the number of contracts and their corresponding CIF values is presented in the chart below.

***Chart 1.2: year- wise contracts registered with CIF Values***



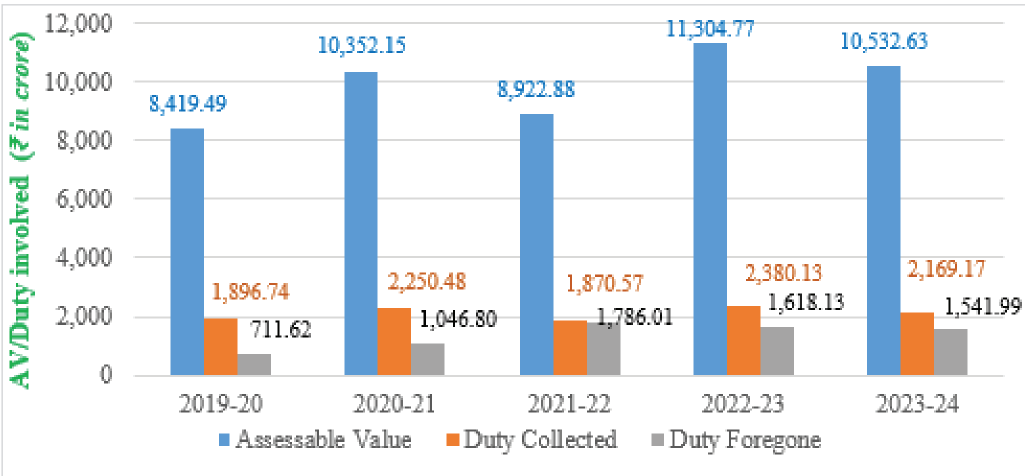

***Source: DG Systems, CBIC***

Analysis of the above data revealed a downward trend in the number of project import registrations during FY 2020-21 and FY 2021-22. Further, a sharp decline in registrations was observed in FY 2023-24 as compared to the preceding year. Over the five-year period under review, the number of contracts registered under the Project Imports Scheme decreased from 146 in FY 2019-20 to 32 in FY 2023-24, representing a decline of 78.10 *per cent*.

## 1.7 Revenue under Project Imports Scheme

Details of revenue parameters, namely Assessable Value, Duty Collected, and Duty Foregone, in respect of imports under the Project Imports Scheme during the audit period FY 2019-20 to FY 2023-24, are presented below:

***Chart 1.3: Assessable Value, Duty Collected, and Duty Foregone on imports made under Project Imports Scheme***




***Source: DG Systems, CBIC***

During the five-year period from FY 2019-20 to FY 2023-24,as seen from the above chart, the total revenue collected under the Project Imports Scheme amounted to ₹10,567.09 crore, while the duty foregone on account of concessional assessment under the scheme stood at ₹6,704.55 crore.

## 1.8 Earlier Report of CAG on Project Imports Scheme

A Performance Audit on the Project Imports Scheme was earlier conducted and findings/recommendations featured in C&AG's Audit Report No. 42 of 2016 (Indirect Taxes- Customs). This report was subsequently taken up for discussion by the Honourable Public Accounts Committee (PAC).

In all, out of nine Audit recommendations, eight recommendations have been accepted and five implemented by the Department. Action taken on recommendations and status of its implementation by the Customs was reviewed during the current audit and persistent irregularities owing to inadequate monitoring on recommendations have been included in this report, as detailed in **Appendix-3.**

## 1.9 Acknowledgement

Audit acknowledges the cooperation extended by the Ministry of Finance (MoF), Department of Revenue (DoR) along with their field formations in providing necessary information and records during of the conduct of audit.

# CHAPTER II
# Review of procedural adequacy in the Project Imports Scheme

Audit examined the existing statutory provisions of project import regulations, CBIC Circulars and notifications with regard to registration of contract, assessment of imported goods. Audit observed instances, which indicated that some of the provisions are ambiguous leading to short levy of duty. Further, cases of incorrect grant of project imports concession due to not submitting of requisite documents and cases finalised even in absence of relevant documents indicated lacuna in compliance to the prescribed provisions. The findings are detailed in the succeeding paragraphs:

## 2.1 Absence of prescribed timelines for registration of Project Import Contracts

Regulation 5 of the Project Import Regulations, 1986, as amended, mandates that importers apply in writing to the proper officer at the port of import for registration of project import contracts, along with the prescribed documents, prior to commencement of imports. However, the PI Regulations or the Citizen's Charter does not stipulate any specific timeframe for completion of the registration process after submission of the application.

Audit observed that the registration process, inter alia, involved multiple intermediary steps such as execution of bonds and bank guarantees, verification of the sponsoring authority's letter, and scrutiny of the list of goods proposed for import. In the absence of prescribed timelines for completion of these activities, Commissionerates were not following uniform practices, resulting in delays. These delays were attributable both to the department, in registering the contracts, and to the importers, owing to delayed submission of requisite documents and responses to queries raised by Customs authorities.

Review of the time taken for registration of the 776 selected cases revealed that 110 cases (23.35 *per cent*) were registered within a period exceeding one month, including five cases where the delay extended beyond three months, as detailed below:

***Table 2.1: Time taken in registration***

| Time taken in Registration | Number of cases |
|---|---|
| Upto 30 days | 361 |
| 31 to 90 days | 105 |
| Beyond 90 days | 5 |
| Data not available | 305 |
| **Total** | **776** |

Out of the five delayed cases of above three months, in two instances across ACC Bengaluru and NCH Mumbai, involving a total CIF value of ₹112.92 crore, delays of 92 days and 303 days were recorded in completing registration after submission of the requisite documents**.** In the other three cases, the delay was on part of the importers in complying with the required conditions.

*NCH Mumbai stated (September 2025) that there is no timeline for registration of Project in regulation 5 of PIR.*

***An illustrative case is detailed hereunder:***

M/s. A1 under Air Cargo Complex, Bengaluru submitted the application for registration on 28 September 2022. Despite submitting all relevant documents, the registration was done by department on 28 July 2023, after 303 days.

*ACC Bengaluru stated (September 2025) that the delay in registration was owing to the time taken in verification of the genuineness of the Essentiality Certificate issued by the Project Authority.*

The delay in registration of Project Import contracts indicates inadequate monitoring and absence of defined timelines in the internal procedures or Citizen's Charter. Such delays can postpone concessional assessment under Heading 9801, impact project implementation schedules, and reflect procedural inefficiencies. The lack of a prescribed turnaround time also limits accountability and uniformity across Commissionerates and may be a contributing factor to the significant decline in the number of contracts registered under the Project Imports Scheme.

**Recommendation No 1: CBIC may consider prescribing a specific time frame for completion of Project Import contract registration after receipt of a complete application, and issue suitable instructions to ensure uniform compliance across field formations.**

*CBIC while agreeing with the audit observation regarding the importance of timely Project Import contract registration, stated (May 2026) that registration timelines may vary depending upon completeness of documents, technical scrutiny, verification of the sponsoring authority's letter, execution of bond/bank guarantee, verification of genuineness of the bank guarantee, etc.*

*Accordingly, field formations have been advised to ensure prompt registration, strictly adhering to prescribed procedures and duly considering the relevant timelines outlined in the Citizen's Charter. Further, timelines for intermediate stages viz., scrutiny for completeness, deficiency memo, and verification of recommendatory letters issued by the sponsoring authority / genuineness of bank guarantee have been specified for ensuring timely registration of PI contracts.*

## 2.2 Absence of prescribed timelines for completion of Imports and closure of projects

The Project Import Regulations (PIR), 1986 do not prescribe any specific time limit for completion of imports under a registered project contract from the date of its registration. The absence of a defined timeframe leaves the import process open-ended and susceptible to delays in project completion and finalisation.

Further, in terms of Regulation 7 of the PIR, 1986, read with Paragraph 5 of Chapter 5 of the Customs Law Manual, an importer is required to submit, within three months from the date of the last import, a Reconciliation Statement showing the quantity and value of imported goods along with an Installation Certificate issued by a registered Chartered Engineer, copies of Bills of Entry, invoices, and other relevant documents necessary for finalisation of the contract.

These requirements were reiterated in Circular No. 22/2011-Customs dated 4 May 2011, issued in line with the recommendations of the Comptroller and Auditor General (CAG) in an earlier Performance Audit Report (PA 24 of 2009-10 and the same was reiterated in PA 42 of 2016), emphasizing timely completion and finalisation of project imports.

Audit scrutiny of 353 ongoing Project Import cases revealed that in 56 cases across seven Commissionerates[7], the time elapsed since the previous import ranged from seven to 125 months, involving a total CIF value of ₹2,124.58 crore, without adequate justification from the importers. ***(Statement-1)***

In five cases under Mundra Commissionerate, involving a CIF value of ₹29.08 crore, it was further observed that the projects had already commenced commercial operations (September 2022), however, the respective project import contracts were yet to be finalised by the Department.

***An illustrative case is detailed hereunder:***

M/s A2 registered a Project with CIF value of ₹40.69 crore in November 2020 for import of Capital Goods/equipment for initial setting up of project at Kolkata Metro Railway, West Bengal falling under Kolkata Port Commissionerate.

The importer had imported (February 2021) the capital goods availing duty concession amounting to ₹2.62 crore. The importer had neither submitted any documents for finalisation of contract nor applied for extension of time even after lapse of more than 31 months. No extension of time was granted by department to the importer either for submission of the documents nor did department initiate any action as instructed in circular cited supra.

**[7] CC Port Kolkata (4 cases); ICD-Tughlakabad, Delhi (30 cases); ACC, Delhi (8 cases); CC, Noida (5 cases); CC Mundra (6 cases); CC Ahmedabad (2 cases); CC Jodhpur (1 case)**

*Kolkata Port Commissionerate stated (September 2025) that action has been initiated by enforcement of Bonds/ Bank Guarantees, issuance of duty demand and Show Cause Notices, and imposition of penalties and that efforts are being made to expedite the process and ensure compliance in a time-bound manner.*

The reply in respect of other Commissionerates was as under:

*Jodhpur Commissionerate stated (August 2025) that action can only be taken after clearance of the last consignment, as specified in Regulation 7. Further, the matter is sub-judice before the Hon'ble High Court and without final order of Hon'ble court, action cannot be taken.*

The reply may be reviewed as the interim order did not restrict finalization of the contract. It clarified that in case the petitioners were to fail in the writ petitions, they will pay the differential customs duty. As a matter of fact, after the interim order, 83.34 *per cent* of the goods were imported through 29 bills of entries and only 16.66 *per cent* of the remaining goods was pending for import since 15 March 2023, i.e., more than two years of receipts of last consignment.

*Mundra Commissionerate stated (December 2025) that letters had been issued to the importers for submitting the reasons for delay in import after registration of various projects and submit documents if all imports have been made so that project might be finalised.*

*Ahmedabad Commissionerate stated (December 2025) that PIR did not prescribe any timeline for completion of imports under the contract. It further stated that (i) in many cases, the importer registered the project at one port, and imported the goods from various ports; (ii) the Department came to know about the completion of the project when the importer submitted the documents for finalization of the project and that no action be initiated for delay in submission of documents for finalization of contract against the importer. In respect of other importer, it was directed to submit the required documents for finalisation of the case.*

The absence of a defined timeline for completion of imports under the Project Import Scheme and delays in submission of reconciliation documents have resulted in prolonged pendency of finalisation of contracts. This weakens control over import compliance, may potentially lead to duty evasion, not accounting of goods, and loss of revenue to the Government.

**Recommendation No 2: CBIC may consider amending the Project Import Regulations, 1986 to prescribe a time limit for completion of imports and closure of projects. Besides, integrating system-based alerts in ICES to flag cases where no import activity has occurred beyond a prescribed period, will enable timely review and closure of such registrations.**

*CBIC stated (May 2026) that imports under Project Import contracts depend on the nature, scale, and execution schedule of projects, which vary across sectors and may extend over several years. Hence, import requirements cannot always be anticipated at the time of registration. The Board further stated that Sponsoring Authorities, being aware of project timelines, have been consulted on prescribing a definite time limit for completion of imports under PIR, 1986. CBIC also informed that Project Import licences are registered through the Licence Module with an expiry date, after which imports are not permitted. An electronic ledger is available for monitoring imports and utilisation.*

Audit concurs with the response that inherent complexities are involved in execution of large-scale and technically complex industrial projects, where import requirements may vary depending upon the nature and stage of implementation. However, the audit observation was not on the overall duration of projects, but on the significant time gap since the last import by the firms, which ranged from seven to 125 months in the sampled cases. Such prolonged gaps indicate the absence of a structured monitoring framework for timely completion and closure of Project Import contracts.

While noting the Board's approach of system-based monitoring through the Licence Module and electronic ledger, Audit is of the view that the Department, in consultation with the Sponsoring Authorities, may consider prescribing sector-specific timelines for completion of imports and finalisation of contracts, duly taking into account the nature of business and project requirements. This would facilitate timely completion and closure of Project Import contracts.

## 2.3 Lack of clarity in regulatory provisions on levy of Anti-Dumping Duty on goods imported under Project

Goods imported under the Project Imports Scheme are classified under CTH 9801 for the purpose of basic customs duty and other duties specified in the Project Import Regulations, 1986 and relevant exemption notifications. However, Anti-Dumping Duty is not a customs tariff rate linked to classification under Chapter 98. It is imposed under Section 9A of the Customs Tariff Act, 1975 through specific anti-dumping notifications issued by the Government.

Audit noticed that certain goods liable to ADD under their actual tariff headings were cleared under Chapter 9801 without payment of ADD., viz., as per Notification No. 7/2017-Customs (ADD) dated 17 February 2017, anti-dumping duty is leviable on seamless tubes and pipes of carbon steel imported from the People's Republic of China, at rates prescribed therein.

M/s. A3, registered a project for setting up a Thermal Power Extension Project (2 × 660 MW) in Uttar Pradesh under Chennai-II Commissionerate, and availed concessional duty at 5 *per cent* under Sl. No. 597(iii) of Notification No. 50/2017-Customs dated 30 June 2017.

Audit scrutiny revealed that the importer had imported, between August 2017 and April 2018, Seamless Steel Pipes (SA106-C) of various dimensions from the People's Republic of China, involving an assessable value of ₹218.34 lakh. However, the applicable ADD, amounting to ₹23.98 lakh, was not paid at the time of import, despite being leviable under notification ibid.

*CBIC stated (May 2026) that the goods imported under project imports are classified under tariff heading 9801 of the Custom Tariff Act, 1975 and subjected to the specified rate of duty instead of merit assessment of imported goods. However, the levy of ADD on the specific goods is an independent issue vis-à-vis the project imports. If the goods imported under project imports are part of the investigation by Directorate General of Trade Remedies (DGTR) and the resultant findings of DGTR recommend the levy of ADD on goods covered under project imports, then the levy of ADD may be specifically mentioned in the ADD notification.*

The response of the Board on specific mention on levy of ADD on goods covered under project Imports scheme would bring clarity in regulatory provisions, thereby ensuring statutory levies are charged uniformly at the field formation level.

## 2.4 Incorrect availing of Project imports concessions on projects not notified

Notification No. 42/1996-Customs dated 23 July 1996 enlists the projects eligible under Project Imports. As per sub-item (6) of CTH 9801/980100, such projects are classifiable under CTH 98010019.

Audit scrutiny of 736 cases revealed that in two cases under Mundra Commissionerate, concessional assessment under CTH 9801 was incorrectly extended to projects not notified, resulting in inadmissible concession of ₹122.80 lakh.

Audit observed that in both the above cases, the projects were classified by the assessee under CTH 98010019, for manufacture of particle board/fibre board including densified wood and manufacture of alloy wheels for two and four-wheelers.

However, these projects were not included in the list of notified projects under the said notification. Therefore, the benefit of concessional duty under the Project

Import Scheme was not admissible and resulted in short payment of customs duty amounting to ₹122.80 lakh.

Extension of Project Import benefits to projects not notified indicates deficiencies in verification of project eligibility at the assessment stage and not adhering to notification provisions, leading to loss of revenue.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

## 2.5 Incorrect grant of project concession due to not verifying of substantial expansion

As per Regulation 3(c) of the Project Import Regulations (PIR), 1986, "substantial expansion" refers to an expansion which increases the existing installed capacity by not less than 25 *per cent*. At the time of finalisation of the contract, importers are required to substantiate their claim of substantial expansion by producing documentary evidence such as Chartered Engineer's Certificate, annual accounts, balance sheets, or any other relevant record. The Proper Officer is required to verify the fulfilment of this condition prior to the registration of the project contract under the Project Import Scheme.

Audit observed that in two cases under NCH, Mumbai Commissionerate, such verification was not carried out prior to registration. The total project value involved was ₹34.64 crore.

***An illustrative case is detailed hereunder:***

M/s. A4 registered for substantial expansion of the unit, under New Custom House, Mumbai Commissionerate for manufacture of cement with CIF value of ₹34.47 crore.

Audit observed that the importer's application dated 09 September 2021 submitted to the Ministry for Project Import endorsement indicated a proposed capacity expansion of 3.50 Million Tonnes Per Annum (MTPA) for Clinker (existing capacity being 6.5 MTPA) and 5.00 MTPA for Cement (existing capacity being 9 MTPA). However, in the importer's subsequent application to the Ministry dated 09 September 2022 and in the application for registration of the contract dated 23 September 2022, the proposed capacity addition for cement was revised from 5.00 MTPA as proposed earlier to 1.80 MTPA (existing capacity: 9 MTPA).

This revised proposal for Cement expansion fell short of the mandatory 25 *per cent* increase required to qualify as "substantial expansion" under Regulation 3(c) of the Project Import Regulations, 1986. Despite this, the department granted

Project Import registration without verifying the fulfilment of the stipulated condition.

*NCH Mumbai while accepting the audit observation stated (August 2025) that initial/existing capacity of the project was not mentioned in the Recommendation letter/Essentiality Certificate. However, substantial expansion was mentioned. The expansion capacity of the clinker was increased by 53.85 per cent which is more than double the required 25 per cent criteria. The Department further stated that PSV/Installation Certificate report categorically mentioned the capacity enhanced to be above 25 per cent.*

The reply of the department needs to be reviewed with regard to the expansion in capacity of cement production which had not achieved the 25 *per cent* expansion criteria as necessitated by the Project Imports Regulations, 1986.

Non-verification of the criteria of substantial expansion before registration indicates lapses in internal control and procedural compliance, and may lead to ineligible extension of project import benefits and consequent risk to government revenue.

## 2.6 Violation of conditions stipulated at the time of registration of contract

As per Regulation 5 of the Project Import Regulations (PIR), 1986, the application for assessment under the Project Import Scheme must specify the description of the articles to be manufactured, list of items to be imported, installed capacity, and must be accompanied by all required supporting documents.

All items of machinery, including components required for the initial setup of a unit or substantial expansion of an existing unit of a specified industrial plant, irrigation project, power project, mining project, exploration project, or other projects notified by the Central Government for economic development, are classifiable under Customs Tariff Heading (CTH) 9801.

Audit scrutiny revealed that in 14 cases across six Commissionerate[8], out of 485 registrations made during 2019–20 to 2023–24, the conditions prescribed at the time of registration were not complied with:

- Installed and additional capacity of the plant for substantial expansion was not declared;
- Approved list of goods to be imported was not submitted;

**[8] NCH, Mumbai (3 cases); CC, Ludhiana (1 case); ICD Tughlakabad, Delhi (2 cases); ACC Delhi (2 cases); CC Kolkata (4 cases); JNCH, Mumbai (2 cases)**

- Goods were imported from suppliers other than those approved in the contract, and
- Goods that were imported exceeded the registered project value.

These lapses indicate not adhering to the mandatory registration conditions and not submitting of key documents such as the original deed of contract, agreement with foreign supplier, essentiality certificate from the appropriate authority, and industrial license, among others, at the time of registration, resulting in incorrect grant of concessional duty benefits/undue duty foregone amounting to ₹68.69 crore, involving a CIF value of ₹1,055.45 crore in 14 cases under six Commissionerates.

*NCH Mumbai while accepting the audit observation, stated (July and September 2025) that initial/existing capacity of the project was not mentioned in the Recommendation letter/Essentiality Certificate of M/s A4. However, Annexure-I submitted by the importer mentions the installed capacity of the existing plant and the proposed addition thereto. The Department further stated that PSV/ Installation Certificate report categorically mentioned the capacity enhanced to be above 25 per cent in respect of M/s A5 imported machinery as per the recommendation letter is for the purpose of reconditioning of picture tubes which itself amounts to manufacturing process. In respect of M/s. A6, it was stated (September 2025) that clarification was sought with regards to the under-valuation of goods imported under PI Scheme.*

*JNCH Mumbai replied (October 2025) that owing to the original file not being available, in respect of M/s A7, tracer circular was issued and a part file was created by calling fresh and essential documents from the importer. For the other case in respect of M/s A8, department would strictly adhere to the compliance of the Circular No 22/2011 dated 4 May 2011.*

*Kolkata Port Commissionerate, while accepting the audit observation stated (September 2025) that appropriate action would be taken in all four cases.*

*In the remaining five cases in respect of three Commissionerates (ICD Tughlakabad, ACC Delhi & Ludhiana commissionerate), reply is awaited (May 2026).*

***An illustrative case is detailed hereunder:***

M/s. A9, registered under the Ludhiana Customs Commissionerate, imported project goods through 27 Bills of Entry (BsE), which were provisionally assessed by the department. However, the attested list of items to be imported as mandated under Regulation 5(4) of PIR, 1986, was not submitted by the importer.

Despite the absence of this mandatory document, the department proceeded with assessment without complying to the prescribed conditions at the time of contract registration. The duty foregone in this case amounted to ₹45.61 crore.

The absence of such mandatory documents indicates deficiencies in verification and approval processes during registration under the Project Import Scheme, potentially leading to incorrect grant of concessional duty benefits and risk of misuse of the scheme.

***Recommendation No 3: CBIC may ensure automated document validation controls are embedded within the ICES registration module to prevent registration without submission of mandatory documents.***

*CBIC stated (May 2026) that the Project Imports Module introduced in ICES in 2019 already captures key project registration details, including item-wise quantity and value of imports, particulars of the Sponsoring Authority's certificate, bond details, and CIF value in foreign currency. The system also maintains a project ledger with quantity and value wise debits for monitoring imports under the registered project.*

Audit acknowledge the Board's contention on availability of system-enabled controls in the Project Imports Module. However, the audit observations pertain to specific instances where prescribed conditions under the Project Import Regulations were not complied with, such as not submitting of the approved list of goods to be imported, not declaring of installed/additional capacity in cases of substantial expansion, and import of goods from suppliers not included in the approved list. These deficiencies were noticed despite the availability of system provisions.

## 2.7 Incorrect grant of duty concession to ineligible machinery

The Project Imports Scheme extends concessional duty benefits to eligible goods forming part of an approved project, subject to conditions prescribed under the relevant regulations and notifications. Certain categories of machinery and equipment have been specifically excluded from the scope of the scheme through notifications and judicial pronouncements.

Audit, however, noticed instances where concessional duty under the Project Imports Scheme was incorrectly extended to such ineligible items.

***Two illustrative cases are given below:***

**(i) Captive Power Plants:** CBIC vide its Notification No. 67/1987-Customs dated 01 March 1987, excluded captive power plants from the purview of concessional assessment under the Project Import Scheme. Further, the Hon'ble Supreme Court, in Union of India vs. A 36[9] Ltd., upheld the validity of the said notification and confirmed the exclusion of captive power plants from the ambit of Project

[9] **1999 (112) ELT 753 SC**

Import benefits. The Court categorically held that the Government's intention was not to extend the benefit of concessional duty to captive power plants.

Audit scrutiny of 736 registered project import cases revealed that in one case, registered under Mundra Commissionerate, involving a CIF value of ₹83.00 crore, the benefit of Project Import was incorrectly extended to a captive power plant, contrary to the above provisions.

This resulted in short payment of customs duty amounting to ₹278.69 lakh, corresponding to the imported machinery value of ₹44.76 crore.

*Mundra Commissionerate stated (December 2025) that letters have been issued to the importer to pay the demanded duty with interest.*

**(ii) Coal Transportation System**: As per Regulation 5(3)(a) of the Project Import Regulations (PIR), 1986, the application for registration of a Project Import shall specify the location of the plant or project. The Hon'ble Authority for Advance Rulings (AAR), New Delhi, in the case[10] of M/s A10, held that equipment for a dedicated coal mine, transportation of coal from mine to production unit, and water intake and pumping systems in power projects are not eligible for Project Import concessions.

Audit scrutiny of 736 cases revealed that in one case registered under Chennai II Commissionerate, two Bills of Entry involving assessable value of ₹424.10 lakh were cleared at concessional rate of duty. The importer, registered for a project to set up a non-recovery type Vertical Coke Oven Plant of 0.4 MTPA capacity at Ballari, Karnataka, had imported a "Coal Transportation System", which was not included in the list of approved items in the Essentiality Certificate issued by the Sponsoring Authority.

Consequently, the concessional rate of duty of 5 *per cent* under Sl. No. 601 of Notification No. 50/2017-Customs dated 30 June 2017, was not applicable, and the goods should have been classified under Chapter Heading 8428 9010 as "other machinery for coal handling", leviable to Basic Customs Duty at 7.5 *per cent*. The short levy of duty due to incorrect concession amounted to ₹13.76 lakh.

The incorrect extension of Project Import benefits to machinery/goods not being eligible indicates not adhering to statutory notifications and inadequate scrutiny at the time of registration and assessment, leading to loss of revenue to the Government.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

**[10] Ruling No. AAR/08/CUS/2008, dated 19 December 2008; Application No. AAR/01/CUS/2008, 2009 (246) E.L.T. 801 (A.A.R.)**

## 2.8 Discrepancies between goods permitted to be imported and actually imported

As per Regulation 5 of the Project Import Regulations (PIR) 1986, the application for registration of a Project Import contract must be accompanied by an approved list of items issued by the concerned sponsoring authority. The list should include description, quantity, specification, quality, and dimension of each item. The actual imports are required to conform to this approved list.

Audit scrutiny of 736 cases revealed that in five cases across four Commissionerate[11], there were discrepancies between the goods permitted for import and the goods actually imported, resulting in incorrect availment of concessional duty, and short levy of ₹1.35 crore ***(Statement–2).***

*Mundra Commissionerate stated (December 2025) that letter dated 20 November 2025 had been issued to the importer to pay duty along with interest and penalty failing which action will be initiated under Custom Act, 1962.*

*NCH-Mumbai stated (September 2025) that as per the judgement given by Hon'ble Supreme Court in the case of M/s A11, Auxiliary equipment is to be considered as the part of Project Import.*

Response of the department may be reviewed as the items imported were not a part of the approved list of items for the Project, produced to Audit.

***An illustrative case is detailed hereunder***

M/s. A12 registered under Tuticorin Commissionerate, imported (January 2021) 'Multipurpose Seat' with assessable value of ₹222.82 lakh, classified under CTH 9801 0013, and availed exemption from Basic Customs Duty (BCD) under Sl. No. 602 of Notification No. 50/2017-Customs dated 30 June 2017.

Audit scrutiny revealed that the imported item was not included in Annexure "B" (approved list of imported items) issued by the Sponsoring Authority. Consequently, the duty exemption under the Project Import Scheme was not admissible. The imported goods should have been classified under CTH 9401 8000 as "other seats", with BCD at 25 *per cent*, Social Welfare Surcharge (SWS) at 10 *per cent* on BCD, and IGST at 18 *per cent*. This resulted in a short levy of duty of ₹72.31 lakh.

Ministry's reply is awaited (May 2026).

**[11] CC Chennai II (1 case); CC Mundra (1 case), NCH-Mumbai (2 cases) and CC Tuticorin (1 case)**

## 2.9 Non/short levy of customs duty due to incorrect availment of exemption

As per Notification No. 50/2017-Customs dated 30 June 2017 (Sl. Nos. 597 to 606), customs duty rates were prescribed for different projects under the Project Import Scheme (PIR) along with specified conditions.

Audit scrutiny of 736 cases revealed that in 19 cases involving 17 importers across six Commissionerate[12], 84 Bills of Entry with a total assessable value of ₹290.90 crore were incorrectly assessed at nil or concessional duty rates instead of the applicable merit rates, resulting in non/short levy of customs duty amounting to ₹51.14 crore ***(Statement-3),*** as detailed hereunder:

### 2.9.1 Non/short levy of Custom duty of ₹26.75 crore on final assessment order

M/s. A13 registered two separate Project Import (PI) contracts under the Bhubaneswar Commissionerate for setting up the "2x600 MW Thermal Power Plant" at Khadagprasad Village, Odisha.

The importer had filed 45 Bills of Entry during the period July 2011 to December 2016 for import of various goods and machinery classified under Chapter Heading No. 9801 0013 of the Customs Tariff Act, 1975 (covering goods required for power projects). The importer availed concessional customs duty benefits at NIL or 5 *per cent* under Sl. No. 507 of Notification No. 21/2002-Customs dated 01 March 2002 and Notification No. 12/2012-Customs dated 17 March 2012.

Audit observed that despite the lapse of more than three years from the date of the last import, the importer had not submitted mandatory post-importation documents such as the reconciliation statement, installation certificate, and final payment certificate, required for finalization of provisional assessments under Section 18(1) of the Customs Act, 1962 and Regulation 7 of the Project Import Regulations, 1986. Consequently, 42 BEs valued at ₹973.18 crore were finalized at the standard customs duty rate of 10 *per cent*, disallowing the concessional rate earlier claimed under Notifications ibid.

In the meantime, due to delay in the progress of the project and consequent default in repayment obligations, the Financial Creditors of the company approached the Hon'ble National Company Law Tribunal (NCLT), Hyderabad, seeking initiation of the Corporate Insolvency Resolution Process (CRIP) under the provisions of the Insolvency and Bankruptcy Code (IBC), 2016. The Hon'ble NCLT, Hyderabad, admitted the application for initiation of CRIP vide its order dated 29 August 2018 against the importer company.

**[12] CC Ahmedabad (1 case); CC Chennai-II (7 cases); ICD Tughlakabad, Delhi (4 cases); CC (Port) Kolkata (4 cases); NCH-Mumbai 1 (1 case); CC Bhubaneswar (2 cases)**

Due to not submitting of the requisite documents by the importer, the remaining three Bills of Entry (BEs) could not be assessed, and consequently, the goods covered under these BEs were not granted Out of Charge (OOC). The goods have been lying un-cleared in the port premises since December 2016, and the matter is presently under adjudication before the Hon'ble NCLT in connection with the ongoing insolvency proceedings.

As a result, differential customs duty of ₹200.54 crore along with interest of ₹145.89 crore (totalling ₹346.43 crore) was demanded and lodged with the Hon'ble NCLT in May 2019 following initiation of Corporate Insolvency Resolution Process (CRIP) against the importer under the Insolvency and Bankruptcy Code, 2016. The case has since moved into Liquidation proceedings as per NCLT order dated 27 November 2019, and the department's claim for realization of outstanding duty has been filed with the Liquidator.

As per the Project Import Regulations, 1986, a project is required to be registered only once with the jurisdictional customs authority for import of goods required for initial setting up, expansion, or modernization of a plant. Grant of two separate registrations for the same project, without adequate justification or documentation, indicates procedural irregularity and lack of internal control in the registration process.

Scrutiny of the Final Assessment Order, NCLT case records, and available Bills of Entry revealed that the importer was granted two separate Project Import (PI) registrations. However, the registration files and related correspondence authorizing dual registrations were not made available to Audit for verification. The following deviations were observed:

**i) Manually assessed BsE not included in final assessment order**

Audit observed that, apart from 42 Bills of Entry (BEs) included in the final assessment order, six additional BEs filed by the importer were assessed manually (Non-EDI) but were not included in the final assessment order issued to the importer and the same was submitted to the Hon'ble NCLT on 10 May 2019 for recovery of customs duty.

Out of these six BEs, four BEs having an assessable value of ₹73.72 crore were assessed manually and not considered during finalisation of the project contract, resulting in not levying customs duty of ₹19.79 crore as per provisions of Section 18(2) of the Customs Act, 1962.The remaining two BEs were not made available to Audit, preventing verification of their assessment and inclusion status.

Non-inclusion of manually assessed Bills of Entry in the final assessment order led to short levy of customs duty of ₹19.79 crore, contrary to the provisions of Section 18(2) of the Customs Act, 1962. The omission also indicates deficient record management and weak internal controls in ensuring that both EDI and non-EDI assessments are reconciled and accounted for at the time of project finalisation.

*Paradeep Customs Division replied (October 2025) that, based on the audit observation, another four BEs with assessable value of ₹101.89 crore were traced (including above two BEs) for which a supplementary /final assessment order has been issued (June 2025) to the importer demanding Customs duty amounting to ₹48.93 crore along with applicable interest.*

**ii) Short levy of Customs Duty amounting to ₹6.96 crore during final assessment**

Scrutiny of the finally assessed 42 Bills of Entry (BEs) revealed that the assessable value of three BEs was incorrectly taken in the final assessment order issued by the department, as detailed below:

***Table 2.2: Assessment Discrepancies in Bills of Entry (BEs)***

(₹ in crore)

| Sl. No. | BE Date | Assessable value taken in final assessment order | Actual Assessable value |
|---|---|---|---|
| 1 | 24.06.2015 | 5.52 | 11.03 |
| 2 | 24.06.2015 | 4.41 | 8.83 |
| 3 | 31.08.2015 | 5.50 | 21.83 |
| | | **15.43** | **41.69** |

Thus, the assessable value of ₹41.69 crore was erroneously recorded as ₹15.43 crore, resulting in understatement by ₹26.26 crore. This led to a short levy of customs duty amounting to ₹6.96 crore in the final assessment order, in violation of Section 18(2) of the Customs Act, 1962.

The error in recording assessable values indicates lapses in verification and reconciliation of import data during project finalisation. Non-adoption of correct assessable values led to short levy of ₹6.96 crore and inaccurate reporting to NCLT, thereby undermining the integrity of the assessment process and causing potential revenue loss to the Government.

*Paradeep Customs division stated (October 2025) that a corrigendum had been issued (June 2025) to the importer to pay the differential duty of ₹6.96 crore.*

### 2.9.2 Short levy of Customs duty and incomplete Project Import documentation

M/s. A14 registered in Bhubaneswar Commissionerate, filed 60 Bills of Entry between 7 October 2011 and 23 June 2017 for Project Import goods/machinery under CTH 9801 at Nil rate of BCD availing the benefit of Sl. No. 400 of Notification No. 21/2002-Customs dated 1 March 2002 and Sl. No. 507 of Notification No. 12/2012-Customs dated 17 March 2012.

The importer failed to submit installation certificates, reconciliation certificates, and other documents required for finalisation of the Project Import contract.

Consequently, the department finalised the 60 BsE at the rate of 10 *per cent* BCD, disallowing the exemption, and levied a total duty of ₹719.98 crore, which was lodged as a claim with NCLT Hyderabad Bench on 4 November 2019. The insolvency petition against the importer was admitted by NCLT on 13 October 2019.

Registration files granting project import registration to the importer were not made available to Audit. It was seen from the final assessment that for BE dated 27 October 2012, the assessable value was taken as ₹ 27.92 lakh instead of ₹ 33.43 crore, resulting in a short levy of customs duty of ₹ 9.71 crore and under-claiming of the demand lodged with NCLT.

Not submitting of mandatory documents delayed proper finalisation of the project import contract and incorrect reckoning of assessable value in Bill of Entry resulted in short levy of customs duty of ₹ 9.71 crore, reducing the recoverable claim from the insolvent entity.

*Bhubaneswar Commissionerate stated (October 2025) that a corrigendum has been issued (April 2025) to the importer to pay the differential duty of ₹9.71 crore.*

### 2.9.3 Non levy of Basic Customs Duty

Notification No. 50/2017–Customs dated 30 June 2017 (Sl. Nos. 597 to 606), prescribes the effective rates of Basic Customs Duty (BCD) for goods falling under Heading 9801 imported under the Project Import Scheme. As per Sl. No. 603 of the said Notification, a 'Nil' rate of BCD is admissible for Water Supply Projects, only if the goods are imported against contracts registered on or before 30 September 2022, in accordance with Condition No. 111 appended to the Notification. Consequently, Water Supply Projects registered on or after 1 October 2022 are not eligible for the Nil rate of duty and are liable to be assessed at the applicable merit rate.

Audit observed non levy of BCD amounting to ₹3.43 crore in eight instances across four Commissionerate[13].

**[13] CC Ahmedabad (1 case); CC Chennai-II (3 cases); CC (Port) Kolkata (3 cases); and NCH-Mumbai (1 case).**

**An illustrative case is highlighted hereunder:**

M/s. A15 availed 'Nil' Basic Customs Duty (BCD) under Sl. No. 603 of Notification No. 50/2017-Customs dated 30 June 2017, for a Water Supply Project (30 MLD SWRO Desalination Plant). The contract was awarded to the importer and registered in Chennai II Commissionerate. The imports were made from October 2019 to July 2021 in Chennai Sea, Chennai Air, ACC Mumbai, Mangalore Sea and Nhava Sheva port.

The project became operational in 2022, and a substantial expansion was applied in October 2023. The department allowed the exemption under the original PI registration. Two other Water Supply projects registered after 30 September 2022 were also incorrectly assessed at 'Nil' BCD. Goods against 15 Bills of Entry, assessable value ₹ 28.36 crore, were incorrectly exempted, resulting in not levying customs duty of ₹ 2.76 crore.

*Chennai II Commissionerate stated (July 2025) that action has been taken for all the seven Bills of Entry in respect of M/s A16 and an amount of ₹297.81 lakh was recovered which included interest of ₹ 82.67 lakh.*

*In respect of M/s. A15, it was stated (February 2025) that there was no change in the end-user, the project site, or the overall purpose of importation. The scope of the project was expanded by the end-user, M/s. A15, in continuation of the same contractual relationship with the importer, and the substantial expansion was recommended by the Sponsoring Authority. As importer got the contract for substantial expansion of the project, amendment of contract was initiated and the said contract was amended.*

The departmental reply is not acceptable, as amendments under Regulation 6(1) can only be made during project implementation, not after completion. The 30 MLD SWRO Desalination Plant was commissioned in 2022, and therefore amendment subsequent to its commissioning was not in order. The subsequent expansion constituted a new project requiring fresh registration under the Project Import Regulations. However, the importer applied for substantial expansion only in October 2023, after withdrawal of the exemption under Sl. No. 603 of Notification No. 50/2017-Customs dated 30 June 2017. Allowing imports under the old 2019 registration enabled avoidance of 7.5 *per cent* duty, resulting in irregular extension of exemption and undue financial benefit.

*NCH Mumbai replied (August 2025) that the importer paid differential duty along with interest amounting to ₹55,373/- .*

*Kolkata Port Commissionerate stated (September 2025) that demand notice would be issued to the three importers after scrutiny.*

*Ahmedabad Commissionerate stated (December 2025) that as per Condition No. 111 applicable to SI. No. 597 to 606 of Notification No. 50/2017-Customs dated*

*30 June 2017, benefit of concessional rate of duty to project imports is admissible only to those projects, which have been registered on or before 30 September 2022. However, the importer registered for the project on 21 October 2023. In view of the above, Pre-Notice Consultative letter dated 15 October 2025 has been sent to the importer to pay the differential duty along with applicable interest.*

### 2.9.4 Not paying IGST

(i) M/s A17, registered under Kolkata Port Commissionerate, imported goods for the initial setting up of a cement manufacturing plant and incorrectly paid IGST at the rate of 5 *per cent* under Sl. No. 257 of Schedule I of Notification No. 1/2017–IT (Rate) dated 28 June 2017, applicable to assistive devices for the disabled.

Audit observed that project imports under CTH 9801 attract IGST at the rate of 18 *per cent* under Sl. No. 451 of Schedule III of the same notification, resulting in short levy of ₹455.52 lakh.

*The department accepted the audit observation and recovered the amount in February 2025.*

(ii) M/s A18, registered under Chennai II Commissionerate, availed IGST exemption under Sl. No. 150 of Notification No. 2/2017–IT (Rate) dated 28 June 2017, applicable only to supplies made by a Government entity against grants from the Government.

Audit observed that the supplier was a foreign company and not a government entity, rendering the exemption inapplicable. IGST @ 18 *per cent* amounting to ₹392.69 lakh was therefore payable as per Sl. No. 451 of Schedule III of Notification No. 1/2017–IT (Rate) dated 28 June 2017.

*The department accepted (August 2025) the audit observation and issued a show cause notice for recovery of duty with interest.*

(iii) M/s A19, registered under Chennai II Commissionerate, incorrectly claimed IGST exemption under Sl. No. 1 of Notification No. 45/2016 dated 13 August 2016, which is applicable only to Special Advance Authorization for textile materials.

Audit observed that the exemption was not applicable to the goods imported by the assesse, thereby resulting in not paying IGST of ₹26.89 lakh.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

### 2.9.5 Short levy of Excise duty

As per the Central Excise Tariff, "Elastic Pad, Helical Springs, Tension Clamp, and Base Plate Pads" are classifiable under CETH/CTH 3926, 7320, 7326, and 7302 respectively, and attract Central Excise Duty at the rate of 12.5 *per cent*.

Audit noticed that in four cases involving three importers under ICD-Tuglakabad (Import) Commissionerate, the above goods were imported under the Project Import Scheme and assessed at a concessional rate of 6 *per cent* vide Serial No. 272B of Notification No. 12/2012-CE dated 17 March 2012. The goods were, however, not eligible for project import classification and should have been assessed under their respective tariff headings at 12.5 *per cent*. This misclassification led to a short levy of Central Excise Duty amounting to ₹236.73 lakh.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

### 2.9.6 Incorrect allowance of concessional duty

As per Condition No. 111 attached to Sl. Nos. 597 and 601 of Notification No. 50/2017-Customs dated 30 June 2017, a concessional rate of Basic Customs Duty (BCD) at five *per cent* is applicable only when goods are imported against contracts registered on or before 30 September 2022 under the Project Import Regulations, 1986.

Audit observed from the records in the License Module that in two licences registered under Chennai-II Commissionerate, were found to have been registered after 30 September 2022, rendering them ineligible for the concessional rate of 5 *per cent* BCD and the applicable rate in these cases was 7.5 *per cent* BCD as per the said notification condition. The incorrect availing of concessional duty resulted in a short levy of ₹13.35 lakh.

*On this being pointed out, (May 2025) the department replied (October 2025) that SCN has been issued for recovery of differential duty along with interest.*

The incorrect extension of concessional BCD to contracts registered after the prescribed cut-off date (30 September 2022) reflects ineffective validation controls in the license registration and assessment processes. The absence of system-based validation checks in the ICES/License Module allowed ineligible cases to be processed under concessional rates without proper scrutiny or approval.

**Recommendation No 4: CBIC may review similar project import cases to ensure correct classification and duty application as per tariff provisions. Further,**

**Board may integrate automated validation controls within the ICES/License Module to flag ineligible contract registrations based on the registration date, classification, etc thereby ensuring compliance with the conditions prescribed in the relevant customs notifications.**

*CBIC, while accepting the audit observation, stated (May 2026) that the Project Import Regulations, 1986 provide for uniform classification under CTH 9801 and a fixed rate of duty for imports covered under registered projects. Accordingly, variation in classification or applicable duty rate is not envisaged under the scheme. The Board further stated that field formations have been advised to review similar project import cases to ensure correct classification and duty assessment as per tariff provisions and to take necessary action wherever required. It was also informed that project import licences are registered through the ICES Licence Module, wherein details such as notification, registration date, licence expiry, and classification are mandatorily captured.*

## 2.10 Not submitting/delay in submission of reconciliation statement and other documents

As per Regulation 7 of the Project Import Regulations (PIR), 1986 read with Para 5 of Chapter 5 of the Customs Law Manual, importers are required to submit, within three months from the date of clearance of the last consignment, a Reconciliation Statement showing the description, quantity, and value of the goods, along with Installation Certificate from a registered Chartered Engineer, copies of Bills of Entry (BE), invoices, final payment certificate, and other documents necessary for finalisation of the contract.

Audit observed 201 cases with CIF value of ₹14,860.97 crore across 11 Commissionerate[14], out of 736 sampled cases, where importers had submitted the reconciliation statements and other documents belatedly with delay ranging from 35 days to 21.7 years. (***Statement - 4***).

Further, in 38 cases with CIF value of ₹6,683.86 crore across four Commissionerate[15], the importers did not submit the required documents within the due date, with delay ranging from 119 days to 10 years (as of 31 March 2024) (***Statement - 5***).

**[14] ACC New Delhi (1 case); CC Chennai II (29 cases); CC Bengaluru (2 cases), CC (Prev)-Lucknow (8 cases); ICD Tughlakabad New Delhi (43 cases); NCH-Mumbai (56 cases); JNCH-Mumbai (7 cases); CC Jodhpur (3 cases); CC (Port) Kolkata (38 cases); CC Mundra (9 cases) and CC Noida (5 cases)**

**[15] CC Bhubaneshwar (2 cases): CC Chennai-II (16 cases): CC Mundra (5 cases); CC Visakhapatnam (15 cases)**

***An illustrative case is detailed hereunder***

M/s A20 was registered under Bhubaneswar Commissionerate for a Power Project with CIF value of ₹932.48 crore. The last import was made in December 2013, with the due date for submission of documents being March 2014. However, the importer did not submit the required documents until 31 March 2024, resulting in a delay of 10 years.

*Paradeep Customs Commissionerate stated (October 2025) that AC, Bhubaneshwar-II division has been requested (March 2025) to conduct Plant Site Verification.*

Further, out of these 239 cases, Show Cause Notices (SCNs) not issued, was noticed in 194 cases, while in the remaining 45 cases, details regarding issuance of SCNs were not made available **(*Statement - 6*)**.

*Paradeep Customs Commissionerate in respect of M/s. A21 stated (October 2025 that once the importer submits the required documents the said project would be taken up for finalization.*

*Kolkata Port Commissionerate stated (September 2025) that importer subsequently complied with the conditions and contracts were finalized and no revenue loss occurred and that the delays were procedural and condoned by the proper officer in deserving cases.*

*Jodhpur Commissionerate stated (August 2025) that appropriate penal action would be initiated and outcome shared shortly.*

*Mundra Commissionerate stated (December 2025) that letters have been issued to the importers for submission of the requisite documents to finalize the project.*

*Visakhapatnam Commissionerate stated (October 2025) that out of 15 cases, notices have been issued to the party for submission of the requisite documents. In respect of two cases, a letter was sent to Chennai Customs, for assessing the bill of entries of the parties and final reply is awaited. In respect of balance four cases pertaining to M/s. A22, they had submitted Proportionate Mega Power Certificate for 70.68 per cent and the final certificate is yet to be received.*

*JNCH, NCH Mumbai and Chennai-II Commissionerate stated (July 2025) that various case laws exist which allows the importer to avail the benefits of the exemptions under Project Import in case of not submitting of documents within three months of last import. In respect of M/s. A23, the relevant documents are under trace, without which, it was not possible at this stage for the department to definitively establish the cause of delay in finalization.*

The response of these Commissionerate (JNCH, NCH Mumbai and Chennai-

II) is not acceptable as the delay in submission of reconciliation statement and other documents is not in compliance with the Regulation 7 of the PIR, 1986. It indicates inadequate monitoring impacting timely finalization of Project Import cases. There was no request for extension of time limit by the importer nor any extension allowed by the Proper Officer, was found on record.

The prolonged delays in submission of documents and not initiating of SCNs undermines the monitoring and control mechanism for Project Import contracts and exposes the Government to potential revenue loss.

## 2.11 Finalization of PI Contracts without submission of mandatory documents

As per Regulation 7 of the Project Import Regulations (PIR), 1986 read with Para 5 of Chapter 5 of the Customs Law Manual, importers are required to submit, within three months from the date of clearance of the last consignment, a Reconciliation Statement showing the description, quantity, and value of goods, along with the Installation Certificate from a registered Chartered Engineer, copies of Bills of Entry, invoices, final payment certificate, and other requisite documents necessary for finalisation of the contract. The Proper Officer is required to finalise the provisional assessments only after receipt and scrutiny of these documents.

Audit scrutiny revealed that in 28 cases under five Commissionerates[16], involving CIF value of ₹ 1,130.02 crore (***Statement-7***), the importers had not submitted the prescribed documents, including Reconciliation Statements, Installation Certificates, copies of Bills of Entry, invoices, and final payment certificates. Despite this, the contracts were finalised by the department, indicating not adhering to the prescribed procedures under the PIR and Customs Law Manual.

*Mundra Commissionerate stated (December 2025) that letter has been issued to the importer to pay duty along with interest and penalty failing which action will be initiated under Custom Act, 1962.*

**An illustrative case is detailed hereunder**

M/s. A24 registered the Dadri Bhavana Nangal Project under NCH, Mumbai Commissionerate with a CIF value of ₹194.75 lakh. The project was finalised on 15 March 2023 without submission of proof of payment, Bank Realisation Certificate (BRC), or details of bank transactions.

Audit further noticed that the department accepted self-certification from the importer as proof of payment, instead of verifying independent documentary evidence. This constitutes not complying with prescribed procedures under the Project Import Regulations, as proper verification of payment is critical to ensure that imported goods correspond to actual project expenditure.

**[16] ICD Tughlakabad, Delhi (16 cases); JNCH-Mumbai (4 cases); NCH-Mumbai (5 cases); CC (Prev) Lucknow (2 cases) and CC Mundra (1 case)**

Finalisation of contracts without receipt of complete documentation undermines the control mechanism intended to verify the correctness of concessional duty benefits availed under the Project Import Scheme, besides, leading to the risk of misclassification, excess import, or not utilising of imported goods for declared project purposes, resulting in potential loss of revenue.

*JNCH and NCH Mumbai stated (September/October 2025) that various case laws exist which allows the importer to avail the benefits of the exemptions under Project Import in case of not submitting of documents within three months of last import. It stated that BRC is not a prescribed document in the PIR 1986. In respect of M/s. A25, the payment certificate issued by the Chartered Accountant has been accepted, and orders was passed by the adjudicating authority.*

In respect of M/s. A26, equipment certificate was issued by AGM, NTPC which indirectly concurred that all goods have been installed. The project was registered way back in 2005 and hence unlikely that NTPC would issue fresh installation certificate. The Plant Site Verification (PSV) would be received from jurisdictional GST formation for the projects having value of more than ₹1 crore in future.

The reply of the department is not acceptable in view of Public Notice No. 59/2003 dated 02 June 2003 and extant standard practice wherein Bank remittance certificate has been pressed upon for the finalisation of the Contract. The fact remains that the project was finalised without submission of the final payment certificate prescribed vide the said public notice.

## 2.12 Finalization of project contracts without installation certificate and plant site verification

As per the provisions of Regulation 7 of the Project Import Regulations, 1986 (PIR) read with Board's Circular No. 22/2011-Customs dated 04 May 2011, the importer is required to submit a certificate from a registered Chartered Engineer certifying the installation of imported machinery along with other documents for finalisation of the project contract.

Further, in order to ensure that the imported goods have actually been installed and used for the intended purpose, PSV is to be carried out by the jurisdictional CGST/Customs Field formations where the plant is located, in all cases where the value of the project exceeds ₹one crore. The particulars of such contracts are also to be shared with the jurisdictional GST office to confirm installation at the declared plant site.

Audit scrutiny of 383 finalised project import cases revealed that in 29 cases across seven Commissionerates[17], the contracts were finalised without obtaining

**[17] CC Chennai-II (12 cases): CC (Prev)-Lucknow (5 cases); ICD Tughlakabad, Delhi (2 cases); CC Jodhpur (2 cases), CC Mundra (3 cases), NCH, Mumbai (3 cases) and CC Noida (2 cases).**

the mandatory Installation Certificate and without conducting the required PSV. The total value of these projects amounted to ₹ 948.13 crore, involving duty foregone amounting to ₹ 7.75 crore (***Statement–8***).

*NCH Mumbai in respect of M/s. A27, stated (September 2025) that PSV was conducted, however owing to wrong address the letter was not delivered initially. In respect of M/s. A26, the department has written letters to the jurisdictional central excise authorities to issue PSV.*

*In respect of M/s. A28, NCH Mumbai stated (September 2025) that PSV has been received in the year 2012 wherein it is confirmed by the Chartered Engineer that goods imported has been installed at their premises.*

*The response in case of M/s. A28, may kindly be reviewed in view of the fact that Audit contention was on the discrepancy of submission of two PSVs during 2012 and 2015 for finalisation and the Chartered Engineer certificate cannot supersede the PSV certificate.*

*Mundra Commissionerate stated (December 2025) that letters have been issued to the importers (M/s. A29, M/s. A30 and M/s. A31) to submit their submissions on not complying in submitting ICs and PSVs. Reply is awaited from the importer's end and that appropriate action would be initiated against the importer, as per provisions of the Customs Act, 1962.*

*Jodhpur Commissionerate in respect of M/s. A32, stated (August 2025) that for Government Departments and Public Sector Undertakings (PSU), the requirement of PSV under project imports can be fulfilled by means of issuing appropriate Certificate by the Head of PSU/Government Undertaking in the rank of Chairman/ Executive Director. Accordingly, a certificate of Utilization and Installation has been issued by the Executive Director Power Grid-NR-I, SCO Bay, Faridabad. In case of M/s A33, the importer has submitted the Installation Certificate dated 08 November 2017 issued by the registered Chartered Engineer.*

The reply is not tenable as the certificate was not issued by the appropriate authority in the case of *M/s A33*. In case of *M/s. A32,* the fact remains that the finalisation of the project was done without PSV.

***A few cases are illustrated hereunder:***

(i) M/s. A34, registered under Chennai II Commissionerate, with a CIF value of ₹92.08 crore for a Power Project, made the last import on 13 September 2019 and submitted documents for finalisation on 02 March 2022. The case was, however, finalised on 05 May 2022 without conducting Plant Site Verification (PSV).

(ii) M/s. A35, a metro rail project, registered under Customs (Preventive), Lucknow Commissionerate, involving CIF value of ₹47.15 crore, made the last import on 30 November 2018. The case was finalised on 26 April 2022 without a Plant Site Verification report.

(iii) M/s. A36, a water treatment project, registered under ICD-Tughlakabad Commissionerate, with a project value of ₹ 10.00 crore, made the last import on 10 February 2017 and submitted documents on 06 June 2018. The case was finalised on 15 November 2019 without obtaining the Installation Certificate and Plant Site Verification.

The reply from the Department is awaited (May 2026).

The absence of such verification and certification defeats the basic objective of ensuring end-use compliance of the imported goods and increases the risk of diversion or misuse of goods imported at concessional duty under the Project Import Scheme. This indicates weak internal control and not complying with prescribed procedures by the department before finalisation of contracts.

***Recommendation No 5: The CBIC may institute mandatory system-based validation checks within ICES to ensure that finalisation of Project Import case cannot be processed unless the Installation Certificate and Plant Site Verification report are uploaded and verified.***

*CBIC (May 2026) while accepting the audit observation stated that a new module needs to be developed on ICEGATE where the importer can raise request to the officer to register Project Imports license along with required document. Other documents such as installation certificate, plant site verification can be uploaded by importer on e-sanchit through ICEGATE portal. The uploaded document can be linked to Project Imports license in ICES for approval of the officer.*

## 2.13 Conclusion

The Project Imports Scheme facilitates the import of machinery, equipment, raw materials, and other goods required for the initial setting up of a project or for substantial expansion of an existing project involving not less than 25 *per cent* of the installed capacity. The scheme aims to simplify customs procedures and enable quicker clearance of project-related imports by allowing assessment of such goods under a single tariff heading at a concessional rate of duty.

The Performance Audit of the scheme however, revealed delays in registration of sampled project import contracts, indicating inadequate monitoring and the absence of clearly defined timelines in internal procedures. The lack of prescribed turnaround time also limits accountability and results in Commissionerates, not adopting uniform practices.

Audit further observed that the absence of a defined timeline for completion of imports under the scheme, coupled with delays in submission of reconciliation documents by importers, has led to prolonged pendency in the finalisation of project import contracts and then remaining open for years. This weakens the control mechanism for verifying compliance with scheme conditions and may potentially result in duty evasion, not accounting of goods, and consequent loss of revenue to the Government.

It was also noticed that in certain cases, the requirement of substantial expansion prior to registration was not adequately verified, leading to ineligible extension of project import benefits. Further, concessional duty benefits were incorrectly extended to ineligible machinery/goods, contrary to the provisions of statutory notifications, indicating the need for stronger scrutiny at the stages of contract registration and assessment.

Audit also observed instances of delayed submission of documents and also some cases, where contracts were finalised without receipt of complete documentation, undermining the intended control mechanism for verifying eligibility of concessional duty benefits and increasing the risk of misclassification, excess import, or not utilising of imported goods for the declared project, thereby posing potential revenue risks.

# CHAPTER III
# Ease of Doing Business initiatives for facilitation of imports under Project Imports Scheme

With a view to facilitating smooth and expeditious assessment, the Project Imports scheme provides for a simplified process of classification and valuation wherein all goods imported under the scheme are classified under a single Customs Tariff Heading (CTH 9801) and are subject to a uniform rate of duty. In essence, the scheme aims to streamline procedures, minimize undue delays in cargo clearance, and ensure a quicker and simpler assessment process.

Audit examined certain aspects of this facilitation mechanism, including the dwell time of goods at ports, ICDs, and air cargo complexes; the timeliness of document submission by importers; and the time taken for finalisation of provisional assessments of Bills of Entry as well as Project Import contracts. The audit findings are discussed in the subsequent paragraphs.

## 3.1 Inordinate delay in clearance of goods under project import

In alignment with trade facilitation goals under the WTO Free Trade Agreement, the National Trade Facilitation Action Plan (NTFAP) 2020–2023 prescribes indicative clearance timelines of within 48 hours for sea cargo and ICDs, and within 24 hours for air cargo to promote ease of doing business.

Audit carried out a dwell time analysis for 3,798 BsE pertaining to 155 Project Import cases across nine Commissionerates[18]. Delay ranging from 3 to 1,149 days was observed in 564 BsE covering 97 PI cases ***(Statement - 9 & 9A)***, as detailed hereunder:

**Table 3.1: Delay in clearance of goods under Project Imports**

| **Delay Range** | **Number of BsE** |
|---|---:|
| 0 - 3 months | 512 |
| 3 months - 1 year | 41 |
| 1 year & above | 11 |
| **Total** | **564** |

**[18] CC Ahmedabad (1 case); ACC Bengaluru (1 case); CC Bengaluru (2 cases); CC Jodhpur (1 case); CC Ludhiana (1 case); CC Visakhapatnam (3 cases); CC Kolkata (11 cases); CC Chennai –II (74 cases) and CC Tuticorin (3 cases).**

*In response, Visakhapatnam Commissionerate and ACC Bengaluru stated (July & October 2025) that the imports are provisionally assessed in PI Scheme requiring documents like physical bond, BG and duty payment details and delay was majorly on account of importers in submission of the required documents.*

*Jodhpur Commissionerate stated (August 2025) that delay was on account of late submission of the reconciliation certificate and system facilitated assessment requiring re-appraisement for debiting the bond.*

*Kolkata Commissionerate stated (September 2025) that clearance of BsE were not done by PI Finalization Cell.*

*Ahmedabad Commissionerate stated (December 2025) that dual debits under both the Project Import Licence and EPCG licence were not permitted by the system and that manual Out of charge (OOC) was granted which was subsequently regularised in the system at a later stage.*

The existence of substantial delays in clearance of goods under the PI Scheme is contrary to the intended objective of procedural simplification and faster cargo movement. Such delays indicate inefficiencies in coordination, document processing, or system-level approvals within the Project Import mechanism. Not adhering to prescribed clearance timelines adversely affects project implementation schedules and undermines the targets set under the NTFAP, thereby impacting the overall ease of doing business.

***Recommendation No 6 : CBIC may consider introducing system-based monitoring of dwell time for all Project Import Bills of Entry in ICES and analyse delays across its field formations to identify process bottlenecks and take corrective measures.***

*CBIC stated (May 2026) that MIS reports are available for monitoring dwell time and that National Assessment Centre (NAC) dashboards have been provided in ICES for effective monitoring.*

The response of the Board may be reviewed in view of the fact that despite the monitoring mechanisms in place, Audit observed delays exceeding one year in 11 sampled cases and delays beyond three months in 41 cases. This indicates gaps in monitoring and timely intervention at the field level. Therefore, the specific cases pointed out in audit may be reviewed, and the existing monitoring framework may be further strengthened to ensure effective implementation of Ease of Doing Business measures down to the last mile.

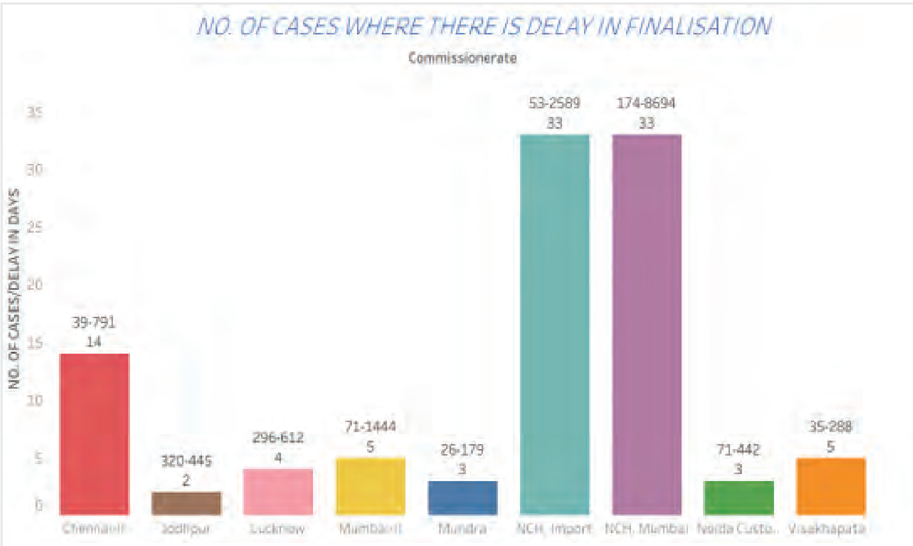
## 3.2 Delay in/not finalising project imports

As per Regulation 7 of the Project Import Regulations (PIR), 1986, importers are required to submit all relevant documents within three months from the date of clearance of the last consignment, or within such extended period as may be allowed by the Proper Officer, for the purpose of finalisation of assessment.

Further, Para 3.1 of Circular No. 22/2011-Customs dated 4 May 2011 stipulates that finalisation of assessments under Project Imports should be completed within 60 days from the date of submission of the required documents by the importer. In exceptional circumstances, where finalisation is not possible within this period, the competent authority may extend the time limit, provided reasons are recorded in writing.

Audit observed 102 cases of delayed finalisation of assessments with a delay ranging from 26 to 8,694 days, involving an aggregate project value of ₹5,401.18 crore across nine Commissionerates[19] (***Statement 10(A)***), despite receipt of requisite documents from the importers. The commisionerate-wise range of delay along with number of instances of delay, are detailed in Chart 3.1 below:

***Chart 3.1: Delay in finalisation***

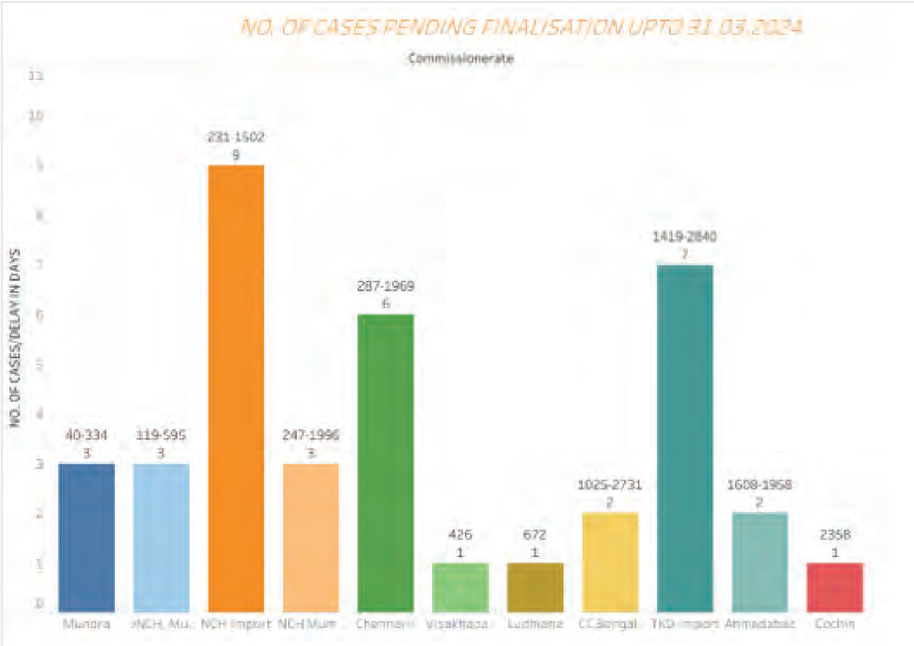



Further, it was observed that 38 assessments remained pending for finalisation since the year 2016 with a delay upto 2,840 days as of 31 March 2024, involving a total project value of ₹1,773.91 crore across 11 Commissionerates[20]**,** even though the required documents had been submitted. **(*Statement 10(B)).*** The commisionerate-wise range of pendency in finalization along with number of instances of pending finalization, are detailed in Chart 3.2 below:

**[19] CC Chennai II (14 cases); CC (Prev) Lucknow (4 cases); CC Jodhpur (2 cases); CC Mundra (3 cases); NCH-Mumbai (33 cases); ACC Delhi (33 cases); CC Noida (3 cases); JNCH-Mumbai (5 cases); CC Visakhapatanam (5 cases)**

**[20] CC Ahmedabad (2 cases); CC Bengaluru ( 2 cases); CC Chennai II (6 cases); CC Cochin(1 case); JNCH Mumbai (3 cases); CC Ludhiana (1 case); CC Mundra (3 cases); NCH-Mumbai (3 cases); ACC Delhi (9 cases); ICD Tughlakabad (7 cases); CC Visakhapatanam (1 case)**

**Chart 3.2: Details of pending finalisation upto 31.03.2024**




These delays were attributable both to the department, in finalizing the contracts even though required documents had been submitted by the imports, and to the importers as well, owing to delayed submission of requisite documents and responses to queries raised by Customs authorities. Delay in submission of documents by importers was observed in four cases with one each in Chennai II, Kolkata Port, Bhubaneswar and ICD-Tuglakhabad Commissionerate, with delay ranging from 49 to 1,818 days.

*In reply, Commissionerates (NCH Imports and JNCH, Mumbai,* Jodhpur*,* ACC Bengaluru*,* Chennai-II*,* Visakhapatnam *and* Ludhiana*) stated (April-October 2025) that the delay is majorly on account of insufficient documents being submitted by importers which at times involves multiple stakeholders, viz., Plant Site Verification from GST, final Assessment from Internal Audit Department (IAD), Port Congestions, Logistics Issues, Customs brokers, Systems and technical glitches, etc.*

***An illustrative case is detailed hereunder:***

M/s. A12 had registered M/s. B1 (Unit 1 & 2) under Project Imports in Tuticorin Customs, with a contract price of USD 94 million for supplies and services.

As per the available records, M/s. B1 Unit-1 and Unit-2 commenced commercial operations on 31 December 2014 and 31 March 2017, respectively.

The importer, in its letter dated February 2013, stated that all imported materials were fully utilised in the project and further certification of completion would be furnished by the Chairman/Competent Officer of M/s. B1 after closure of all linked contracts. However, despite repeated departmental correspondence (November 2020 to October 2024) seeking the installation and bank transaction certificates, no response from M/s. B1 was found in the files produced to Audit.

Further, the nature and details of additional contracts executed in 2015 were not furnished, preventing verification of the project's revised scope and cost. As per Regulation-5 of Project Import Regulations, 1986, any amendments in contract or revised cost must be communicated by the sponsoring authority to the Customs department, however, no such communication was available in records.

The project was eventually brought into the PI module as per Circular No. 27/2019-Customs (09 October 2019) and PI Bond valuing ₹9,843.75 crore, against which 29 BsE valued at ₹19.50 crore were debited in the bond ledger. Despite commissioning of both units and commencement of operations several years ago, the project import contract remained unfinalised as of March 2024, even though most imports appeared to be of consumable nature.

There was inordinate delay in finalisation of the Project contract despite the project having been commissioned and operational since 2014–2017. Lack of response from the importer and sponsoring authority, coupled with not submitting of requisite installation and reconciliation certificates, indicates weak post-import monitoring and not complying with Project Import Regulations. This reflects systemic deficiencies in coordination between the Customs field formation and the implementing agency, leading to pendency of high-value cases in records long after project completion.

This was pointed out (April 2025) to the department and the reply is awaited (May 2026).

The delays and pendency in finalisation of Project Import assessments indicate not adhering to the timelines prescribed under Regulation 7 of the Project Import Regulations, 1986 and Circular No. 22/2011-Customs. While Commissionerates have attributed delays largely to deficiencies on the part of importers and involvement of multiple external stakeholders, Audit observed that lack of effective inter-departmental coordination, sequential rather than parallel processing of verifications, and absence of defined internal timelines within Customs formations have significantly contributed to prolonged pendency. Such delays undermine the control mechanism for timely verification of actual installation and utilisation of imported goods, thereby exposing the system to potential revenue risks and administrative inefficiencies. Further, the absence of a robust, system-based monitoring mechanism to track and pursue delays in finalisation across field formations has resulted in recurring pendency without accountability. Further, this may be a contributing factor to the significant decline in the number of contracts registered under the Project Imports Scheme.

*CBIC (May 2026) stated that the decline in registrations under the Project Import Scheme is mainly due to the phased withdrawal of concessional duty benefits pursuant to the Union Budget 2022-23 announcement. The Government decided to gradually phase out concessional rates on project imports and apply a moderate tariff rate of 7.5 per cent to promote domestic manufacturing and provide a level playing field under the "Make in India" initiative. Accordingly, project contracts registered after 30 September 2022 are no longer eligible for concessional duty benefits under Notification No. 45/2025-Customs dated 24 October 2025, as amended, and are subject to the standard tariff rate of 7.5 per cent. Concessional rates of 5 per cent or Nil BCD remain applicable only to contracts registered on or before 30 September 2022.*

Audit notes the Board's response regarding the phased withdrawal of concessional duty benefits under the Project Import Scheme. However, till a formal notification on the sunset clause is brought, the project import contracts already in vogue continue to remain governed by the extant provisions of the Project Import Regulations, 1986. Therefore, the ongoing contracts require continued and effective monitoring and prompt finalisation so as to safeguard government revenue and avoid accumulation of pending cases.

## 3.3 Delay in/not finalizing provisionally assessed Bills of Entry

Para 3.1 of Circular No. 22/2011-Customs dated 4 May 2011 stipulates that finalisation of assessments under Project Imports should be completed within 60 days from the date of submission of the required documents by the importer.

Audit scrutiny of 383 finalised Project Import cases revealed that in 77 registrations across eight Commissionerates[21], covering 50 importers, there were delays and instances of not finalising of assessment in respect of 662 BsE. Of these, 167 BsE were finalised with delays ranging from 22 to 5,978 days, while the remaining 495 BsE were not finalised and continued to remain provisional, with delays ranging from 84 to 5,924 days (***Statement 11)***, as detailed hereunder:

**Table 3.2: Delay in finalization of provisionally assessed BEs**

| Delay Range | Number of cases |
|---|---:|
| 0 - 3 months | 53 |
| 3 months - 1 year | 220 |
| 1 year & above | 389 |
| **Total** | **662** |

**[21] CC Chennai II (1 case); CC (Prev) Lucknow (3 cases); ICD Tughlakabad (12 cases); CC Jodhpur (2 cases); CC (Port) Kolkata (56 cases); ACC Delhi (1 case); NCH-Mumbai (1 case); CC Noida (1 case)**

Audit further observed that in 82 registrations across two Commissionerates[22], covering 36 importers, a total of 581 Bills of Entry were finalised at the time of import itself, even though the corresponding project contracts were either not finalised or finalised with significant delay**.**

*NCH Mumbai, while concurring with the audit observation stated (September 2025) that the project has already been finalized and efforts would be made to ensure timely action in future cases.*

*Jodhpur Commissionerate stated (August 2025) that the delay was on account of system glitch and lapse was procedural in nature.*

*Kolkata Port Commissionerate stated (September 2025) that delay or not finalising bills of entry are largely due to late or incomplete submission of documents by the importers, and not due to any departmental negligence.*

The existence of delays and inconsistencies in finalisation of BsE, even after the completion of project contracts, indicates deficiencies in post-clearance monitoring and record linkage between project registration and related import documentation. Premature finalisation of BsE without corresponding project finalisation also reflects weak internal controls and lack of coordination between assessing and project monitoring sections. These actions undermine the integrity of the final assessment process, affect timely closure of bonded obligations, and pose risks of incorrect duty assessments or revenue leakage.

***Recommendation No 7: CBIC may consider to incorporate a linkage mechanism in ICES to ensure that finalisation of Project Import contracts automatically triggers validation of associated Bills of Entry, preventing isolated or premature closure. Besides, automated alerts for pending or overdue BsE finalisations would also enable systematic monitoring at the Commissionerate level.***

*CBIC stated (May 2026) that MIS report for project Import License BsE pending for finalization can be created at the Commissionerate level in the ICES system for monitoring and speedy disposal. Further, bulk finalization module is available in ICES to finalize BEs in Bulk.*

## 3.4 Irregularities observed in PI Module

With a view to facilitate smooth and expeditious assessment of Project Import cases, a dedicated Project Imports module within the Indian Customs EDI System (ICES) was developed to streamline end-to-end processing of project import contracts. The following issues were observed in the PI module:

**[22] ICD Tughlakabad (34 cases); NCH Delhi (2 cases)**

**(i) Details of BG not captured electronically**

It was observed in audit that the Project Import (PI) Module did not mandate entry of Bank Guarantee (BG) details, such as BG number, in the 'Bond Management' tab. Consequently, crucial information regarding BGs was not captured electronically.

Audit verification from physical records revealed that BGs amounting to ₹3 crore were taken in respect of three cases registered in Ahmedabad Commissionerate, but these details were not reflected in the PI Module. This gap limits electronic tracking and monitoring of BGs, potentially affecting revenue safeguards.

This was pointed out (April 2025) to the department and the reply is awaited (May 2026).

**(ii) Live projects not entered in the PI Module**

As per Circular No. 27/2019-Customs dated 03 September 2019, all live projects were required to be compulsorily registered in the ICES system under the Project Import (PI) Module, with registration to be completed by 15 September 2019.

Audit scrutiny revealed that 85 projects in ICD Tughlakabad and NCH-Import Commissionerates, Delhi were not registered in the PI Module as mandated, despite being live as of the prescribed date***.***

*On being pointed out (February and April 2025), the department replied (April 2025) that in 26 cases, the importer executed bonds online which were linked with ICES. The reply for the remaining 59 cases is still awaited (May 2026).*

The reply may be reviewed as live projects were required to be compulsorily registered, as per the Board Circular ibid. Consequently, the accurate pendency of Project Import cases is not available with DG (System).

**(iii) Online Telegraphic Release Advice (TRA) not issued in License Module**

CBIC vide its Circular No. 27/2019-Customs dated 3 September 2019, issued instructions on the rollout of the Project Import Module in ICES. Under the prescribed process for filing import declarations, it was stated that for imports at ports other than the port of registration, an online TRA can be issued through the System at the port of registration.

Audit scrutiny revealed that in two Commissionerates[23], in respect of 65 Project Import registrations, 848 Bills of Entry involving a CIF value of ₹682.38 crore were filed at ports other than the port of registration. However, despite the availability of the online TRA facility in ICES, no online TRA was issued for clearance of these goods.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

## 3.5 Conclusion

With a view to facilitating smooth and expeditious assessment, the Project Imports scheme provides for a simplified process of classification and valuation wherein all goods imported under the scheme are classified under a single Customs Tariff Heading (CTH 9801) and are subject to a uniform rate of duty. In essence, the scheme aims to streamline procedures, minimize undue delays in cargo clearance, and ensure a quicker and simpler assessment process.

Audit examined various aspects of this facilitation mechanism, including the dwell time of goods at ports, ICDs, and air cargo complexes; the timeliness of document submission by importers; and the time taken for finalisation of provisional assessments of Bills of Entry as well as Project Import contracts.

Delay in clearance of goods under the Project Import Scheme defeated the objective of procedural simplification and faster cargo clearance envisaged under the scheme and the National Trade Facilitation Action Plan (NTFAP).

Delays and pendency in finalisation of Project Import assessments reflect not complying with the timelines prescribed under Regulation 7 of PIR, 1986 and Circular No. 22/2011-Customs. Audit observed that, apart from deficiencies on the part of importers, inadequate inter-departmental coordination, absence of defined internal timelines, and lack of system-based monitoring mechanisms significantly contributed to prolonged pendency, thereby increasing administrative inefficiencies and potential revenue risks.

Further, delays and inconsistencies in finalisation of Bills of Entry, including premature finalisation without corresponding closure of project contracts, indicate weak post-clearance monitoring and inadequate linkage between project registration and import documentation.

Such delays indicate inefficiencies in processing and coordination within the Project Import mechanism, adversely impacting project implementation timelines, ease of doing business, and possibly contributing to the declining use of the scheme.

[23] **CC Chennai II (62 cases) and CC Tuticorin (3 cases)**

# CHAPTER IV
# Monitoring and Internal Control

Internal control is broadly defined as a process designed to provide reasonable assurance regarding the achievement of objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. A robust internal control system serves not only as a deterrent against fraudulent activities but also significantly reduces the likelihood of such occurrences.

Audit focused on systemic issues relating to the Bank Guarantee and Bond management, finalisation of provisional assessments and project import contracts, adequacy of oversight mechanisms, and internal controls to ensure compliance with prescribed procedures and safeguarding of revenue. The findings thereon are detailed hereunder:

## 4.1 Inadequacies in Bank Guarantee (BG)/Bond management

In terms of Regulation 5 of the Project Import Regulations, 1986, read with Board's Circular No. 12 of 2011 dated 1 March 2011 and 22 of 2011 dated 4 May 2011, a Bank Guarantee (BG) equivalent to two percent of the CIF value of goods proposed to be imported, subject to a maximum of ₹One crore, is required to be obtained at the time of registration of a Project Import contract. The Bank Guarantee should be supported by an undertaking for renewal from time to time.

Further, as per para 3.3 (v) of Chapter 6 of Customs Manual 2023, the Bond should be made out for an amount equal to the CIF value of the contract sought to be registered.

However, renewal of the BG is not required after completion of six months from the date of submission of all necessary documents viz., utilization or installation certificates issued by the jurisdictional GST authority or other specified authorities to the satisfaction of the Proper Officer, for finalisation of the contract.

This relaxation applies only when all requisite documents, including proof of installation and utilization of imported goods at the project site, are furnished in full and verified by Customs. The Customs Commissioner has to ensure adherence to the prescribed timelines for finalization of Project Imports, so that finalization occurs within the validity period of the BG/Bond, thereby safeguarding government revenue.

### 4.1.1 Not revalidating Bank Guarantee/Not renewing Bond

Audit scrutiny of 776 cases revealed that in 244 registrations numbers with 183 PI cases across 11 Commissionerate[24], with Bank Guarantees amounting to ₹19.54 crore and Bonds amounting to ₹7,249.18 crore were not renewed despite being ineligible for relaxation ibid, posing a potential risk to revenue **(*Statement–12*).**

*JNCH Mumbai stated (October 2025) that the BG had auto renewal clause. NCH Imports, Mumbai stated (September 2025) that importers have submitted renewal letter for BGs. Visakhapatnam Commissionerate (October 2025) and City Customs Bengaluru stated (July 2025) that it would be ensured that BGs are renewed.*

*Jodhpur Commissionerate stated (August 2025) that after issuance of Notification No. 54/2022 dated 19 October 2022, PI Regulations have become infructuous. For M/s. C1, the last imports was done on 15.03.23 and bond was valid on that date. No imports were made under PIR, however the bond would remain till completion of project.*

*Kolkata Port Commissionerate stated (June 2025) that the referred projects are finalised, however, the bond details/ledger details was not provided due to physical files not being available in the Commissionerate*

Audit observed that, in the absence of a standardised mechanism for tracking the validity, renewal, and discharge of bonds and bank guarantees, disparate practices were being followed across Customs field formations, underscoring the need for stronger monitoring, uniform procedures, and robust documentation controls.

***An illustrative case is detailed hereunder:***

M/s. C2 in Visakhapatnam Commissionerate registered for project with a CIF value of ₹29.94 crore and executed bond for ₹30.50 crore on 28 December 2021 with bond number 2001950416 with validity upto 28 December 2022. The project is an ongoing one and not finalised yet. However, the importer had not revalidated the bond till 31 March 2024.

*Visakhapatnam Commissionerate stated (Oct 2025) that the validity period of the bonds has been extended in the ICES.*

[24] **ACC Delhi (28 cases); ICD Tughlakabad Delhi (139 cases); ACC Bengaluru (10 cases); CC Bengaluru (13 cases); CC (Prev) Lucknow (8 cases); NCH-Mumbai (9 cases); CC Jodhpur (1 case); CC (Port) Kolkata (3 cases); CC Noida (17 cases); JNCH-Mumbai (2 cases) and CC Visakhapatnam (14 cases)**

### 4.1.2 Non/short submission of requisite Bond and Bank Guarantee

Audit scrutiny of 776 project import registrations revealed one case of short collection of Bank Guarantee of ₹38.46 lakh (submitted ₹60 lakh instead of the required ₹98.46 lakh) in Ahmedabad Commssionerate and short collection of Bonds in two cases amounting to ₹111.98 lakh ***(Statement – 13)*** in JNCH Mumbai and Kolkata Port Commissionerates.

*In reply, Ahmedabad Commissionerate stated (December 2025) that letter has been written to the importer to submit the BG for additional amount of ₹38.46 lakh.*

*Kolkata Commissionerate replied (September 2025) that issue had been taken for further guidance.*

*JNCH, Mumbai stated (October 2025) that project value was ₹73.25 crore against this the importer had submitted bonds of ₹77.31 crore and ₹14.23 lakh which is more than the project value itself, thereby safeguarding the Government Revenue.*

The response of the department may be reviewed in view of the fact that the short calculation was owing to not reckoning of correct foreign exchange rate and the bond was required to be taken for ₹77.88 crore with consequent short calculation of ₹56.77 lakh.

### 4.1.3 Bonds for imports other than port of registration not debited

Audit noticed that in three cases registered across two Commissionerates[25], imports were made at ports other than the port of registration, but the corresponding Bonds were not debited in ICES ***(Statement 14)***.

*Chennai II Commissionerate replied (April 2025) that the goods imported from M/s. C6 were assessed with BCD exemption and IGST at the rate of 18 per cent was paid. It was further stated that ICES 1.5 was not linked with the SEZ online portal at the time of import; therefore, imports at these ports would not automatically reflect as debits in the Bond ledger.*

Despite the Bills of Entry being assessed and applicable duties paid, no documentary evidence was provided for the debit entries in the linked bond or bond ledger for these imports. This indicates a systemic lapse in ensuring that imports through ports not registered are appropriately debited against project bonds, which is essential for finalisation of project import contracts. Bonds not debited compromises the integrity of the bond tracking system, increases risk of revenue leakage, and hampers accurate monitoring of imports against project registrations.

[25] **NCH-Mumbai (2 cases) and CC Chennai II (1 case)**

### 4.1.4 Bank Guarantee renewed for compliant PI cases

As per para 3.2 of Customs Circular No. 22/2011 dated 04 May 2011, field formations were advised not to insist on renewal of bank guarantees beyond six months from the date of submission of all prescribed documents, including the Plant Site Verification (PSV) report, for finalisation of Project Import contracts.

Audit noticed that M/s C3, registered a Project Import contract with NCH, Mumbai Commissionerate in August 2008. The importer submitted all documents for finalisation in August 2011, and the PSV report, issued by the Assistant Commissioner, Central Excise (24 December 2012) was acknowledged by the department in March 2013. Despite this, the department neither finalised the contract nor adhered to the Board's instructions and instead sought renewal of the bank guarantee in February 2014 and February 2015. Aggrieved by the department's action, the importer filed a writ petition before the Hon'ble High Court of Bombay, which, in May 2015, directed the department not to encash the bank guarantee or insist upon its renewal. However, the contract was finalised only in July 2022, after a delay of seven years from the Court's directions.

The delay in finalisation despite availability of all requisite documents and the continued insistence on renewal of the bank guarantee, contrary to the Board's circular and the Hon'ble High Court's directions, reflect deficient monitoring and weak internal controls in the administration of Project Import contracts. The prolonged delay also caused avoidable hardship to the importer and unnecessary administrative expenditure.

Non-renewal/late renewal of bank guarantee and bond in cases pending finalisation points to weak monitoring and internal controls. On the other hand, insistence on renewal without timely finalisation, despite submission of the prescribed documents and PSV, undermines the intent of the safeguard mechanism envisaged under the Board's circular.

***Recommendation No 8: CBIC may instruct field formations to strictly enforce the requirement for renewal of Bonds and Bank Guarantees until the Project Import contracts are finalized in accordance with the provisions of the PIR, 1986. A system-based alert mechanism in ICES may be instituted to monitor the validity of Bonds/BGs and flag pending cases nearing expiry.***

*CBIC stated (May 2026) that the recommendation has been circulated to field formations to improve compliance relating to renewal and monitoring of Bonds and Bank Guarantees (BGs). The Board referred to RBI Master Circular dated 02 July 2012, under which banks are advised to incorporate auto-renewal clauses* *in BGs to ensure continuity till formal discharge. CBIC further stated that Bonds under the Customs Act, 1962 remain valid till fulfilment of prescribed conditions and field formations have been advised to ensure acceptance of BGs with auto-renewal clauses, maintain Bonds/BGs alive till six months after submission of finalisation documents, maintain digital records of Bonds/BGs, and periodically monitor their validity. The Board also informed that facilities for monitoring expiry status of Bonds and BGs are available in ICES through STA role-based reports.*

Audit acknowledges that Board has circulated the audit recommendations to field formations for improving the compliance on renewal and monitoring of Bonds/ Bank Guarantees. Further progress in this regard, would be watched in future audits.

## 4.2 Valuation of imported goods between related persons

As per Sub-rule (3)(a) of Rule 3 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, where the buyer and seller are related, the transaction value may be accepted only if examination of the circumstances of sale indicates that the relationship has not influenced the price.

This provision is of particular importance in cases of imports under the Project Import Regulations, 1986, as it ensures that the valuation of goods reflects their true transactional worth, thereby preventing any under or overvaluation that could affect the customs duty liability.

The Special Valuation Branch (SVB) is the designated authority for examining and determining the value of imported goods in transactions involving related parties. Accordingly, imports made from related entities are required to be referred to the SVB for valuation and issue of an order confirming or revising the declared value.

Audit scrutiny of 736 Project Import cases revealed that in 21 cases covering 11 importers under the Import-I Commissionerate, NCH Mumbai and Chennai II Commissionerate involving a total CIF value of ₹866.55 crore, the transactions between related parties were not referred to the SVB for valuation as required under the rules ***(Statement-15)***.

*NCH Mumbai stated (September 2025) that M/s. C4 was directed to submit the SVB investigation report at the earliest. In respect of M/s. A6, SVB order-in-original was submitted by the firm.* Reply in respect of remaining cases are awaited (May 2026).

***An illustrative case is discussed hereunder:***

Audit observed in one case of M/s. C4 with a CIF value of ₹ 27,043.67 lakh registered for the initial setting up of Rapid Metrorail Services in Gurgaon that both buyer and seller are related as defined under the Rule 2 cited supra.

Department did not refer these cases to SVB which indicates not complying with the procedure stipulated under the Sub-rule cited supra, which might lead to potential revenue implications, if any, due to improper valuation of imported goods.

Not referring related party import transactions to the SVB for valuation constitutes a deviation from Rule 3(3)(a) of the Customs Valuation Rules, 2007, and the established CBIC procedure for related-party transactions. The omission increases the risk of incorrect valuation and potential revenue loss due to acceptance of transaction values that may have been influenced by relationship considerations. It also indicates lapses in internal review and oversight at the Commissionerate level.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

***Recommendation No 9: CBIC may direct all field formations to ensure that all imports involving related parties, covered under the Project Import Regulations, 1986, are promptly referred to the SVB in accordance with prescribed guidelines. Further, an internal compliance checklist may be integrated into the ICES system to flag related-party transactions automatically for SVB reference before assessment.***

*CBIC, while accepting the Audit observation, stated (May 2026) that the department has issued Circular No. 5/2016-Customs dated 09 February 2016, prescribing the procedure for investigation of related party import cases by the SVBs and the procedure to be observed by the field formations for referring cases to SVBs for investigation. Accordingly, field formations have been requested to ensure compliances regarding referral of related party import cases to SVB in terms of aforesaid circular.*

## 4.3 Confirmed demands not recovered

Section 28(10) of Customs Act, 1962 provides that where an order determining the duty is passed by the Proper Officer under this section, the person liable to pay the said duty shall pay the amount so determined along with the interest due on such amount whether or not the amount of interest is specified separately.

Audit noticed that Department had confirmed 30 demands involving revenue of ₹150.38 lakh in two Commissionerate[26] which were pending for recovery (October 2025).

*Kolkata Port Commissionerate stated (May 2025) that demand notice would be issued after scrutiny. NCH Mumbai stated (September 2025) that the contract has already been de-registered on 25 June 2020. The concerned group is looking after the demand of differential duty from the importer.*

The pendency of recovery in confirmed demand cases indicates weaknesses in the Department's follow-up and monitoring mechanism for enforcement of adjudicated demands. Delay or failure in recovery not only results in blockage of government revenue but may also lead to difficulties in realization due to expiry of limitation periods or not tracing of importers. The absence of an effective tracking system for demand recovery highlights deficiencies in compliance with the provisions of Section 28(10) and internal revenue monitoring procedures.

**Recommendation No 10: CBIC may strengthen its demand recovery and monitoring framework by instituting a centralized register or digital tracker within ICES to capture the status of all confirmed demands along with recovery actions initiated.**

*CBIC, while accepting the audit observation, stated (May 2026) that the Department has issued Master Circular No. 1081/02/2022-CX dated 19 January 2022, providing guidelines for recovery of arrears of Indirect Taxes and Customs. It was also informed that this recommendation had been shared with the field formations in order to improve compliance regarding recovery of confirmed demand cases.*

## 4.4 Incorrect reporting of pendency of Project Contracts

Board's Circular No. 22/2011-Customs dated 4 May 2011 stipulates that the Commissioner of Customs is required to monitor the pendency of Project Import cases and submit a Monthly Report (Annexure-I) to the Chief Commissioner of Customs of the concerned Zone.

The Chief Commissioner, in turn, is to compile a Quarterly Consolidated Report (Annexure-II) and forward it by the 15th of the following month to the Directorate General of Performance Management (DGPM), New Delhi.

The DGPM is responsible for monitoring pendency at the All-India level, analyzing trends in finalization, and recommending corrective measures to the Board.

**[26] NCH-Mumbai (1 case) and CC (Port) Kolkata (29 cases)**

Audit examination revealed that filing of Annexure-I by the Commissionerates was irregular. In several instances, the information was not furnished to Audit. Cross-verification of data from the Project Import Registers with the Monthly Progress Reports (MPRs) submitted by the Department could not be completed, as the registers were not maintained properly and not closed periodically.

Further scrutiny of records in nine Commissionerate[27] showed that as on 31 March 2024, a total of 127 Project Import cases, involving a cumulative value of ₹66,796.59 crore, remained pending for finalization. However, Audit could not reconcile these figures with the corresponding data in MPRs/Annexure-I, as such reports were either incomplete or unavailable ***(*Statement-16*).***

*In reply, Kolkata Port Commissionerate, while accepting the audit observation stated (September 2025) that discrepancy is due to not reconciling of MPR data with updated PI register resulting in inclusion of disposed/duplicate cases and corrective measures would be undertaken.*

*Bhubaneswar Commissionerate stated (October 2025) that MPR data relates to provisionally assessed BEs of PI cases registered at Paradeep or at other ports for which TRA has been issued. The BsE which are finalized manually are still shown as pending in the EDI System. Besides, some pending BsE pertaining to other ports are also reckoned in the MPR.*

*Jodhpur and Ludhiana Commissionerate stated (August & October 2025) that no monthly report in respect of PI cases were sent. Jodhpur Commissionerate has sent the monthly report (Annexure-I) from June 2025 onwards.*

*Mundra Commissionerate stated (December 2025) that audit objection is acknowledged and strict compliance and practice of record keeping has been started.*

The absence of proper maintenance of Project Import Registers and failure to submit prescribed monthly and quarterly monitoring reports indicate serious lapses in compliance with Board's Circular No. 22/2011-Customs. The lack of reliable and consolidated data on pendency undermines the effectiveness of monitoring at both Zonal and DGPM levels, affecting the Board's ability to assess progress and enforce timely finalization of Project Import cases. Weak record management and irregular reporting also raise concerns over transparency, internal control, and accountability in the administration of the Project Import Scheme.

**[27] CC Ahmedabad (7 cases); CC Bhubaneshwar (2 cases); CC Cochin (14 cases); CC (Prev) Lucknow (5 cases); CC Jodhpur (33 cases); CC (Port) Kolkata (33 cases); CC Ludhiana (1 case); CC Mundra (28 cases) and CC Noida (4 cases).**

***Recommendation No 11: Board may direct all field formations to strictly adhere to the reporting and monitoring framework prescribed in Circular No. 22/2011-Customs. The Project Import Registers should be digitally maintained and monitored periodically to ensure data integrity. The DGPM may consider developing an automated dashboard linked with ICES to capture and consolidate pendency across Commissionerates in real time.***

CBIC, while accepting the audit observation, stated (May 2026) that the field formations have been advised to strictly adhere to the reporting and monitoring framework prescribed in Circular no. 22/2011-Customs dated 4 May 2011 and to digitally maintain and close project Import Registers periodically to ensure data integrity.

Sharing bulk data from ICES to DGPM, followed by creation of dashboards by DGPM, is not technically feasible. Dashboard in ADVAIT can be created in ADVAIT to monitor pendency on T+1 day basis. ADVAIT team will deliver the above commitments in 3 months.

## 4.5 Mismatch in reporting of Project Import Contracts

Audit observed in Tuticorin Commissionerate that four Project Import cases, comprising 215 Bills of Entry (BsE) with a total assessable value of ₹21,366.97 crore, were filed. Of these, 192 BsE, with an assessable value of ₹21,268.53 crore, were filed at Tuticorin Port (INTUT1) itself. However, the Monthly Report for Tuticorin Port (March 2024) recorded only two contracts with a total value of ₹10,792.09 crore, indicating incorrect reporting of provisional BsE relating to Project Import cases. This discrepancy was brought to the notice of the Department.

Prior to the introduction of the PI Module in ICES, Bonds were called Provisional Duty (PD) Bonds, requiring importers to furnish PD bonds corresponding to the value of imports under each registered Project Import contract.

Audit further examined PD/PI bonds for three registrations made for M/s. B1 (Units 1&2, 3&4, and 5&6). The PD bond for Unit 1&2 was not furnished to audit, and details of the corresponding BsE were unavailable. In respect of Unit 3&4, a PD bond amounting to ₹22,523.25 crore was taken, and 52 BsE with an assessable value of ₹4,091.87 crore were debited for imports made up to August 2019.

Consequently, the Monthly Report of Tuticorin CH Port (INTUT1) should have reflected a total of 244 BsE (192 under PI module + 52 under PD bonds) with an assessable value of ₹25,360.40 crore. However, the report recorded only two contracts valued at ₹10,792.09 crore, resulting in incorrect reporting of pendency details.

The incorrect reporting of Project Import cases and BsE values in the Monthly Report indicates weaknesses in record-keeping, monitoring, and reconciliation of PD and PI bond-linked imports. Unavailability of PD bond details for certain projects further hindered verification of actual imports and undermined the reliability of pendency data.

This was pointed out (May 2025) to the department and the reply is awaited (May 2026).

## 4.6 Maintenance of records

As per Regulations 4 and 5 of the Project Import Regulations, 1986, read with the provisions of the Customs Appraising Manual, a Contract Register is required to be maintained in the prescribed format, wherein contract numbers are assigned at the time of registration. The register should record details such as the contract value, Bills of Entry, and TRA Nos., and should be reviewed monthly by the Proper Officer for effective monitoring.

In addition to the Contract Register, other essential records such as the Confirmed Demand Register, Unconfirmed Demand Register, PD Register, Adjudication Register, and TRA Register are also required to be maintained and closed periodically under proper authentication.

For comprehensive coverage and end-to-end verification of Project Import (PI) cases throughout their life cycle, a sample of 915 cases (out of 1,467 registrations made pan-India, covering 62.37 *per cent*) was selected. The sample included cases categorized as Finalized, Ongoing, and Registered but imports not yet made.

However, 139 PI cases, involving a total CIF value of ₹15,818.11 crore pertaining to nine Commissionerates[28], were not made available to audit despite repeated requests and reminders ***(Appendix 2).***

In order to obtain a holistic view of the scheme's design and implementation, Audit sought (October 2024) records such as policy formulation files, MIS reports, manpower deployment details, evaluation/review reports, and other related documentation from the Department of Revenue, Ministry of Finance. However, despite follow-up reminders issued in November 2024, December 2024, and January 2025 the requested files were not furnished.

**[28] ACC, Bengaluru; ICD, Bengaluru; CC Chennai II; CC Visakhapatnam; CC Bhubaneswar ; CC (Port) Kolkata; JNCH, Mumbai; ICD Tughlakabad, Delhi; NCH, Delhi.**

Further, Audit noticed that records were not properly maintained in three Commissionerates[29], with no evidence of monthly closing of mandatory registers ***(Appendix 4).*** Moreover, critical registers such as PI Contract Registers, Bank Guarantee Registers, Demand Confirm Registers, and TRA cases were not produced in seven Commissionerates[30], as detailed in ***Appendix 5****.*

*In reply, Paradeep Customs Division stated (October 2025) that PI files of the two importers relate to the year 2010 & 2011 and even after best efforts that could not be traced out. They further stated that there is no separate bank guarantee register maintained for project import contracts.*

The ongoing Performance Audit on Project Imports is being undertaken on a pan-India basis to enable comparative analysis of scheme and not producing of relevant records limits our efforts in providing necessary assurance on the overall functioning of the scheme.

## 4.7 Conclusion

In this chapter, Audit focused on systemic issues relating to the Bank Guarantee and Bond management, finalisation of provisional assessments and project import contracts, adequacy of oversight mechanisms, and internal controls to ensure compliance with prescribed procedures and safeguarding of revenue.

Audit observed not renewing of Bonds and Bank Guarantees in pending Project Import cases, without fulfilment of prescribed conditions such as submission of installation and utilization certificates, indicating weak monitoring and internal controls.

Audit also observed pendency in recovery of confirmed demands which points to weaknesses in follow-up and enforcement mechanisms. This led to blockage of government revenue and increased the risk of not realizing of adjudicated dues.

The Project Imports Scheme was intended to simplify customs procedures and enable quicker clearance of project-related imports under a single concessional tariff heading, thereby facilitating the implementation of large and complex projects. However, the number of contracts registered under the Project Imports Scheme declined significantly from 146 in FY 2019–20 to 32 in FY 2023–24, reflecting a 78.10 *per cent* decrease over the five-year period, as brought in Para 1.6.

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[29] **CC Mundra; CC Cochin; CC Chennai II**

[30] **CC Ahmedabad; CC Mundra; CC Bhubaneshwar; CC Ludhiana; CC Tuticorin; CC (Port) Kolkata; JNCH, Mumbai**

Audit acknowledges that five out of nine recommendations of the earlier Performance Audit (AR No. 42 of 2016) have been implemented, including the development of the Project Imports Module and Bond Management Module in ICES 1.5.

**New Delhi** | **(SMITA GOPAL)**
**Dated: 29 July 2026** | **Principal Director (Indirect Taxes)**

**Countersigned**

**New Delhi** | **(K. SANJAY MURTHY)**
**Dated: 03 August 2026** | **Comptroller and Auditor General of India**

# Appendices and Statements

**Appendix-1 : Project Import Universe and Sample**

Refer : Para No. 1.4

| Sl. No | Name of the FAO/BO | Commissionerate | | Finalised | | Ongoing | | Regn done, Imports not yet made | | Total cases | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Selected | Total | Selected | Total | Selected | Total | Selected | Total | Selected |
| 1 | Ahmedabad | 4 | 2 | **22** | 22 | **42** | 42 | **4** | 4 | **68** | 68 |
| 2 | Bengaluru | 3 | 2 | **33** | 33 | **89** | 89 | **2** | 2 | **124** | 124 |
| 3 | Chandigarh | 2 | 1 | **0** | 0 | **1** | 1 | **0** | 0 | **1** | 1 |
| 4 | Chennai | 3 | 2 | **52** | 52 | **166** | 50 | **1** | 1 | **219** | 103 |
| 5 | Delhi | 3 | 2 | **67** | 67 | **116** | 116 | **0** | 0 | **183** | 183 |
| 6 | Hyderabad | 3 | 1 | **7** | 7 | **24** | 24 | **0** | 0 | **31** | 31 |
| 7 | Kolkata | 4 | 1 | **116** | 116 | **57** | 57 | **0** | 0 | **173** | 173 |
| 8 | Mumbai | 6 | 2 | **213** | 100 | **377** | 54 | **9** | 9 | **599** | 163 |
| 9 | Lucknow | 2 | 2 | **13** | 13 | **5** | 5 | **0** | 0 | **18** | 18 |
| 10 | BO Kochi | 2 | 1 | **0** | 0 | **8** | 8 | **0** | 0 | **8** | 8 |
| 11 | BO Jaipur | 1 | 1 | **3** | 3 | **1** | 1 | **29** | 29 | **33** | 33 |
| 12 | BO Bhubaneshwar | 1 | 1 | **8** | 8 | **2** | 2 | **0** | 0 | **10** | 10 |
| | **Total** | **34** | **18** | **534** | **421** | **888** | **449** | **45** | **45** | **1467** | **915** |

**Appendix - 2 – Details of Records not produced cases**

Refer: Para No. 1.4 & 4.6

| Sl. No. | Commissionerate | No. of registration | CIF Value (in cr.) | Status of Project (Finalised/Ongoing) | Sector |
|---|---|---|---|---|---|
| 1 | ACC Bengaluru | 21 | 560.71 | Ongoing/Finalised | Power/Transportation etc. |
| 2 | ICD, Bengaluru | 9 | 100.26 | Ongoing/Finalised | Transportation and others |
| 3 | Chennai -II | 3 | 97.45 | Finalised | Power/Transport/Irrigation |
| 4 | CC, Visakhapatnam | 3 | Not Available | Ongoing | Not available |
| 5 | CC, Bhubaneswar | 4 | Not Available | Finalised | Power |
| 6 | CC Port, Kolkata | 42 | 11,532.43 | Ongoing/Finalised | Industrial/Transportation sector/ Power Project/Mining Project/ Exploration for oil |
| 7 | JNCH, Mumbai | 13 | 704.43 | Finalised/Newly registered | Not available |
| 8 | ICD-Tughlakabad | 37 | 2,184.32 | Ongoing/Finalised | Transportation (Metro rail)/Power generation or transmission/Water Supply and others |
| 9 | ACC-NCH, Delhi | 7 | 638.53 | Ongoing/Finalised | Transportation (Metro rail) |
| | **Total** | **139** | **15818.13** | | |

**Appendix 3: Mapping of Recommendations or findings of the earlier report (AR No. 42 of 2016)**

**Refer : Para No. 1.8**

| Sl. No | Recommendations | Board's response to Audit Recommendation | Current Status (implemented/ not implemented) | Findings in the current audit report that can be mapped with earlier report. |
|---|---|---|---|---|
| 1 | **Recommendation No. 1**<br>Audit recommends that the Ministry, after reviewing the existing statutory provisions and rulings of the apex court on this issue remove the inconsistency in the provisions for assessment under project imports by issuing appropriate instructions. | *The Board stated that they are considering withdrawal of the circular dated 8 August 1987.* | Implemented. | No findings in Current report / Para- 3.1 of AR 42 of 2016 (Inconsistency in interpretation of statutory provisions) |
| 2 | **Recommendation No. 2**<br>Audit recommends that the Ministry may consider amending the PIR 1986, to provide for the condition of time bound completion of imports to be incorporated in the contracts registered under Project Import scheme. | *The Board stated that they were considering a time period of three years extendable by two years for completion of imports under Project Imports in consultations with other ministries.* | Not implemented | Para 2.2 of Current report / Para 3.2 of AR 42 of 2016 |
| 3 | **Recommendation No. 3**<br>Audit recommends that the provisions regarding sponsoring authority in the PIR 1986 may be clarified to establish a primary sponsoring authority for composite/ integrated projects to avoid any scope for undue benefits and for better monitoring of projects. | *The Board stated that recommendation is being examined and suitable amendment/clarification would be issued* | Not implemented | No findings in Current report / Para- 3.2 of AR 42 of 2016 (Multiple Sponsoring authorities) |
| 4 | **Recommendation No. 4**<br>Audit recommends that the Ministry may consider reviewing the volume of documents required under the Project Import scheme with a view to simplify the requirements | *The Board stated that documents specified in the Regulation for pre and post import stages are reasonable. However, Ministry concurs that there is a need for meticulous monitoring at the senior level.* | Recommendation seems to be not implemented and only scheme was digitized. | No findings in Current report. Para- 5.2 of AR 42 of 2016 (Inadequate facilitation and delays) |
| 5 | **Recommendation No. 5**<br>Audit recommends that Board may streamline the process and monitor the imports effected through other ports, by exploring the possibility of electronic transmission of TRA assessments (BEs) from TRA ports to the port of registrations, to avoid delay in finalisation of contracts. | *The Board stated that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5 including electronic transmission of TRA assessments (BEs) from TRA ports to port of registration.* | Implemented. | Para 3.4 (iii) of Current report. |

| Appendix 3: Mapping of Recommendations or findings of the earlier report (AR No. 42 of 2016) | | | | |
|---|---|---|---|---|
| | | | | **Refer : Para No. 1.8** |
| **Sl. No** | **Recommendations** | **Board's response to Audit Recommendation** | **Current Status (implemented/ not implemented)** | **Findings in the current audit report that can be mapped with earlier report.** |
| 6 | **Recommendation No. 6**<br>Audit recommends that the Ministry review the factors contributing to high transaction costs associated with the Project Import scheme, and compare the benefits of the scheme, vis-a vis other schemes (like EPCG) | *The Board stated that the Project Import Scheme is not linked to any export obligation and it has its distinct advantages. Review of regulations would be taken up with objective of procedural simplification and enhancing level of automation in ICES 1.5. This would bring down the transaction cost.* | Implementation of recommendation may not be ascertained. | No findings in Current report. Para-5.5 of AR 42 of 2016 (Transaction costs) |
| 7 | **Recommendation No. 7**<br>Audit recommends that for having better control over the Project imports and for monitoring their credit/debits in the Bond Ledger in an efficient and accurate manner, Board may consider introducing a centralized Bond Management Module separately for Project Imports to monitor the imports made through the Port of Registration and the imports made in other Ports through TRA | *The Board stated that Ministry concurs with recommendation on creation of Centralised Bond Management module in ICES 1.5 after a thorough review of PIR.* | Implemented. | Para 4.1.1, 4.1.2, 4.1.3 and 4.1.4 of Current report / Para 6.1.2 of AR 42 of 2016.(Incorrect debit of Bonds in Bonds module |
| 8 | **Recommendation No. 8**<br>Audit recommends that for effective monitoring of Project Import cases through Customs EDI system (ICES 1.5) Board may explore the possibility of a Project Management Module on the lines of EPCG scheme in ICES so as to reduce the dependency on monitoring of Project Import cases through manual system. | *The Board stated that based on the changes in the PIR, a Project Management Module will be developed in ICES 1.5.* | Implemented. | Para-3.4 (I, II & iii) and Para 4.4 of Current report. |
| 9 | **Recommendation No. 9**<br>Audit recommends that Board may consider having a centralized database for project import cases so that inconsistency of data among different entities could be avoided. | *The Board stated that Ministry concurs with recommendation on creation of Centralised Database in ICES 1.5 after a thorough review of PIR.* | Implemented. | Para-3.4 (I, II & iii) and Para 4.4 of Current report. / Para 6.2.6 of AR 42 of 2016 (Incorrect reporting of pendency of Project contracts) |

| Appendix - 4: Maintenance of Records | | |
|---|---|---|
| | | Refer : Para No. 4.6 |
| **Sl. No.** | **Commissionerate** | **Maintenance** |
| 1 | CC Mundra | Confirmed demand register, Unconfirmed Demand Register, PD Register, TRA Register |
| 2 | CC Cochin | Copy of Project Import Registration documents, Copy of Indemnity of Bond/ Provisional Duty Bond |
| 3 | CC Chennai II | Project Contract registration register, PD/PI Bond register, BG register, register of SCNs issued, register of OIOS issued, register for SVB cases, register/File for incoming/outgoing TRAs |

| Appendix - 5: Non production of records | | |
|---|---|---|
| | | Refer : Para No. 4.6 |
| **Sl. No.** | **Commissionerate** | **Non Production** |
| 1 | CC Ahmedabad,<br>CC Mundra | 363 TRA Cases/Partial Production |
| 2 | CC Bhubaneshwar | Project Import Contract Register, Bank Guarantee Register |
| 3 | CC Ludhiana | Contract register, confirmed demand register, unconfirmed register, PD register, adjudication register, TRA register |
| 4 | CC Tuticorin | Approved list of items from the sponsoring authority; Annexure b; copy of bonds; plant site verification certificate' import trade licence; installed capacity of project |
| 5 | CC (Port) Kolkata | File opening register; re-import bond register; re-export bond register; demand register (confirmed and unconfirmed); provisional assessment bond register; refund register and concerned files; internal audit report; statistical report & return file; bond & bank guarantee register; MPR/ MTR for the 2020-2021(PIFC) and other; TRA register |
| 6 | JNCH-Mumbai | Confirmed demand register, unconfirmed register, PD register, adjudication register, TRA register |

| Statement – 1 : Absence of prescribed timelines for completion of Imports | | | | |
|---|---|---|---|---|
| | | | | **Refer : Para No. 2.2** |
| **Sl. No.** | **Commissionerate** | **No. of Project** | **CIF Value of Contract Registered (₹ in cr)** | **Delay in range (in months)** |
| 1 | CC (Port) Kolkata | 4 | 117.52 | 20-31 |
| 2 | ICD Tughlakabad | 30 | 576.43 | 28-125 |
| 3 | ACC, New Delhi | 8 | 33.79 | 7-35 |
| 4 | CC, Noida | 5 | 105.62 | 08-61 |
| 5 | CC, Mundra | 6 | 83.86 | 14-56 |
| 6 | CC, Ahmedabad | 2 | 612.33 | 14-33 |
| 7 | CC, Jodhpur | 1 | 595.03 | 7 |
| | **Total** | **56** | **2,124.58** | **7-125** |

| Statement 2 : Discrepancies between goods permitted to be imported and actually imported. | | | | | |
|---|---|---|---|---|---|
| | | | | | ***Refer : Para No. 2.8*** |
| **Sl. No.** | **Commissionerate** | **No. of Project** | **CIF Value of In-Admissible goods ( ₹ in cr)** | **Description of In-Admissible Goods Imported** | **Differential Duty to be collected ( ₹ in cr)** |
| 1 | NCH, Mumbai | 2 | 3.97 | Outdoor Housing Blower, Surveillance Cabinet, Ranger Surface Top Hammer Drill Rig | 0.22 |
| 2 | CC, Mundra | 1 | 7.89 | Chip Melter and Pretreatment system, Melting Furnance, Holding Furnance | 0.26 |
| 3 | CC, Chennai II | 1 | 3.63 | Bell Less Top Equipment, Bellow, Manual Ball & Google Value along with Mating Flanges, Gasket and Fasteners | 0.15 |
| 4 | CC, Tuticorin | 1 | 2.23 | Multipurpose Seat | 0.72 |
| | **TOTAL** | **5** | **17.72** | | **1.35** |

| *Statement 3: Not levying /Short levy of Customs duty due to incorrect availment of exemption* | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | ***Refer : Para No. 2.9*** |
| **Sl. No.** | **Commissionerate** | **No. of case** | **Commodity** | **Assessable Value (₹ in cr)** | **Rate of Duty applicable** | **Rate of duty levied** | **Short/Non levy of duty (₹ in cr)** |
| 1 | NCH, Mumbai | 1 | Communication Equipment | 0.03 | 18 | 5 | 0.004 |
| 2 | CC, Port, Kolkata | 4 | Apron Feeder Steel Parts, Apron Feeder Hydraulic System, Spillage Conveyor Fabricated Parts, Robo lab Equipment, Auto Sampling Equipment, Online Particle Size Analyzer, Hammer Crusher Mechanical Parts etc | 35.88 | 18 | 5 | 4.63 |
| 3 | ICD Tughlakabad | 4 | Base Plate Pad, Helical Spring, Tension Clamp, Elastic Pads | 32.38 | 23.42 | 16.10 | 2.37 |
| 4 | CC, Ahmedabad | 1 | Escalators in SKD Condition with Mandatory spares and tools, | 18.09 | 27.74 | 24.49 | 0.59 |
| 5 | CC, Chennai II | 7 | Plug Valve, Sdss pipes, Super Duplex Pipes, UF System, Prv Valve, Bronze, Adhesive Membrane, Epoxy Primer, Borosilicate Glass Blocks | 55.67 | 7.5/18 | Nil | 7.09 |
| 6 | CC, Bhubaneswar | 2 | Power Plant related products | 148.85 | - | - | 36.46 |
| | **Total** | **19** | | **290.90** | | | **51.14** |

| Statement 4 : Delay in submission of reconciliation statement and other documents/ Documents not submitted | | | | |
|---|---|---|---|---|
| Refer : Para No. 2.10 | | | | |
| **Sl. No.** | **Commissionerate** | **No. of Project** | **CIF Value of goods (₹ in cr)** | **Delay range (in days)** |
| 1 | NCH, Mumbai | 56 | 5803.45 | 162-7923 |
| 2 | JNCH, Mumbai | 7 | NA | 35-1647 |
| 3 | CC (Port) Kolkata | 38 | 4982.37 | 457-6738 |
| 4 | ICD, Bengaluru | 2 | 155.98 | 721-859 |
| 5 | ICD Tughlakabad | 43 | 1,138.84 | 174-2277 |
| 6 | ACC, Delhi | 1 | 1 | 462 |
| 7 | CC, Noida | 5 | 293.81 | 92-1230 |
| 8 | CC (Prev), Lucknow | 8 | 207.55 | 482-1706 |
| 9 | CC, Mundra | 9 | 338.55 | 199-1476 |
| 10 | CC, Jodhpur | 3 | 51.83 | 213-1372 |
| 11 | CC, Chennai II | 29 | 1,888.08 | 46-1419 |
| | **Total** | **201** | **14860.97** | **35-7923** |

| Statement - 5 : Delay in Submission of Reconciliation Statement and other documents/ Documents not submitted | | | | | | |
|---|---|---|---|---|---|---|
| Refer : Para No. 2.10 | | | | | | |
| **Sl. No.** | **Commissionerate** | **No. of Project Registration** | **CIF value of goods (₹ in cr)** | **Duty collected (₹ in cr)** | **Duty Foregone (₹ in cr)** | **Delay range (in days)** |
| 1 | CC, Bhubaneswar | 2 | 2,624.89 | Ongoing | Ongoing | 1958-3667 |
| 2 | CC, Visakhapatnam | 15 | 500.31 | 118.48 | 58.96 | 119-1669 |
| 3 | CC, Mundra | 5 | 33.67 | 7.12 | 1.89 | 368-1613 |
| 4 | CC, Chennai II | 16 | 3,524.99 | 45.57 | 17.94 | 429-2496 |
| | **Total** | **38** | **6,683.86** | **171.17** | **78.79** | **119-3667** |

| Statement - 6: Delay in submission of Reconciliation statement and other documents/ Documents not submitted | | | | |
|---|---|---|---|---|
| | | | | Refer : Para 2.10 |
| **Sl. No.** | **Commissionerate** | **No. of Registration** | **CIF Value of goods (₹ in cr)** | **Whether SCN is issued by the Dept.** |
| 1 | CC Bhubaneswar | 2 | 2,624.89 | No |
| 2 | CC, Chennai-II | 45 | 48.45 | No |
| 3 | ICD, Bengaluru | 2 | 155.97 | No |
| 4 | CC (Prev), Lucknow | 8 | 207.55 | No |
| 5 | NCH, Mumbai | 56 | 5,316.18 | Not issued in 55 cases and one case Deficiency Memo issued. |
| 6 | CC Jodhpur | 3 | 51.83 | No |
| 7 | CC Port, Kolkata | 38 | 4,982.37 | No |
| 8 | ICD Tughlakabad | 43 | 1,138.84 | Not Available |
| 9 | ACC-NCH Delhi | 1 | 50.96 | Not Available |
| 10 | CC, Mundra | 14 | 372.22 | No |
| 11 | CC, Noida | 5 | 293.81 | No |
| 12 | JNCH, Mumbai | 7 | 487.22 | No |
| 13 | CC, Visakhapatnam | 15 | 500.32 | No |
| | **Total** | **239** | **16230.61** | |

| Statement - 7 : Finalization of PI Contracts without submission of mandatory documents | | | | | |
|---|---|---|---|---|---|
| | | | | | Refer : Para No.2.11 |
| **Sl. No.** | **Commissionerate** | **No. of Registration** | **Name of documents not submitted** | **CIF value of goods (₹ in cr)** | **Duty Foregone (₹ in cr)** |
| 1 | NCH, Mumbai | 5 | Project was finalised without proof of payment, BRC or details of Bank Transactions | 811.66 | Not Available |
| 2 | JNCH, Mumbai | 4 | No Finalisation documents are available in the file, Project was finalised without any finalised documents | 161.45 | Not Available |
| 3 | ICD Tughlakabad, Delhi | 16 | Reconciliation Certificate, Installation Certificate, Chartered Engineer Certificate | 104.30 | Not Available |
| 4 | CC (Prev) Lucknow | 2 | Reconciliation statement | 34.03 | 0.97 |
| 5 | CC Mundra | 1 | Reconciliation statement | 18.58 | 0.60 |
| | **Total** | **28** | | **1,130.02** | **1.57** |

| Statement – 8 : Finalisation of project contracts without installation certificate and plant site verification | | | | |
|---|---|---|---|---|
| | | | | Refer: Para No. 2.12 |
| Sl. No. | Commissionerate | No. of Registration | CIF Value of goods (₹ in cr) | Duty foregone ( ₹ in cr) |
| 1 | NCH, Mumbai | 3 | 5.63 | Not Available |
| 2 | ICD-Tughlakabad | 2 | 12.75 | 0 |
| 3 | CC Noida | 2 | 25.22 | 0.79 |
| 4 | CC (Preventive) Lucknow | 5 | 163.63 | 1.90 |
| 5 | CC Mundra | 3 | 72.86 | 5.06 |
| 6 | CC Jodhpur | 2 | 47.05 | Not Available |
| 7 | CC Chennai II | 12 | 620.99 | Not Available |
| | **Total** | **29** | **948.13** | **7.75** |

| Statement 9 : Inordinate delay in clearance of goods under Project Import | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | Refer : Para No. 3.1 |
| Sl. No. | Commissionerate | No. of Registration | No. of BE | Assessable Value (₹ in cr) | Total Duty (₹ in cr) | Delay range (in days) |
| 1 | ACC, Bengaluru | 1 | 1 | 2.63 | 0.47 | 63 |
| 2 | ICD, Bengaluru | 2 | 2 | 4.68 | 1.15 | 57- 116 |
| 3 | CC, Visakhapatnam | 3 | 6 | 56.20 | 13.77 | 40-555 |
| 4 | CC, Ludhiana | 1 | 1 | 24.05 | 5.89 | 42 |
| 5 | CC, Ahmedabad | 1 | 16 | 60.30 | 2.16 | 58-1149 |
| 6 | CC, Jodhpur | 1 | 3 | 0.51 | 0.12 | 34-45 |
| 7 | CC (Port) Kolkata | 11 | 27 | 172.03 | 37.10 | 30-299 |
| | **Total** | **20** | **56** | **320.40** | **60.66** | **30-1149** |

| Statement 9A : Inordinate delay in clearance of goods under Project Import | | | | |
|---|---|---|---|---|
| | | | | Refer : Para No. 3.1 |
| Sl. No. | Commissionerate | No. of Registration | No. of BE | Delay range (in days) |
| 1 | CC, Chennai II | 74 | 480 | 3-718 |
| 2 | CC, Tuticorin | 3 | 28 | 03-09 |
| | **Total** | **77** | **508** | **03-718** |

| Statement 10A : Delay in/Not finalising Project Import | | | | |
|---|---|---|---|---|
| | | | | Refer: Para No. 3.2 |
| **Sl. No.** | **Commissionerate** | **No. of Registration** | **CIF Value of Goods (₹ in cr)** | **Delay range (in days)** |
| 1 | NCH, Mumbai | 33 | 2,539.60 | 174-8694 |
| 2 | JNCH, Mumbai | 5 | 454.84 | 71-1444 |
| 3 | CC, Visakhapatanam | 5 | 100.24 | 35-288 |
| 4 | ACC, Delhi | 33 | 997.63 | 53-2589 |
| 5 | CC, Noida | 3 | 50.34 | 71-442 |
| 6 | CC, Lucknow | 4 | 67.32 | 296-612 |
| 7 | CC, Mundra | 3 | 50.23 | 26-179 |
| 8 | CC, Jodhpur | 2 | 47.06 | 320-445 |
| 9 | CC, Chennai-II | 14 | 1,094 | 67-791 |
| | **Total** | **102** | **5,401.18** | **26-8694** |

| Statement - 10B : Delay in/Not finalising Project Import | | | | | |
|---|---|---|---|---|---|
| | | | | | Refer: Para No. 3.2 |
| **Sl. No.** | **Commissionerate** | **No. of case** | **CIF Value of goods (in cr)** | **Whether contract is finalised or not (Yes /No)** | **Delay range (in days)** |
| 1 | NCH Mumbai | 3 | 223.52 | No | 247-1996 |
| 2 | JNCH, Mumbai | 3 | 112.23 | No | 119-595 |
| 3 | CC, Bengaluru | 2 | 11.93 | No | 1025-2731 |
| 4 | CC, Visakhapatanam | 1 | 47.17 | No | 426 |
| 5 | ICD Tughlakabad | 7 | 122.86 | No | 1419-2840 |
| 6 | NCH, Delhi | 9 | 164.01 | No | 231-1502 |
| 7 | CC, Mundra | 3 | 212.55 | No | 40-334 |
| 8 | CC, Ahmedabad | 2 | 207.69 | No | 1608-1958 |
| 9 | CC, Chennai-II | 6 | 330.72 | No | 287-1969 |
| 10 | CC, Cochin | 1 | 149.00 | No | 2358 |
| 11 | CC, Ludhiana | 1 | 192.23 | No | 672 |
| | **Total** | **38** | **1,773.91** | | **40-2840** |

| Statement 11 : Delay in/Not finalising provisionally assessed Bills of Entry | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Refer: Para No. 3.3 | | | | | | | | |
| Sl. No. | Commissionerate | No. of Registration | CIF value of goods (₹ in cr) | Total No. of BsE | No. of BE finalised | Range of delays in days for finalization of BE | No. of BE where finalization is pending | Range of delays in days where finalization is pending |
| 1 | NCH, Mumbai | 1 | 397.00 | 50 | 50 | 291 | 0 | - |
| 2 | ICD Tughlakabad | 12 | 362.52 | 38 | 31 | 22-1674 | 7 | 414-2402 |
| 3 | ACC, Delhi | 1 | 7.06 | 12 | 12 | 471 | 0 | - |
| 4 | CC, Noida | 1 | 19.66 | 8 | 8 | 350 | 0 | - |
| 5 | CC (Prev) Lucknow | 3 | 32.25 | 22 | 18 | 233 | 4 | 1749-1779 |
| 6 | CC, Jodhpur | 2 | 47.06 | 38 | 38 | 199-324 | 0 | - |
| 7 | CC Chennai II | 1 | 0.48 | 1 | 1 | 664 | 0 | - |
| 8 | CC (Port) Kolkata | 56 | 4,809.95 | 493 | 9 | 2067-5978 | 484 | 84-5924 |
| | **Total** | **77** | **5,675.98** | **662** | **167** | **22-5978** | **495** | **84-5924** |

| Statement 12 : Bond/Bank Guarantee not revalidated | | | | | | |
|---|---|---|---|---|---|---|
| Refer : Para No. 4.1.1 | | | | | | |
| Sl. No. | Commissionerate | No. of Registration | CIF Value (₹ in cr) | Bond or BG | Amount of BG (₹ in cr) | Amount of Bond (₹ in cr) |
| 1 | NCH, Mumbai | 9 | 743.15 | BG | 4.46 | 0 |
| 2 | JNCH, Mumbai | 2 | 28.59 | BG | 0.57 | 0 |
| 3 | CC (Port), Kolkata | 3 | 55.37 | BG/Bond | 0.58 | 12.00 |
| 4 | ACC, Bengaluru | 10 | 435.29 | Bond | 0 | 446.39 |
| 5 | CC, Bengaluru | 13 | 1027.15 | BG/Bond | 1.62 | 812.47 |
| 6 | CC, Vishakhapatnam | 14 | 1,088.46 | BG/Bond | 0.90 | 2275.93 |
| 7 | ICD Tughlakabad | 139 | 2783.00 | BG/Bond | 7.26 | 2364.10 |
| 8 | CC, Noida | 17 | 698.91 | BG/Bond | 2.78 | 516.39 |
| 9 | CC (Prev) Lucknow | 8 | 199.23 | Bond | 0 | 181.42 |
| 10 | CC, Jodhpur | 1 | 595.03 | Bond | 0 | 446.35 |
| 11 | ACC, New Delhi | 28 | 262.44 | BG/Bond | 1.37 | 194.13 |
| | **Total** | **244** | **7,916.62** | | **19.54** | **7249.18** |

| Statement 13 : Not submitting/short submission of requisite Bond and Bank Guarantee | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Refer : Para No. 4.1.2 | | | | | | | | | |
| Sl. No. | Commissionerate | No. of Registration | CIF Value of Contract (₹ in cr) | Value of Bond to be obtained (₹ in cr) | Value of Bond obtained (₹ in cr) | Shortfall in Bond (₹ in cr) | 2% of CIF value (for BG) (₹ in cr) | BG obtained (₹ in cr) | Short fall in BG (₹ in cr) |
| 1 | JNCH, Mumbai | 1 | 73.25 | 77.88 | 77.31 | 0.57 | - | - | - |
| 2 | CC (Port), Kolkata | 1 | 30.25 | 30.80 | 30.25 | 0.55 | - | - | - |
| 3 | CC, Ahmedabad | 1 | 49.23 | 49.23 | 50.00 | - | 0.98 | 0.60 | 0.38 |
| | **Total** | **3** | **152.73** | **157.91** | **157.56** | **1.12** | **0.98** | **0.60** | **0.38** |

| Statement-14 : Not Debiting Bonds from imports other port of registration | | | |
|---|---|---|---|
| Refer : Para No. 4.1.3 | | | |
| Sl. No. | Commissionerate | No. of Registration | CIF Value (in cr.) |
| 1 | NCH, Mumbai Zone 1 | 2 | 241.90 |
| 2 | CC Chennai II | 1 | 36 |
| **Total** | | **3** | **277.90** |

| Statement 15 : : Valuation of goods between related party | | | |
|---|---|---|---|
| Refer : Para No. 4.2 | | | |
| Sl. No | Commissionerate | No. of Project Import Cases | Assessable value (₹ in cr) |
| 1 | NCH, Mumbai | 5 | 455.63 |
| 2 | CC, Chennai II | 16 | 410.92 |
| | **Total** | **21** | **866.55** |

| Statement 16 : Incorrect reporting of pendency of Project Imports | | | | | | | |
|---|---|---|---|---|---|---|---|
| Refer : Para No. 4.4 | | | | | | | |
| Sl. No. | Commissionerate | No. of PI cases as per Register as on 31-03-2024 | Value as per Project Import register (₹ in cr) | No. of PI cases as per MPR/ Annexure-I For March 2024 | Value as per MPR/ Annexure-I (₹ in cr) | Difference | |
| | | | | | | No. of Project Import | Value (₹ in cr) |
| 1 | CC, (Prev) Lucknow | 5 | 147.39 | 5 | 6.34 | 0 | 141.06 |
| 2 | CC, Noida | 4 | 104.08 | 0 | 0.00 | 4 | 104.08 |
| 3 | CC, Mundra | 28 | 2,042.75 | Not Available | Not Available | Not Available | Not Available |
| 4 | CC, Ahmedabad | 7 | 1,306.02 | Not Available | Not Available | Not Available | Not Available |
| 5 | CC, Jodhpur | 33 | 54,369.53 | Not Available | Not Available | Not Available | Not Available |
| 6 | CC, Ludhiana | 1 | 192.23 | Nil | Nil | 1 | 192.23 |
| 7 | CC (Port), Kolkata | 33 | 3,558.62 | 57 | 11,988.41 | 24 | 8,429.79 |
| 8 | CC, Cochin | 14 | 3,972.13 | 13 | 3,431.51 | 1 | 540.62 |
| 9 | CC, Bhubaneswar | 2 | 1,103.84 | 3 | 440.47 | 1 | 663.37 |
| | **Total** | **127** | **66,796.59** | **78** | **15,866.73** | **31** | **10,071.15** |

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