

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

NEW DELHI
10th March, 2017

CAG COMPLIANCE AUDIT REPORT ON CUSTOMS PRESENTED IN PARLIAMENT

The Compliance Audit Report of the Comptroller and Auditor General of India containing audit observations on the Customs Revenue, Report No. 1 of 2017 for the year ended 31 March 2016 was tabled in Parliament today.

Report contains seven chapters with total revenue implication of ₹ 1063 crore.

The Compliance Audit Report of the Comptroller and Auditor General of India containing audit observations on the Customs Revenue (Report No. 1 of 2017) for the year ended 31 March 2016 was presented to the Parliament on 10 March 2017. The Report has seven chapters with a total revenue implication of ₹ 1063 crore covering 101 paragraphs and two subject specific compliance paragraphs. In 70 paragraphs involving money value of ₹ 19 crore, rectificatory action has been taken by the department/Ministry in the form of issuing show cause notices, adjudicating of show cause notices and recovery of ₹ 15 crore has been effected till date. Cases which have been accepted by the department and recoveries made/recovery proceedings initiated are mentioned in Annexures to the report.

Significant findings included in this Report are mentioned in the following paragraphs.

I. Total indirect tax receipts grew 30 percent during FY 15-16, out of which Customs receipts was ₹ 2,10,228 crore (30 percent). Imports declined by 9 per cent during FY 15-16, mainly due to fall in International crude prices, exports have registered a decline of 9.49 percent during FY 15-16.

{Paragraphs 1.2 and 1.6}

II. Customs revenue as a ratio of GDP was 1.55 percent in FY 15-16 which was marginally higher than in FY 14-15.

{Paragraph 1.7}

III. Customs Revenue was 14 percent and 30 percent respectively as percentage of Gross Tax Revenue and Indirect Taxes.

{Paragraph 1.7}

IV. Revenue forgone as a percentage of Customs Receipts was 162 percent in FY 15-16. Five export promotion and remission schemes accounted for 88 per cent of total revenue foregone under the Schemes.

{Paragraphs 1.9 and 1.10}

V. In the subject specific compliance audit of Recovery of Arrears (Customs). Audit noticed that special institutional arrangement like creation of Recovery Cell and Task force did not make any significant impact on improving the extent of recovery of revenue arrears. In some of the Commissionerates, these arrears have increased manifold during the three year period covered in audit.

VI. Out of 31 Commissionerates test checked, 14, 18 and 23 Commissionerates failed to achieve the recovery target fixed in 2011-12, 2012-13 and 2014-15 respectively. Audit noticed issues worth ₹ 566 crore in addition to the systemic and internal control deficiencies involving revenue of ₹ 1297 crore.

{Paragraphs 2.6.1 to 2.15}

VII. In the subject specific compliance audit of Preventive functions of Customs department where based on test check of 38 Commissionerates, Audit observed weaknesses in preventive functions due to inadequacy of resources, non-achievement of sea patrolling targets, unused patrolling vehicles, inadequate intelligence gathering, obsolete telecommunication equipment, old arms and ammunition and untrained staff. Audit noticed issues worth ₹ 1.75 crore and systemic deficiencies involving revenue of ₹ 5133 crore.

{Paragraphs 3.1 to 3.14}

VIII. Under compliance audit of Duty exemption/Remission schemes, Audit noticed mis-utilization of duty credit in respect of instruments issued under Chapter 3 of Foreign Trade Policy through manipulation of registration of scrip/use of scrip by deploying various methods indicating potential fraud. The money value involved in mis-utilisation of licences amounted to ₹ 51.70 crore.

{Paragraphs 4.1 to 4.1.5}

IX. Revenue of ₹ 409.96 crore was due from exporters/importers who had availed the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations/conditions.

{Paragraphs 4.2 to 4.7.1}

X. In compliance audit involving test check of assessment of Customs revenue, Audit noticed cases of incorrect assessment of customs duties having total revenue implication of ₹ 17.48 crore. These cases arose mainly due to non-levy of applicable anti-dumping duty on

imports, excess payment of drawback, delay in disposal of warehoused goods (liquor) and non-levy of safeguard duty etc.

{Paragraphs 5.1 to 5.7}

XI. On mis-classification of good, Audit noticed in 28 cases assessing officers mis-classified various imported goods which caused short levy/non-levy of customs duties of ₹ 10.01 crore.

{Paragraphs 6.1 to 6.10}

XII. Audit has pointed out incorrect application of general exemption notifications having total revenue implication of ₹ 5.64crore. In two cases, Audit noticed refund of additional duty of customs (SAD) on the basis of fabricated documents involving revenue of ₹ 2.34 crore. Audit noticed another seven cases of incorrect application of exemption notifications having total revenue implication of ₹ 3.30 crore.

{Paragraphs 7.1 to7.7}