

**Report of the
Comptroller and Auditor General
of India**

for the year ended March 2014

**Performance of
100% Export Oriented Unit (EOU) scheme**

**Union Government
Department of Revenue
Indirect taxes – Customs
No. 9 of 2015**

Laid on the table of Lok Sabha/Rajya Sabha _____

Table of Contents

Contents		Pages
Preface		i
Abbreviations		ii
Executive summary		iii
Chapter 1: Introduction		
1.1	Background	1
1.2	Objectives of the scheme	1
1.3	Administrative Set up	1
1.4	Audit objectives	2
1.5	Audit scope, sample and criteria	2
1.6	Provisions governing the Scheme	3
1.7	Salient Features of the Scheme	3
1.8	EOU/DTA unit vis-à-vis SEZ unit	4
1.9	Earlier Audit Report on 100% EOU Scheme	5
1.10	Non availability of the data in EOU's dedicated website	5
Chapter 2: Performance of EOUs and system issues		
2.1	Declining trend of EOUs	7
2.2	Performance of EOUs	7
2.3	Analysis of the scheme	10
Chapter 3: Internal control, audit and monitoring		
3.1	Internal audit arrangement	12
3.2	Annual Progress Report (APR)	13
Chapter 4: Cases of non compliance and Policy mis representation		
4.1	DTA sales	17
4.2	Short levy of duty at the time of exit from EOU Scheme	23
4.3	Incorrect availing of Cenvat Credit	23
4.4	Non levy of Service Tax	25
4.5	Irregular reimbursement of Central Sales Tax (CST)	26
4.6	Non receipt of re warehousing certificates	27
4.7	Insufficient/non execution of Bond	27
4.8	Removal of goods for job work without obtaining permission from jurisdictional authorities	28
4.9	Non availability of data of cases received for fixation of ad hoc norms and finalization thereof	28
4.10	Non-levy of duty on consumption of imported inputs/raw materials /consumables etc. other than those allowed under SION	30
4.11	Non-recovery of duty forgone on excess consumed imported inputs/raw materials	31

4.12	Violation of conditions of LoP	32
4.13	Foreign exchange not realised	34
4.14	Applicability of central excise exemption notifications issued under section 5A of the Central Excise Act, 1944 to EOU	35
4.15	Ambiguity in the FTP and CE notification	36
5	Conclusion	36
Appendices		39