

## CHAPTER I

### Customs Revenue

#### 1.1. Nature of Customs Duties

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

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

#### 1.2 Customs Revenue Base

**1.2.1** The Customs revenue base comprises of the Importers and Exporters issued with Importer Exporter Code (IEC) by the Directorate General of Foreign Trade (DGFT). As on March 2020, there are 3,06,011 active IECs. During FY 20, exports worth ₹22.19 lakh crore (1,37,43,809 transactions) through 405 Customs ports (203 EDI, 44 Non-EDI, 2 Manual & 156 SEZ ports) and ₹33.61 lakh crore worth of imports (1,20,87,439 transactions) through 437 Customs ports (183 EDI, 29 Non-EDI, 2 Manual & 223 SEZ ports) took place.

#### 1.3 Organisation and Functions of Administrative Departments

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

**1.3.2** The levy and collection of Customs Duty and cross-border preventive functions are administered by the CBIC through 20 Zones headed by Chief Commissioners across the country.

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

development and regulation of certain export oriented Industries and commodities.

**1.3.4** The FTP is implemented through the Regional Authorities (RAs) of DGFT who are responsible for providing IECs and granting licenses under various schemes of export promotion. During FY 20, there were 38 RAs located across India till October 2019; 14 RAs were merged. As on March 2020 there were 24<sup>1</sup> RAs in existence.

## **1.4 Customs Receipts**

**1.4.1** Customs Receipts, before the introduction of Goods and Services Tax (GST) in July 2017, comprised of the Basic Customs Duty (BCD), Additional Duty<sup>2</sup> and Special Additional Duty (SAD). All imports are also subjected to Social Welfare Surcharge (SWS) in place of Education Cess and Secondary and Higher Education Cess w.e.f. February 2018<sup>3</sup>. In addition, Anti-dumping duty, Countervailing duty (Section 9) and Safeguard duty are leviable wherever applicable

**1.4.2** After introduction of GST w.e.f. 1 July 2017, the Additional Duty and SAD on import of all commodities, except petroleum products and alcohol, have been subsumed and replaced by IGST. The IGST is in addition to the applicable BCD which is levied as per the Customs Tariff Act. In addition, GST compensation cess is also leviable on certain luxury and demerit goods under the GST (Compensation to States) Cess Act, 2017. Levy of anti-dumping duty and safeguard duty remains unchanged.

## **1.5 Budget Estimates and Actual Receipts**

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

**1.5.2** Budget Estimates (BE), Revised Estimates (RE) and Actual Customs Receipts during FY 16 to FY 20 are given in **Table 1.1** overleaf.

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<sup>1</sup> <https://www.dgft.gov.in/CP/?opt=dgft-organization>.

<sup>2</sup> Additional duty of Customs levied under Section 3 (1) of the Customs Tariff Act 1975 equal to excise duty, sales tax, local taxes and other charges, commonly known as Countervailing Duty.

<sup>3</sup> SWS is an additional charge on import of goods being levied under clause 108 of the Finance Bill (Act), 2018.

**Table 1.1: Budget and Revised Estimates, Actual Receipts**

Year	Budget estimates ₹ in Cr.	Revised estimates ₹ in Cr.	Actual receipts ₹ in Cr.	Diff. between Actual and BE ₹ in Cr.	Per cent variation between Actual and BE	Diff. between Actual and RE ₹ in Cr.	Per cent variation between Actual and RE
FY 16	2,08,336	2,09,500	2,10,338	(+)2,002	(+)0.96	(+)838	(+)0.40
FY 17	2,30,000	2,17,000	2,25,370	(-)4,630	(-)2.01	(+)8,370	(+)3.86
FY 18	2,45,000	1,35,242	1,29,030	(-)1,15,970	(-)47.33	(-)6,212	(-)4.59
FY 19	1,12,500	1,30,038	1,17,813	(+) 5,313	(+)4.72	(-)12,225	(-)9.40
FY 20	1,55,904	1,25,000	1,09,283	(-)46,621	(-)29.90	(-)15,717	(-)12.57

Source: Union Budget and Finance Accounts for respective years.

**1.5.3** The variation between RE and Actual Receipts ranged between (-)12.57 per cent to 3.86 per cent during FY 16 to FY 20. Variation between BE and Actuals was in the range of (-)47.33 per cent to 4.72 per cent during the same period.

**1.5.4** Actual Customs Receipts during FY19 were more than BE by 4.72 per cent (by ₹ 5,313 crore), while during FY 20, they were short by (-) 29.90 per cent (by ₹46,621 crore) in comparison to their BE. The variation between Actual Receipts and RE increased continuously from (-) 4.59 per cent in FY 18 to (-) 12.57 per cent in FY 20.

The Department of Revenue (DoR) stated (March 2021) that BE and RE for a financial year were fixed while taking various economic factors into account and the final outcome of these factors for the whole year was not known in advance.

## 1.6 Growth of Customs Receipts

**1.6.1 Table 1.2** below gives the relative growth of Customs Receipts with reference to Gross Domestic Product (GDP), Gross Tax Revenue (GTR) receipts and Gross Indirect Tax receipts during FY 16 to FY 20.

**Table 1.2: Growth of Customs Receipts**

Year	Customs Receipts ₹ in Cr.	Year on year growth per cent	GDP ₹ in Cr.	Customs Receipts as % of GDP	Gross Tax Revenue (GTR) ₹ in Cr.	Customs Receipts as % of GTR	Gross Indirect Taxes ₹ in Cr.	Customs Receipts as % of Indirect Taxes
FY 16	2,10,338	12	1,35,76,086	1.55	14,55,891	14.45	7,10,101	29.62
FY 17	2,25,370	7	1,51,83,709	1.48	17,15,968	13.13	8,62,151	26.14
FY 18	1,29,030	(-)43	1,67,73,145	0.76	19,19,183	6.72	9,16,445	14.07
FY 19	1,17,813	(-)09	1,90,10,164	0.62	19,68,456	5.99	8,43,177	13.97
FY 20	1,09,283	(-)07	2,03,51,013	0.54	20,10,059	5.44	8,59,122	12.72

Source: Finance Accounts for respective years

**1.6.2** Customs Receipts growth rates, on Year on Year (YoY) basis were in the range of 7 to 12 *per cent* during the years from FY 16 to FY 17, but exhibited a negative trend in FY 18 to FY 20 compared to the previous years. Customs Receipts have gradually declined from FY 18 to FY 20. This is partly because, after introduction of GST (July 2017), Additional Duty and SAD on imports, except petroleum products and alcohol, have been subsumed and replaced by IGST.

**1.6.3** During FY 20, the percentage of Customs Receipts to GDP was 0.54 *per cent* compared to 0.62 *per cent* in previous year FY 19. Customs Receipts as a percentage of GTR had declined to 5.44 *per cent* in FY 20 as compared to 5.99 *per cent* in FY 19. The decrease in percentage of Customs Receipts as compared to GDP/GTR during FY 18 to FY 20 was partly because, after introduction of GST, IGST is being collected under a different Accounting Head. The DoR stated that the decline in growth of Customs Receipts during FY 20 was because imports of edible oils, precious metals, electronic hardware and mineral fuels had dropped, which contributed to decline in Customs Duty collections.

**1.6.4** During FY 20, the Customs Receipts to GDP ratio was less than one *per cent* (0.54 *per cent*) while Customs Receipts as a percentage of GTR was 5.44 *per cent*. Customs Receipts as a percentage of Indirect taxes was 12.72 *per cent* during FY 20.

## 1.7 India's Imports and Exports

**1.7.1** Table 1.3 depicts the trend of growth of India's imports and exports during FY 16 to FY 20.

**Table 1.3: India's Import and Export**

Year	Imports ₹ in Cr.	% growth over previous year	Exports ₹ in Cr.	% growth over previous year	Trade Imbalance ₹ in Cr.
FY 16	24,90,298	(-) 9.00	17,16,378	(-) 9.49	(-)7,73,920
FY 17	25,77,422	3.49	18,52,340	7.92	(-)7,25,082
FY 18	30,01,033	16.44	19,56,515	5.62	(-)10,44,518
FY 19	35,94,675	19.78	23,07,726	17.95	(-)12,86,949
FY 20	33,60,954	(-)6.50	22,19,854	(-)3.81	(-)11,41,100

Source: EXIM Data, Ministry of Commerce & Industry

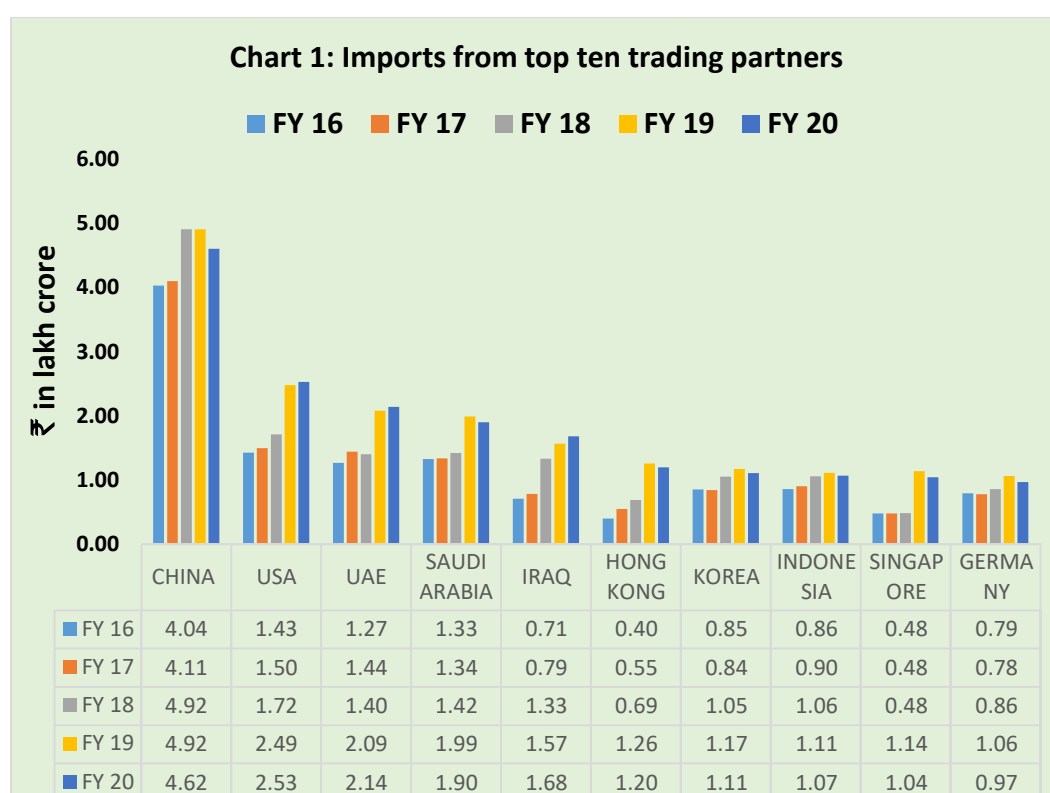
**1.7.2** India's imports decreased in value to ₹33.60 lakh crore during FY 20 from ₹35.95 lakh crore in FY 19, and exports also decreased to ₹22.19 lakh crore in FY 20 from ₹23.07 lakh crore in FY 19.

YoY growth rate of imports increased during FY 17 to FY 19 after a negative growth of (-) 9 *per cent* during FY 16, but declined during FY 20. The growth rate in exports also increased from (-) 9.5 *per cent* in FY 16 to 17.95 *per cent*

in FY 19. The YoY growth rate of imports dropped to (-) 6.50 *per cent* in FY 20 over FY 19, while YoY growth rate of exports also declined to (-) 3.81 *per cent* during the same period.

### 1.7.3 Trade with top 10 trading partners

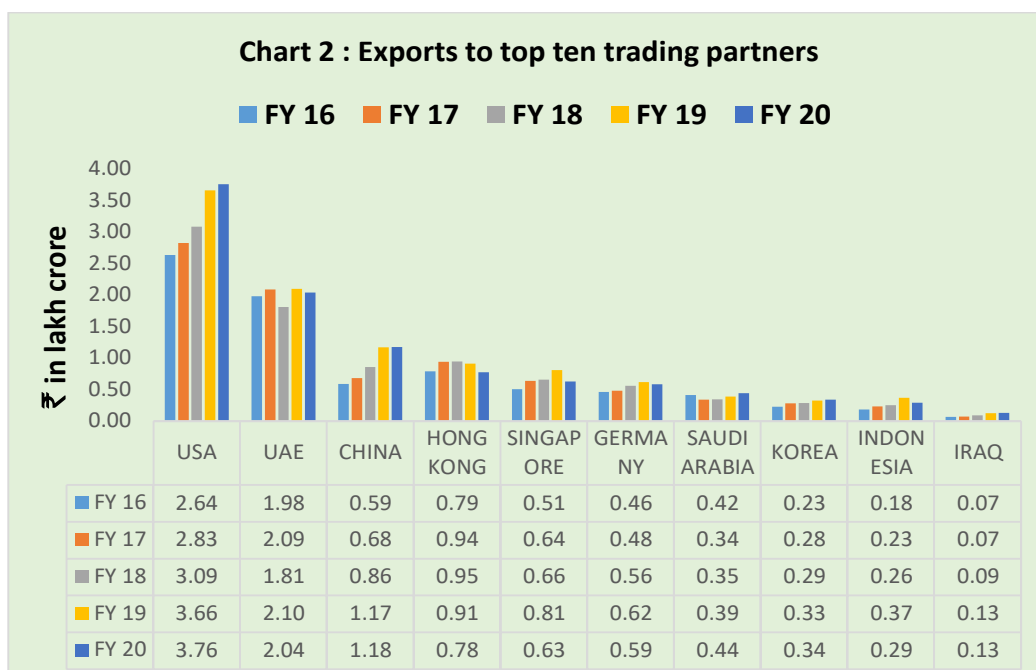
During the last five years (FY 16 to FY 20) India's major trading partners were China, USA, UAE, Saudi Arabia, Iraq, Hong Kong, Korea, Indonesia, Singapore and Germany. Of these, the share of imports in FY 20 of six out of 10 trading partners (Hong Kong, Singapore, Iraq, UAE, Saudi Arabia, USA) increased as compared to FY 16; with three partners (Germany, Indonesia, Korea) stagnated at the level it was in FY 16 and declined in respect of one country (China). **Chart 1** depicts the import share of top trading partners during last five years.



In terms of YoY growth of FY 20 and FY 19 over FY 18, imports from three partners (China, Korea, Indonesia) had declined, increased in respect of six partners ( USA, UAE, Saudi Arab, Iraq, Hong Kong, and Singapore), while it remained at the same level with one country (Germany).

Of these, exports in FY 20 to two countries (Iraq and China) as compared to exports in FY 16 have doubled, there was significant export growth with five partners (USA, Germany, Korea, Singapore, Indonesia), marginal growth with two partners (UAE, Saudi Arabia) and exports to one partner

have declined (Hong Kong). Exports to the top ten trading partners is depicted in **Chart 2**.



During FY 20 India's trade imbalance with its top 10 trading partners was 71 per cent {(-) ₹8,08,098 crore} of the total trade imbalance. The details of imports and exports from top ten trading partners during FY 20 are depicted in **Table 1.4**:

**Table 1.4: India's top 10 trading partners**

	FY 20	Values:	₹ in crore	
Rank	Country	Export	Import	Trade Balance
1	USA	3,76,166	2,53,363	1,22,803
2	China	1,17,673	4,61,525	-3,43,852
3	UAE	2,04,238	2,14,447	-10,209
4	Saudi Arabia	44,267	1,90,245	-1,45,978
5	Hong Kong	77,752	1,19,999	-42,247
6	Iraq	13,287	1,68,354	-1,55,067
7	Singapore	63,027	1,04,394	-41,367
8	Germany	58,723	96,928	-38,205
9	Korea RP	34,338	1,10,883	-76,545
10	Indonesia	29,299	1,06,727	-77,428
	<b>Total of Top Ten trading Partners</b>	<b>10,18,769</b>	<b>18,26,867</b>	<b>-8,08,098</b>
	<b>India's Total</b>	<b>22,19,854</b>	<b>33,60,954</b>	<b>-11,41,100</b>
	<b>% Share of Top Ten trading Partners</b>	<b>45.89</b>	<b>54.36</b>	<b>70.82</b>

Source: EXIM Data, Ministry of Commerce & Industry

Of the top ten trading partners, India ran a significant trade surplus with the United States (₹1,22,803 crore in FY 20), while it ran trade deficits with all its other major partners with China being the largest (₹3,43,852 crore in FY 20).

Imports from top 10 trading partners during FY 19 and 20 accounted for about half of the total imports made during the period (Table 1.5). Imports from six out of ten major trading partners during FY 20 had shown a declining trend as compared with imports made during FY 19. The major decline of (-) 6.21 *per cent* was in imports from China during FY 20. Imports from three out of ten major trading partners had increased during the same period.

**Table 1.5: Imports from top ten trading partners  
Year on Year growth FY 20 over FY 19**

Sl. No.	Country	FY 19 (₹ in crore)	% Share of Total Imports FY19	FY 20 (₹ in crore)	% Share of total imports FY 20	Growth % FY 20 over 19
1	China	4,92,079	13.69	4,61,525	13.73	-6.21
2	USA	2,48,554	6.91	2,53,363	7.54	1.93
3	UAE	2,08,551	5.80	2,14,447	6.38	2.83
4	Saudi Arabia	1,99,395	5.55	1,90,245	5.66	-4.59
5	Iraq	1,56,601	4.36	1,68,354	5.01	7.51
6	Hong Kong	1,25,972	3.50	1,19,999	3.57	-4.74
7	Korea	1,17,255	3.26	1,10,883	3.30	-5.43
8	Indonesia	1,11,149	3.09	1,06,727	3.18	-3.98
9	Singapore	1,13,919	3.17	1,04,394	3.11	-8.36
10	Germany	1,06,131	2.95	96,928	2.88	-8.67
	Sub total	18,79,606		18,26,865		
	%age		52.29		54.36	
	<b>Total</b>	<b>35,94,675</b>	<b>100.00</b>	<b>33,60,954</b>	<b>100.00</b>	<b>-6.50</b>

Source: EXIM Data, Ministry of Commerce & Industry

## 1.8 Share of Top Five Commodity groups in Imports and Exports during FY 20

1.8.1 Imports in FY 20 was led by five major commodity groups, namely,

- (i) Mineral fuels, Minerals oils and products (Chapter 27 of Customs Tariff)
- (ii) Natural or Cultured Pearls, Precious or semi-precious stones, Gold and articles thereof (Chapter 71 of Customs Tariff)
- (iii) Electrical machinery and equipment and parts (Chapter 85 of Customs Tariff)
- (iv) Machinery and appliances and parts (Chapter 84 of Customs Tariff) and

## (v) Organic chemicals (Chapter 29 of Customs Tariff)

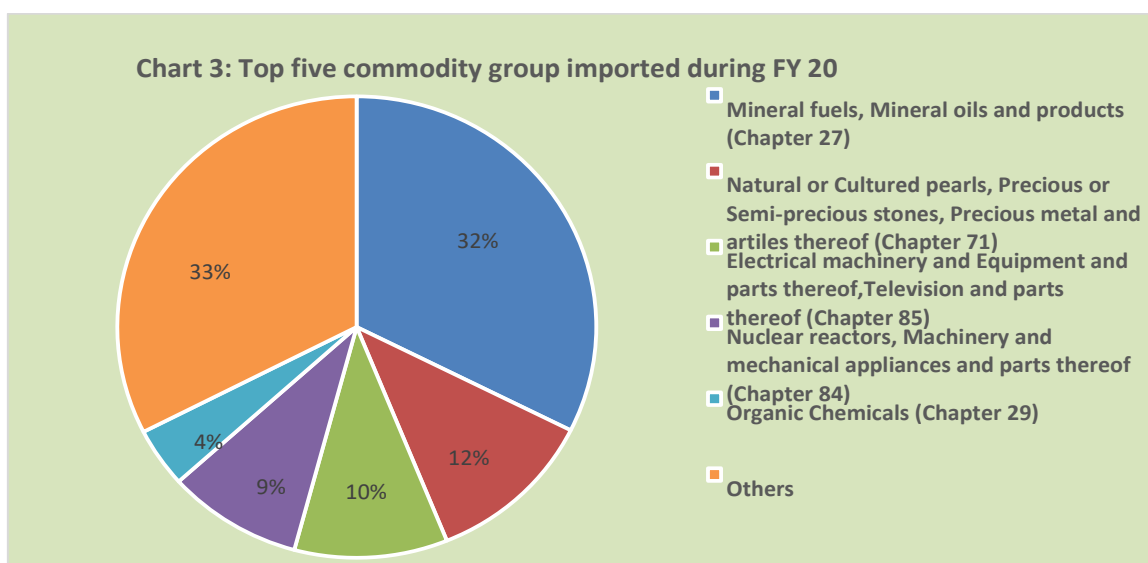
During the last 5 years (FY 16 to FY 20), there was a steady increase every year in respect of these top five commodity groups imported except in FY 20. The increase in imports during FY 20 was in the range of 4.24 *per cent* (Chapter 71) to 72.23 *per cent* (Chapter 27) over FY 16 (**Table 1.6**).

**Table 1.6: Top five import commodity groups**

Sl No.	Import Commodity group	FY 16 (₹ in crore)	FY 17 (₹ in crore)	FY18 (₹ in crore)	FY19 (₹ in crore)	FY20 (₹ in crore)	FY 20 over FY 16 (% growth)
1	Chapter 27	6,32,022	6,91,912	8,52,697	11,74,715	10,88,559	72.23
2	Chapter 71	3,69,481	3,60,262	4,81,705	4,51,505	3,85,140	4.24
3	Chapter 85	2,35,587	2,58,697	3,11,103	3,64,152	3,48,091	47.75
4	Chapter 84	2,15,429	2,15,230	2,43,816	3,06,368	3,07,067	42.54
5	Chapter 29	1,01,986	1,03,798	1,23,761	1,56,552	1,40,205	37.47
	Sub Total	15,54,505	16,29,899	20,13,082	24,53,292	22,69,062	
	% share of top five commodity groups	62	63	67	68	67	
	<b>Total</b>	<b>24,90,306</b>	<b>25,77,675</b>	<b>30,01,033</b>	<b>35,94,675</b>	<b>33,60,954</b>	

Source: Source: EXIM Data, Ministry of Commerce & Industry

The share of the top five commodity groups imported during FY 20 was 67 *per cent* as depicted in **Chart 3** below.

**1.8.2** The top five commodity groups exported during FY 20 were:

- (i) Mineral fuels, Minerals oils and products (Chapter 27 of Customs tariff)
- (ii) Natural or Cultured Pearls, Precious or semi-precious stones, Precious metals and articles thereof (Chapter 71 of Customs tariff)



- (iii) Nuclear reactors, Machinery and Mechanical appliances and parts thereof (Chapter 84 of Customs tariff)
- (iv) Organic chemicals (Chapter 29 of Customs tariff) and
- (v) Vehicles and parts and accessories thereof (Chapter 87 of Customs tariff) in their respective order.

All the major commodity groups exported have exhibited a steady increase every year during FY 16 to FY 20 except in FY 20 when the exports of these commodities have decreased over the previous year (**Table 1.7**).

**Table 1.7: Top five export commodity groups**

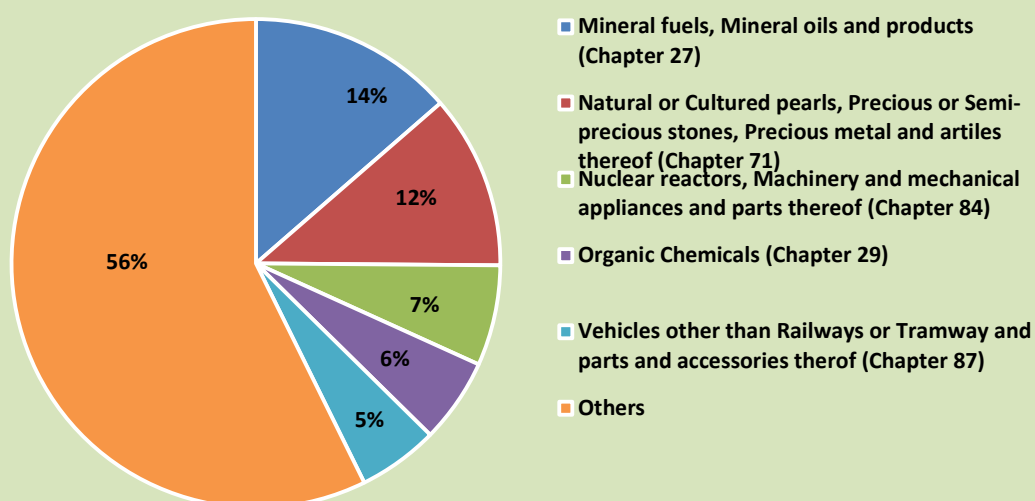
Sl.No.	Export Commodity group	FY 16 (₹ in crore)	FY 17 (₹ in crore)	FY 18 (₹ in crore)	FY 19 (₹ in crore)	FY 20 (₹ in crore)
1	Chapter 27	2,03,885	2,17,477	2,47,904	3,35,474	3,02,367
2	Chapter 71	2,59,183	2,92,314	2,69,116	2,82,794	2,55,441
3	Chapter 84	88,511	94,517	1,15,187	1,46,652	1,47,661
4	Chapter 29	75,295	78,386	95,381	1,27,567	1,23,867
5	Chapter 87	94,040	1,00,238	1,11,229	1,26,533	1,18,403
	Sub Total	7,18,688	7,82,932	8,38,817	10,19,020	9,47,739
	% share of top five commodity groups	42	42	43	44	44
	Others	9,95,470	10,66,502	11,17,698	12,88,706	12,72,115
	<b>Total Exports</b>	<b>17,16,384</b>	<b>18,49,434</b>	<b>19,56,515</b>	<b>23,07,726</b>	<b>22,19,854</b>

Source: EXIM Data, Ministry of Commerce & Industry

Growth of exports of Commodities in FY 20 over FY 16 was significant under Chapters 84, 29, 27 and 87 in that order, except commodities under Chapter 71, which have registered negative growth as compared to exports made in FY 16. **Chart 4** describes the growth of the top five commodity groups exported during FY 16 to FY 20.

The share of the top five commodity groups in exports during FY 20 was 44 *per cent* as depicted in **Chart 4**.

Chart 4: Top five commodity group exported during FY 20



## 1.9 Performance of Special Economic Zones

**1.9.1** The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10 February, 2006, providing for simplification of procedures and for single window clearance on matters relating to the Central as well as State Governments. The main objectives of the SEZ Act are:

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

While 421 SEZs were formally approved, 354 were notified as on 1 April 2020, of which only 248 SEZs were operational (**Annexure 1**).

**1.9.2** The three parameters of SEZ performance (i) Export performance, (ii) Investment and (iii) Employment for the period FY 16 to FY 20 are given in Table 1.8 below.

**Table 1.8: Performance of SEZs**

	FY 16	FY 17	FY 18	FY 19	FY 20
<b>Export performance (₹ in crore)</b>	4,67,337	5,23,637 (12%)*	5,81,033 (11%)*	7,01,179 (21%)*	7,96,669 (14%)
<b>Investment (₹ in crore)</b>	3,76,494	4,33,142 (15%)	4,92,312 (14%)	5,07,644 (3%)	5,71,735 (13%)
<b>Employment (in persons)</b>	15,91,381	17,78,851 (12%)	19,96,610 (12%)	20,61,055 (3%)	22,38,305 (8%)

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

Exports from SEZ, which stood at ₹7.96 lakh crore in FY 20, had overall growth of 70 per cent (₹3,29,332 Cr.) over exports made in FY 16. The YoY growth in exports had increased from one per cent in FY 16 to 14 per cent in FY 20 as compared to previous years (Table 1.8 and Annexure 1). The exports growth shrank to 14 per cent in FY 20 compared to FY 19 (21 per cent).

**1.9.3** A total of ₹5.71 lakh crore has been invested in SEZs as of FY 20 which resulted in generation of employment for 22.38 lakh persons. The cumulative investment had registered a growth of 52 per cent in FY 20 over investment of ₹3.77 lakh crore as of FY 16. During the same period, employment generated had registered a growth of 41 per cent (Table 1.8 and Annexure 1).

### 1.10 Cost of Collection of Customs Receipts during FY 16 to FY 20

**1.10.1** Cost of collection is the cost incurred on collection of Customs Duties and comprises of expenditure on Import/Export Trade control functions, preventive functions, transfers to reserve fund/deposit account and other expenditure.

**1.10.2** The cost of collection of Customs Receipts for FY 20 was 4.24 per cent of Customs Receipts<sup>4</sup>. The cost of collection of Customs Receipts for the period from FY 16 to FY 20 is given in Table 1.9.

**Table 1.9: Cost of Collection during FY 16 to FY 20**

Year	Expenditure on Revenue-cum Import /export and trade control functions	Expenditure on preventive and other functions	Transfer to Res. Fund, Deposit A/c and other expenditure	Total Expenditure	Customs Receipts	Cost of collection as percentage of Customs Receipts
	₹ in Cr.	₹ in Cr.	₹ in Cr.	₹ in Cr.	₹ in Cr.	
1	2	3	4	5	6	7
FY 16	412	2,351	36	2,799	2,10,338	1.33
FY 17	544	2,771	7	3,322	2,25,370	1.47
FY18	640	3,262	39	3,941	1,29,030	3.05
FY 19	743	3,667	9	4,419	1,17,813	3.75
FY 20	753	3,871	0	4,634	1,09,283	4.24

Source: Finance Accounts of the Union Government for respective years

**1.10.3** Expressed in terms of percentage of Customs Receipts, cost of collection ranged between 1.33 per cent (FY 16) to 3.75 per cent (FY 19). The cost of collection had increased to 4.24 per cent in FY 20 compared to FY 19 (3.75 per cent). On implementation of GST, IGST on import and

<sup>4</sup> Note: This does not include expenditure incurred in formulating, implementing and monitoring the FTP through DGFT, which falls under the Ministry of Commerce.

export is levied and collected by the Customs Department but the IGST receipts are booked under the GST Accounting Head.

### 1.11 Arrears of Customs Duties

**1.11.1** Recovery of arrears is the overall responsibility of the jurisdictional commissioners. They are required to review and monitor the functions of the recovery cell functioning within the Commissionerates. As per Ministry of Finance circular dated 15 December 1997, a “Recovery Cell (RC)” should be created in each Customs Commissionerate for making recovery of Government dues. Every year, recovery targets are fixed for each Commissionerate.

**1.11.2** The arrears of Customs Duty are duties which have been raised by the Department but have not been recovered due to various reasons like pendency of adjudication, disputed claims, and provisional assessments. Customs arrears amounted to ₹45,052 crore as on 31 March 2020. Customs revenue arrears for FY 16 to FY 20 are depicted in **Table 1.10**.

**Table 1.10: Arrears of Customs Duties**

Year	Arrear of Customs Duties under dispute ₹ in Cr.	Arrear of undisputed Customs Duties ₹ in Cr.	Total ₹ in Cr.	Percentage of disputed arrears to total arrears	Percentage of undisputed arrears to total arrears
FY 16	12,300	12,322	24,622	49.95	50.04
FY 17	21,780	4,700	26,480	82.25	17.75
FY 18	18,836	5,849	24,685	76.31	23.69
FY 19	27,972	7,855	35,827	78.08	21.92
FY 20	36,951	8,101	45,052	82.02	17.98

Source: DG Performance management (TAR), Customs, Goods and Services Tax letter dated 10 February 2021

**1.11.3** The arrears of Customs Duties have risen steadily during FY 16 to FY 20, except in FY 18. The total arrears of Customs revenue pending as on March 2020 (₹45,052 crore) had increased by 25.75 *per cent* in comparison to pendency as on March 2019 (₹35,827 crore). The overall arrears of Customs Duties have grown by 83 *per cent* in FY 20 (₹45,052 crore) compared to FY 16 (₹24,622).

**1.11.4** Amount of arrears under dispute as a proportion to total arrears rose from 50 *per cent* in FY 16 to 82 *per cent* for the FY 20 and stood at ₹36,951 crore; correspondingly, the percentage of undisputed arrears have come down to 18 *per cent* of total arrears in FY 20 from 50 *per cent* in FY 16.

**1.11.5** Details of targets fixed and achievement for recovery of Customs Duties arrears during FY 16 to FY 20 are depicted in **Table 1.11** overleaf.

**Table 1.11: Target of Recovery of Customs Duties arrears fixed and achieved of during FY 16 to FY 20**

Year	Arrear Target (₹ in Cr.)	Target Achieved (₹ in Cr.)	Target Shortfall (₹ in Cr.)	Target Excess achieved (₹ in Cr.)	Percentage of Shortfall	Percentage of Excess achieved
FY 16	2,500	825	(-)1,675	-	(-)66.99	-
FY 17	1,000	1,284	-	284	-	28.44
FY18	1,000	1,092	-	92	-	9.25
FY 19	4,315	2,159	(-)2,156	-	(-)49.97	-
FY 20	4,044	1,952	(-)2,092	-	(-)51.73	-

Source: DG Performance management (TAR), Customs, Goods and Services Tax letter dated 10 February 2021 Note: Total/ Sub-total may slightly due to rounding off.

As can be seen above, the target for arrears recovery fluctuated during the period FY 16 to FY 20. Further, the targets fixed by CBIC were not being achieved by the Department. The shortfall in target achieved was (-) 51.73 *per cent* in FY 20. There was a continuous shortfall in achieving the targets fixed to recover Customs Duties arrears since the previous two years (FY 19 and FY 20) except in FY 18 and FY 17 when the achievement exceeded the targets fixed.

**1.11.6** Out of total 20 Zones (11 Customs Commissionerates and 9 combined Commissionerates (Customs and GST), 10 zones accounted for 85.68 *per cent* (₹38,600 crore) of the total arrears pending (₹45,052 crore) during FY 20 as shown in **Table 1.12** given below.

**Table 1.12: Zone wise arrears of Customs Revenue as on 31 March 2020**

Sl. No.	CC Zones	Amount under Dispute ₹ in Cr	Amount Undisputed ₹ in Cr	Amount pending as on 31.03.20 ₹ in Cr
1	Mumbai - II CUS	11,371	663	12,034
2	Ahmedabad CUS	4,614	741	5,355
3	Bengaluru CUS	4,484	155	4,639
4	Delhi CUS	2,473	1,803	4,276
5	Mumbai - III CUS	2,266	267	2,533
6	Chennai CUS	1,825	464	2,289
7	Bhopal CE & GST	1,143	1,021	2,164
8	Mumbai - I CUS	1,629	301	1,930
9	Bhubaneshwar CE & GST	1,907	1	1,908
10	Kolkata CUS	1,145	329	1,474
	Sub-Total	<b>32,857</b>	<b>5,743</b>	<b>38,600</b>
11	Others	<b>4,094</b>	<b>2,357</b>	<b>6,451</b>
	<b>Grand Total</b>	<b>36,951</b>	<b>8,101</b>	<b>45,052</b>

Source: DG Performance management (TAR), Customs, Goods and Services Tax letter dated 10 February 2021

**1.11.7** Age wise arrears of Customs revenue for FY 16 to FY 20 are depicted in **Table 1.13** below.

**Table 1.13: Age wise pendency of arrears of Customs Revenue for FY 16 to FY 20**

Year	Amount under dispute (₹ in Cr.)				Amount not under dispute (₹ in Cr.)				Grand total (col.5+9)
	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.2+3+4)	Less than 5 years	Five years but < 10 years	More than 10 years	Total (Col.6+7+8)	
1	2	3	4	5	6	7	8	9	10
FY 16	8,681	2,494	1,125	12,300	5,162	4,714	2,446	12,322	24,622
FY 17	17,919	2,716	1,145	21,780	2,538	1,245	917	4,700	26,480
FY 18	15,554	2,279	1,005	18,836	3,931	980	938	5,849	24,685
FY 19	24,670	2,373	929	27,972	5,361	831	1,663	7,855	35,827
FY 20	29,226	6,128	1,597	36,951	6,243	864	994	8,101	4,5052

Source: DG Performance management (TAR), Customs, Central Excise & Services

Agewise analysis of undisputed arrears for FY 20 revealed that out of the total of ₹8,101 crore, ₹1,858 crore (23%) was lying unrecovered for more than five years, of which an amount of ₹994 crore was pending for recovery for more than ten years.

## 1.12 Internal Audit

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

**1.12.2** The details of technical internal audits planned and conducted by DG (Audit) for the year FY 20 were not provided by CBIC.

**1.12.3** Pr. CCA conducts internal audit of payments and accounts of CBIC and its field formations. According to information given by the CBIC on the audit comments raised by Pr. CCA during 2019-20, 119 observations amounting to ₹18,067 crore<sup>5</sup> were pending as on 31 March 2020. These mainly consisted of the following irregularities:

<sup>5</sup> Pr. CCANo. IA /NZ/HQ/CAG/Information/2020-21/491 dated 25 February 2021

- a) Non recovery of dues from Government Department/State Government bodies/Private parties/ Autonomous bodies: ₹7,605 crore;
- b) Blocking of government money: ₹5,281 crore;
- c) Other irregularities: ₹5,181 crore.

The amount involved (₹18,067 crore) in internal observations pending as on 31 March 2020 had shown an increasing trend over pendency as on 31 March 2019 (₹9,040 crore).

### **1.13 Tax Evasion and Seizures**

**1.13.1** According to information furnished by Directorate of Revenue Intelligence (DRI), the number of duty evasion cases moved up from 631 in FY 16 to 761 in FY 20 while the value decreased from ₹2,926 crore to ₹2,183 crore during the same period (**Annexure 2**). However, details of recoveries made during FY 20 in cases detected were not provided.

**1.13.2** According to the profile of seizures by value of specified major commodities during FY 20, as per DRI , New Delhi, the major commodities involved are narcotics, gold, foreign currency, vehicles/vessels and electronic items (including computer parts).

