

DUTY DRAWBACK SCHEME

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventh Report (16th Lok Sabha)]

**MINISTRY OF FINANCE; DEPARTMENT OF REVENUE,
CENTRAL BOARD OF EXCISE AND CUSTOMS**

**PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

TWENTY - NINTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2061

TWENTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE (2015-16)

(SIXTEENTH LOK SABHA)

DUTY DRAWBACK SCHEME

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventh Report (16th Lok Sabha)]

MINISTRY OF FINANCE, DEPARTMENT OF REVENUE,
CENTRAL BOARD OF EXCISE AND CUSTOMS



Presented to Lok Sabha on:

16.12.2015

Laid in Rajya Sabha on:

16.12.2015

LOK SABHA SECRETARIAT
NEW DELHI

December, 2015 / Agrahayana, 1937 (Saka)

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2015-16)	(iii)
INTRODUCTION	(iv)
CHAPTER I Report	1
CHAPTER II* Observations/Recommendations which have been accepted by the Government	14
CHAPTER III* Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government	45
CHAPTER IV* Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration	47
CHAPTER V* Observations/Recommendations in respect of which the Government have furnished interim replies	51

APPENDICES*

I	Minutes of the Fifteenth Sitting of the Public Accounts Committee (2015-16) held on 9 th December, 2015	52
II	Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Seventh Report (Sixteenth Lok Sabha)	54

**Not appended to the cyclostyled copy of the Report*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Shri Tirthankar Das - Additional Director
4. Shri Deepankar Kamble - Committee Officer

INTRODUCTION

I, the Chairman, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Twenty-ninth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventh Report (Sixteenth Lok Sabha) on 'Duty Drawback Scheme' relating to Ministry of Finance, Department of Revenue - Central Board of Excise & Customs.

2. The Seventh Report was presented to Lok Sabha/laid in Rajya Sabha on 11th December, 2014. Replies of the Government to the Observations/Recommendations contained in the Report were received on 9th June, 2015. The Public Accounts Committee considered and adopted the Twenty-ninth Report at their sitting held on 9th December, 2015. Minutes of the sitting are given at *Appendix-I*.

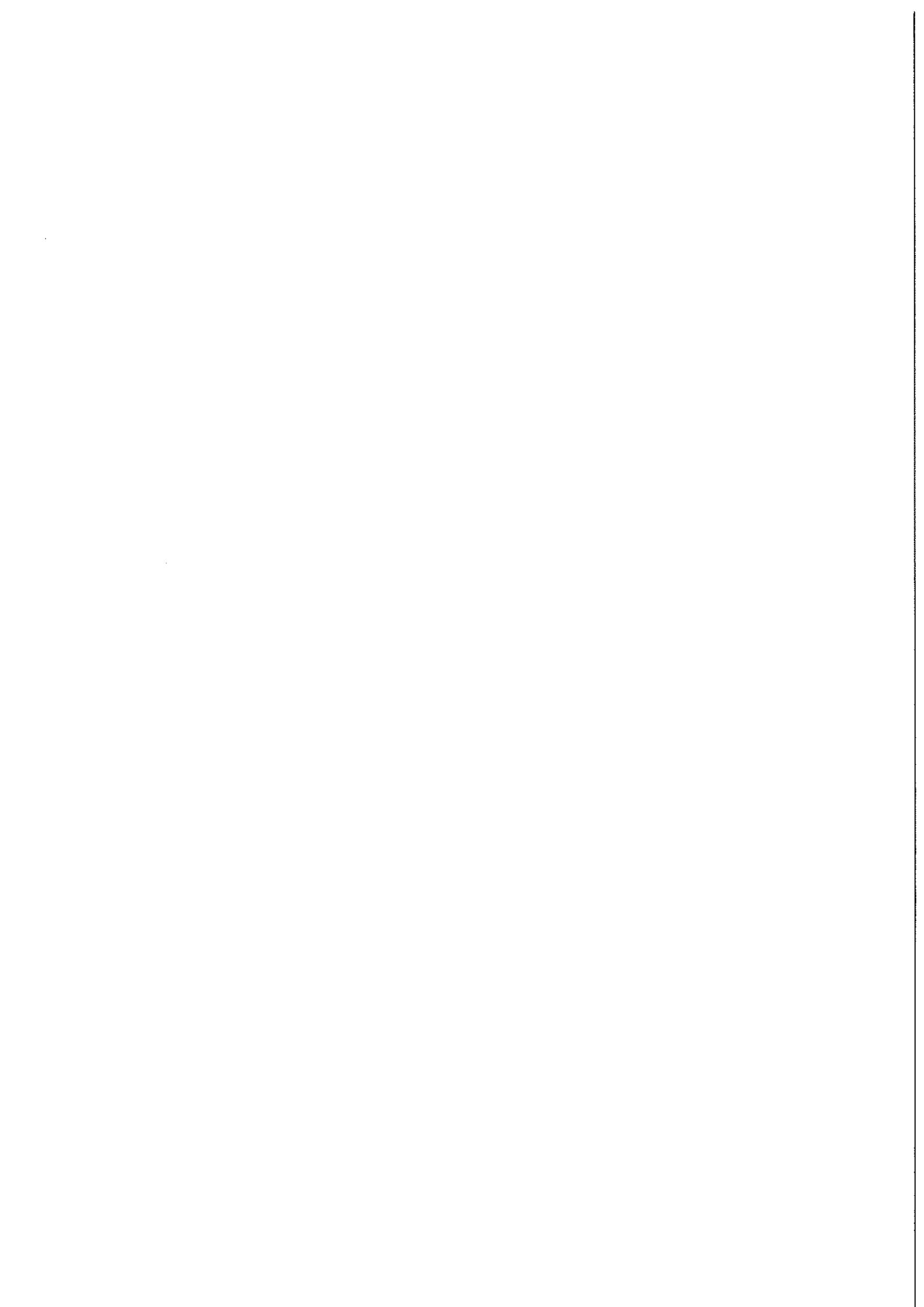
3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Seventh Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
9th December, 2015
18 Agrahayana, 1937 (Saka)

PROF. K. V. THOMAS,
Chairperson,
Public Accounts Committee



CHAPTER - I REPORT

This Report of the Public Accounts Committee deals with Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Seventh Report (Sixteenth Lok Sabha) on "Duty Drawback Scheme" based on Section - II of the C&AG Report No. 15 of 2011-12 relating to the Ministry of Finance, Department of Revenue (Central Board of Excise & Customs).

2. The Seventh Report (Sixteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 11th December, 2014. It contained 26 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Finance, Department of Revenue (Central Board of Excise & Customs) and are categorized as under:

- (i) Observations/Recommendations of the Committee which have been / accepted by the Government:

Paragraph Nos. 1, 4-7,9-24 and 25

**Total: 22
Chapter- II**

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Paragraph No. 8

**Total: 01
Chapter- III**

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Paragraph Nos. 2 and 3

**Total: 02
Chapter- IV**

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Paragraph No. 26

**Total: 01
Chapter- V**

3. The Committee desire that the Ministry of Finance (Department of Revenue) furnish the final/conclusive Action Taken Note on the Observation/Recommendation No. 26 of their Seventh Report (Sixteenth Lok Sabha) in respect of which the Ministry have furnished interim reply.

4. The Action Taken Notes furnished by the Ministry of Finance, Department of Revenue (Central Board of Excise & Customs) on the Observations/Recommendations of the Committee contained in their Seventh Report (Sixteenth Lok Sabha) have been reproduced in the relevant Chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the Action Taken by the Government on some of their Observations/Recommendations which either need reiteration or merit comments.

1. **Identification of Goods**
(Recommendation Para No. 2)

5. The Committee were constrained to find that the rules which lay down parameters for identification of goods in case of re-exports are not only inadequate but also beset with discrepancies. Audit in their test check found 12 cases of discrepancy in parameters like dimension, gross weight, chemical properties etc. involving drawback payment of ₹1.42 crore due to discrepancies and ambivalence in the rules. In the absence of specific instructions, the establishment of such identity remained with the discretion of the Assistant Commissioner of Customs concerned leading to the discrepancies. To the suggestion to issue supplementary rules for ensuring accurate identification of re-exported goods, the Ministry replied that necessary instructions in this regard inter-alia emphasizing physical verification and passing of speaking orders had been issued vide Circular No. 46/2011-Cus dated 20.10.2011. While the effectiveness of this measure remains to be seen, the Committee urge the Ministry to initiate tangible measures for removal of lapses, irregularities and discrepancies in the identification of the goods for re-export. Taking note of the fact that due to the spread of commodities under re-export, it may not be possible to lay down specific parameters in each and every case as these would constrict and restrict the officers' capacity to exercise due diligence in identifying the goods and would lead to routine denials of benefit to exporters, the Committee recommend that suitable mechanism be put in place to prevent negative discretion of

the customs officials concerned so as to help ensure identification of re-exported goods with the originally imported goods as well as cross verification of the physical properties of goods placed for re-export alongwith documentary declarations.

6. The Ministry in their Action Taken Notes have stated as under:

"The Ministry's instruction (Circular no. 46/2011-Cus dated 20.10.2011) requires the field formations to pass speaking order giving detailed reasons with regard to establishing the identity of the goods or otherwise in each case under Section 74 of Customs Act, after following principles of natural justice. This ensures statutory review, by the Commissioner, on the aspect of legality and propriety of each decision of the Assistant Commissioner. It also allows an aggrieved exporter to file an appeal against the said decision. This measure of quasi-judicial decision making ensures that all aspects get considered. It has the inbuilt mechanism to rectify a decision in which the identification of the goods may not have been satisfactory. Thereby, it prevents the exercise of discretion with less than due diligence.

a) It is ascertained that, between November 2011 and October / 2014, 4205 speaking orders were passed by Assistant Commissioners w.r.t. Section 74 of Customs Act. Of this, 138 decisions were in the nature of rejection in which 61 involved the ground that identity of the goods was not established. In addition, 17 decisions were reviewed by the Commissioner and ordered for filing of appeal in which 5 decisions were such where Commissioner held the view that the identity had been incorrectly held as established.

b) Therefore, it is submitted that the measure is working effectively".

7. The Committee note that instead of taking any tangible measures, as recommended by the Committee, for removal of lapses/irregularities and discrepancies in the identification of goods for re-export, the Ministry have simply highlighted their Circular No. 46/2011-Cus dated 20th October, 2011, which, was considered adequate enough for establishing the identity of the goods. Moreover, the Ministry claimed that the existing system provides an in-built mechanism to rectify a decision in which the identification of the goods may not be satisfactory. However, the Committee have been given to understand that Audit in their test check had found 12 cases of discrepancy in parameters like dimension, gross weight, chemical proportion etc. involving drawback payment of ₹ 1.42 crore due to discrepancies and ambivalence in the rules. This clearly reveals the inherent inadequacies in the existing system to

prevent negative discretion of the customs officials concerned so as to help ensure appropriate identification of re-exported goods. While reiterating their earlier recommendation, the Committee, further urge the Ministry to consider framing rule under 74(3) of the Customs Act indicating broad parameters for identification of re-exported goods with the imported items, so that an effective mechanism could be in place. The Committee may be apprised of the action taken in this regard.

II. **Determination of Use**
(Recommendation Para No. 3)

8. In their Seventh Report (Sixteenth Lok Sabha), the Committee had found that no CBEC instruction existed specifying how to determine whether goods were "used" or not and thereby resulting in fraudulent claim of drawback in many cases. Audit in their test check found 55 cases involving drawback payment of ₹ 1.74 crore where a large number of goods fulfilled the criteria for "used after import", but were treated as unused goods. Such gross misuse of this provision indicated defects in the rules requiring the exporters to make declaration whether the goods had been put into use or not after importation in the Shipping Bill. The Committee were informed that the Ministry had since issued instructions *vide* Circular No. 46/2011 – Customs dated 20.11.2011 in respect of duty drawback claims under Section 74 and the Assistant/Deputy Commissioner of Customs should pass a speaking order following the principles of natural justice giving detailed reasons with regard to determination of use, if any, while sanctioning drawback thus making it a quasi-judicial process for ensuring proper examination of the cases. The Committee, had however, found that between November 2011 and June 2013, a total of 2442 speaking orders were passed and in 13 cases the Commissioners were not satisfied with the legality and propriety of the decisions and ordered filing of appeal. Deeply concerned over the functioning of the field formations and the concerns expressed by the Commissioners, the Committee had urged the Ministry to put in place a robust monitoring system so that fraudulent claim of drawback on "used after import goods" could be prevented. The Committee had also desired the Ministry to earnestly act in the 55 cases involving ₹ 1.74 crore relating to determination of use reported by Audit and recover the drawback fraudulently claimed by the exporters.

9. The Ministry in their Action Taken Notes have stated as under:

"(i) Out of the 55 cases observed by Audit, in 27 cases the goods were either unused or lower drawback was paid taking into account that goods were used. Of the remaining 28 cases, recovery effected in 18 cases, demand confirmed in 7 cases, and 3 cases are under adjudication. The exporters have filed appeal in all 7 cases where demand was confirmed and 1 case is decided in appeal wherein the demand has been set aside.

(ii) Ministry submits that the quasi-judicial process introduced in year 2011 for determining use of goods, after the exporter has made its declaration on this aspect in the shipping bill, is a robust system since the senior officer, namely the Commissioner is statutorily bound to examine each decision of the Assistant Commissioner and be satisfied that the determination of use or non-use of the goods after import was legal and proper. This process of review by Commissioner and the Commissioner ordering filing of appeal when it is not satisfied about the correctness of the decision provides the inbuilt mechanism that acts as a counter-check preventing higher than due drawback on goods that have actually been used after import. Moreover, the fact that there shall be a statutory review acts as a forceful factor in ensuring proper decisions based on full facts by the quasi-judicial authority".

10. The Committee regret to note that the Ministry have not taken any concrete action in pursuance to their recommendations regarding monitoring mechanism to prevent fraudulent claims of draw back on "used after import goods". Further, the Committee are not convinced by the replies submitted by the Ministry and are of the view that findings of the C&AG on 55 test checked cases reveal only tip of the iceberg. The Ministry have not made sincere efforts to find out similar such cases, lying undetected, and recover the duty draw back fraudulently claimed by the exporters. The Ministry have simply explained the mechanism that existed prior to December, 2014 in dealing with the issue of determination of use. Moreover, the Ministry seem to have too optimistic view regarding the efficiency of their Circular No. 46/2011-Customs dated 20th November, 2011 as if it is a panacea for curing all the ills associated with the Duty Drawback Scheme in general and the determination of use in particular. The very fact that between November, 2011 and June, 2013, a total of 2442 speaking orders were passed and in 13 cases the Commissioners were not satisfied with the loyalty and propriety of the decisions and ordered filing of appeals is a clear testimony that the existing system was inadequate to check the Duty Drawback Scheme. The Committee, therefore, hope that the Ministry will make all out efforts to fix loopholes in the existing mechanism and rectify

the same to make it more effective in checking the Duty Drawback Scheme. The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to put in place a robust monitoring mechanism so that fraudulent claim of drawback on "used after import goods" is prevented.

**III. Time Barred Claims and Delayed Replies to Deficiency Memo
(Recommendation Para No. 4)**

11. In their Seventh Report (Sixteenth Lok Sabha), the Committee were perturbed to find that against Rule 5 of Re-export of Imported Goods Rules, 1995, Audit found 54 cases in Bengaluru, Chennai, Delhi, Hyderabad - II and Kandla where time barred claims were admitted and drawback to the tune of ₹ 1.19 crore was made. Worse, in 171 claims filed in ACC Shamsabad under Hyderabad - II, the Department had neither affixed receipt stamp nor issued acknowledgement in any of these cases. The Ministry had conceded that such instances may have arisen from lesser than desired diligence. The Ministry had also informed that necessary instructions had been issued directing field formations to, *inter-alia*, ensure due diligence in the application of the aforesaid Rule 5. While urging for meticulous compliance of the instructions to avoid further instances of time barred claims, the Committee had urged the Ministry to periodically review the effectiveness of the extant Rules and Instructions in this regard so that the system would be able to evolve itself and meet the emerging challenges. The Committee had further desired the Ministry to recover the drawback payment made on time barred claims and take suitable corrective action in the matter.

12. The Ministry in their Action Taken Notes have stated as under:

"(i) The provisions of Rule 5 of Re-export of Imported Goods Rules, 1995 do not require any change. To ensure due diligence in application of this Rule; it was also clarified vide Circular No. 35/2013-Customs dated 05.09.2013 that the speaking order to be issued by Assistant Commissioner in Section 74 cases must invariably cover the aspect how the provisions of said Rule 5 had been satisfied or not satisfied.

(ii) It is ascertained that between November 2011 and October 2014, 4205 speaking orders were passed by Assistant Commissioner w.r.t. Section 74 of Customs Act. Of this, 138 decisions were in the nature of rejection in which 40 involved the ground that provisions of Rule 5 were not complied. In addition, 17 decisions were reviewed by Commissioner and ordered for filing of appeal in which 2 decisions were such where Commissioner held the view that Rule 5 had been incorrectly held as complied.

(iii) Accordingly, a framework that can effectively deal with the issue of maintaining due diligence with the application of Rule 5 has been put in place by the Ministry.

(iv) The corrective action in the 54 cases is being pursued by the field formations. The present status of the 54 cases is as follows:

- (a) in 40 cases demands are set aside by Commissioner (Appeals),
- (b) in 3 cases the show cause notices were dropped as claims were determined to be within time,
- (c) in 4 cases demand is confirmed, and
- (d) in 6 cases recovery stands made
- (e) in 1 case the observation was not admitted by Ministry".

13. The Committee are disturbed to note that out of 54 cases pointed out by Audit where time barred claims were admitted and drawback to the tune of ₹ 1.19 crore was made, recovery was made in only 6 cases and demand confirmed in only 4 cases whereas in 40 cases, demands were set aside by the Commissioner (Appeals). This indicated that there was widespread discrepancy in the application of the provisions of Rule 5 by the Assistant Commissioner and the Commissioner thereby hindering smooth implementation of the Duty Drawback Scheme. The Committee desire the Ministry to take stringent action in the matter. However, the Committee are pleased to note that in pursuance of their recommendations, the Ministry have now put in place a framework that can effectively deal with the issue of maintaining due diligence with the application of Rule 5 of Re-export of Imported Goods Rules, 1995. The Committee would, therefore, like the Ministry to periodically review the application and effectiveness of the extant Rules and Instructions in this regard so that the system is able to evolve itself and meet the emerging challenges.

IV. Realisation of Export Proceeds (Recommendation Para No. 7)

14. In their Seventh Report (Sixteenth Lok Sabha), the Committee were concerned to note that the instruction issued by the CBEC in February 2009 for monitoring the realization of export proceeds through the Bank Realisation Certificate (BRC) module had not been followed by the field formations uniformly. While monitoring work had been initiated and Show Cause Notices were being issued to

the defaulting exporters in six Commissionerates (Ahmedabad, Kandla, Chennai Sea, JNCH, Mumbai, Bengaluru)/ICDs (Tughlakabad, Patparganj and Rajsico), monitoring of realization through the BRC module had not been introduced in six Commissionerates viz. Kolkata (Port), Kolkata (Airport), Hyderabad II, Ahmedabad, Kandla and Cochin. In Bengaluru Commissionerate, where the monitoring had been initiated, Audit found that 150 letters issued to exporters asking for submission of BRCs for exports involving drawback payment of ₹27.23 crore between 2004 and 2007, returned undelivered. In NCH, Delhi, the BRC module was unable to track outstanding realization due to technical problems. These indicate crippling failure of the CBEC in exercising their authority over the Commissionerates and field formations. The Committee were apprised that a slew of measures had been taken up by the Ministry for timely submission of Bank Realisation Certificates by all the exporters and entering the same into the system promptly. While appreciating these initiatives which would help proper realization of export proceeds and monitoring thereof, the Committee recommend that corrective/punitive action be taken against those Commissionerates and field formations which failed to comply with the instructions of the CBEC. Besides, the cases of non-delivery of 150 letters to exporters in Bengaluru Commissionerate should be probed and appropriate punitive action taken against those found guilty. The Committee further desire that all the Customs units/locations in the country should be computerized under an integrated IT network and operationalised for achieving an improved performance in realization of export proceeds.

15. The Ministry in their Action Taken Notes have submitted as under:

"a) In the initial stages of introduction of the BRC module there was variation in the pace of implementation at different locations. However, all EDI locations including Kolkata (Port), Kolkata (Airport), Hyderabad II, Ahmedabad, Kandla and Cochin have implemented monitoring of realization of export proceeds in drawback cases through the BRC module as instructed by CBEC.

b) With respect to the Audit mentioning about the 150 letters (asking for submission of BRCs) being returned undelivered, it is stated that Bengaluru Customs have reported that at show cause notice stage there were 107 cases that were returned undelivered and respective Importer-Exporter codes were deactivated by DGFT. In 13 cases, the demands were dropped as exporters produced evidence of realization

of export proceeds. In 87 cases demands were confirmed and 7 cases are in adjudication.

c) An integrated IT network is already in place for processing of Imports and Exports data by Indian Customs EDI System (ICES). It is the constant endeavour of CBEC to ensure that all Customs locations in the country are brought onto EDI System at the earliest. However, several reasons like very less volume of business, connectivity issues & remoteness of the locations can be a hindrance. The number of Customs EDI locations has increased from 114 to 124 between September 2013 and April 2015. The remaining sites are being taken up for computerization and networking, based on prioritization which is dependent on criteria including the urgency of the requirement, impact on revenue collection, mitigation of possibilities of fraud, cost involved, addressing concerns of maximum stakeholders, etc".

16. The Committee recommended that corrective/punitive action be taken against those Commissionerates and field formations, which failed to comply with the instructions of the CBEC as well as to probe and take appropriate action against concerned officials in the cases of non-delivery of 150 letters to exporters in Bengaluru Commissionerate. The Committee find that the Ministry's reply is conspicuously silent on the issue of taking punitive action against those Commissionerates/field formations which failed to comply with the instructions of the CBEC. The Committee feel that unless such lapses are dealt with some amount of reasonable strictness, the instructions issued by the CBEC will not be taken seriously by the Commissionerates/field formations. While reiterating their earlier recommendation, the Committee once again urge upon the Government to take punitive action against those Commissionerates/field formations, which failed to comply with the instructions of the CBEC, under intimation to the Committee. The Committee also desires to be apprised of the target date of completion and networking of all the remaining Customs EDI locations in the country for centralised monitoring and timely realisation of export proceeds.

**V. Customs Overseas Intelligence Network
(Recommendation Para No. 18)**

17. In their Seventh Report (Sixteenth Lok Sabha), the Committee had noted that the Customs Overseas Intelligence Network (COIN) of the DRI presently at 9 Indian Missions abroad viz. Birganj, Brussels, Dubai, Hong Kong, Kathmandu, London,

Moscow, New York and Singapore had been playing a key role in gathering economic intelligence and interacting with the foreign administrations to obtain investigative assistance and to strengthen the overall bilateral relations. In fact, it was with their inputs that fraud/abuse of such a crucial scheme like the Duty Drawback Scheme could be detected. The Committee, however, found that at present each of the COIN officers is in charge of a large geographical area, which was not conducive for efficient discharge of duties. Many countries had emerged as the Country's important trade partners but COIN officers were yet to be posted there. Moreover, with the increase in '*related party*' transactions between global arms of trans-national corporations and Free Trade Agreements, the complex nature of frauds had acquired new dimensions. Thus, the need for overseas enquires and external intelligence feeding into the risk management system of Indian Customs was on the rise. Under the circumstances, the additional posts for Customs officials in Indian Embassies/Missions abroad for compliance of foreign exchange laws, and for combating illicit trafficking of narcotics and prohibited/contra-band goods needed to be reinforced by other changes like increased surveillance and use of modern technology. While the case for expansion of COIN was a credible and persuasive one, this should have been done in conjunction with other administrative and structural measures with other agencies and possibilities of sharing intelligence and benefits of using newer technologies. The Committee had desired that the action for additional foreign offices should be expedited in a time bound manner.

18. The Ministry in their Action Taken Notes have submitted as under:

"(i) Greater emphasis is being laid on sharing of information and databases among the various enforcement agencies – the CEIB is acting as the nodal agency in this regard. Moreover, in the 2nd Regional Customs Enforcement Conference held on 04.12.2014 the participating countries (India, Bangladesh, Bhutan, Myanmar, Nepal and Sri Lanka) have decided to work toward sharing the import and export data relating to top 10 commodities.

(ii) The proposal for creating additional COIN units overseas is pending with Ministry of External Affairs".

19. The Committee are pleased to observe that CEIB is acting as the nodal agency for sharing of information and database and decision for sharing import export data among the neighbouring countries like Bhutan, Myanmar, Nepal and Sri Lanka. At the same time, the Committee are constrained to note

that even though there has been phenomenal increase in the country's international trade, the Ministry are yet to expand the Customs Overseas Intelligence Network (COIN) for gathering economic intelligence interacting with the foreign administrations to obtain investigative assistance, strengthen the overall bilateral relations and detection of economic frauds. The all-important proposal for creating additional COIN units overseas is reportedly long pending with the Ministry of External Affairs. The Committee would like the Ministry to pursue the issue of creation of additional COIN units with the Ministry of External Affairs on priority. The outcome of this may be intimated to the Committee at the earliest.

**VI. Strengthening the IT Activities of the Department
(Recommendation Para No. 20)**

20. In their Seventh Report (Sixteenth Lok Sabha) the Committee had noted that the Directorate of Systems in the CBEC provided the IT support for the Department. Over the years, automation levels had been steadily increasing in tune with the multi proliferation of revenue activities. Given the complexity of the processes, vast and highly technical nature of IT activities under the CBEC, there was a case for hiving these activities into a Special Purpose Vehicle under the strategic control of the Board. This would ensure financial agility and flexibility in hiring experts in the fields of IT and Finance Vendor Management towards achieving greater professionalism under the overall supervision and direction of the CBEC officers. Such a move would also strengthen Internal Audit mechanism of the Department for better monitoring of various schemes. The Committee had expressed the desire to have a detailed Action Plan in this regard from the Ministry.

21. The Ministry in their Action Taken Notes have submitted as under:

"A High Powered Committee (HPC) was constituted, under chairmanship of Sh. T.V. Mohandas Pai, to recommend a strategic IT roadmap for CBEC and its report dated 20.10.2014 contains several strategic and operational recommendations over the short term, medium term and long term periods, including on areas related to the governance structure for CBEC's IT department. Presently, the report is under consideration of CBEC".

22. The Committee are happy to learn that a High Powered Committee (HPC) constituted under the Chairmanship of Shri T.V. Mohandas Pai, to recommend a strategic IT roadmap for CBEC would have addressed the concerns raised by

the Committee for strengthening their IT activities of the CBEC. Yet, they are pained to note that although the High Powered Committee had submitted its report on 20th October, 2014, the same is still under consideration of CBEC. The Committee are of the considered view that such a lethargic attitude on the part of CBEC would certainly delay the fastrack implementation of the recommendation of the High Powered Committee. The Committee expect the CBEC to comprehend/understand the importance of a strategic IT roadmap for the Department in the light of multi proliferation of revenue activities. They, therefore, urge the Ministry to fast track the implementation of the High Powered Committee's recommendation and the status be apprised to them within six months of the presentation of the Action Taken Report.

VII. Improvement in Tax Payer Services
(Recommendation Para No. 22)

23. In their Seventh Report (Sixteenth Lok Sabha) the Committee had observed that facilitation of trade and rendering tax payer services of assured quality was one of the main functions of every regulatory/law enforcement agency. However, there needed to be greater cohesion and coordination even among such agencies. It was also important to encourage cross-agency initiatives that redressed the traders' problems. The Committee had felt that one of the key solutions to the challenges posed by multiple border regulatory was single window as it enabled entities involved in international trade to lodge standardized information and documents at a single entry point to fulfill all import, export and transit related regulatory requirements. Customs was in an advantageous position to develop single window since it was almost fully automated in that 95 per cent of import and 98 percent of export volumes and documents were handled by ICES which interacted electronically with over 15 agencies including RBI, DGFT, Airlines, Banks, DGCI&S, Apparel Export Promotion Council etc. However, consensus building amongst agencies concerned, inter-agency differences in degree of automation and data requirements impeded the development of this initiative. The Committee, had therefore, recommended the Government to spell out necessary mandate clearly designating the CBEC as the lead agency for this purpose as per international practice and lay down a time bound road map for its implementation. In providing a single window to the taxpayers, the Committee had suggested that the Board could consider greater outreach

programmes, taxpayer education, etc. so as to increase responsiveness and compliance.

24. The Ministry in their Action Taken Notes have submitted as under:

"(i) The Department concurs with the recommendation of the Committee in regard to implementation of a Single Window in Customs. The Finance Minister, in his Budget speech (July 2014) had also announced the implementation of an Indian Customs Single Window Project.

(ii) The implementation of Single Window is contingent upon a number of factors such as required degree of IT automation, interoperability with other agencies' systems, etc. Accordingly, an Inter-Ministerial Steering Group (IMSG) under the Chairmanship of Special Secretary and Member (Customs), CBEC, Department of Revenue with senior officers of the rank of Joint Secretaries of Ministries/Departments concerned as members, has been established with the mandate to provide policy direction for implementing the Single Window. A Project Management Committee (PMC) has also been set up in the CBEC and Project Management Units (PMUs) have been established within other Ministries/ Departments/ agencies concerned. The PMC/and PMUs are charged with coordinating the implementation of the Single Window under the overall direction of the IMSG.

(iii) While implementation of the full scale Single Window is in process, an electronic message exchange with the Food Safety & Standards Authority of India and Plant Quarantine authorities at JNPT and ICDs at Delhi has started w.e.f. 01.04.2015".

25. The Committee appreciate the steps taken by the Department for implementation of their recommendation for providing a Single Service Window in Customs. The Committee would like to be apprised of the progress made in this regard at various locations across the country.

NEW DELHI;
9th December, 2015
18 Agrahayana, 1937 (*Saka*)

PROF. K. V. THOMAS,
Chairperson,
Public Accounts Committee