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**CUSTOMS RECEIPTS — NON-
VERIFICATION OF END USE**

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MINISTRY OF FINANCE
(Department of Revenue)

**PUBLIC ACCOUNTS
COMMITTEE**
1993-1994

TENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

**FIFTY-SIXTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1993-94)**

**PARLIAMENT
DIGITAL**

(TENTH LOK SABHA)

**CUSTOMS RECEIPTS — NON-
VERIFICATION OF END USE**

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

**[Action taken on 5th Report of Public Accounts Committee
(10th Lok Sabha)]**



*Presented to Lok Sabha on 18.12.1993.
Laid in Rajya Sabha on 16.12.1993.*

**LOK SABHA SECRETARIAT
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PUBLIC ACCOUNTS COMMITTEE
(1993-94)

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Shri Bhagwan Shankar Rawat

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4. Shri K.C. Shekhar — *Under Secretary*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Fifty-sixth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Fifth Report (Tenth Lok Sabha) on Customs Receipts — Non verification of end-use.

2. In their original Report the Committee while examining the two cases of incorrect application of custom notifications granting import of goods at concessional rates of duty had observed that the Ministry of Finance despite repeated recommendations made in the past had not so far evolved any effective monitoring mechanism for watching the fulfilment of exemptions under Customs Act. The Committee had also pointed out that though the administrative Ministry cannot be absolved of their responsibility in this regard, the ultimate responsibility lies with the Ministry of Finance. The Committee had, therefore, recommended that the Ministry of Finance should consider a proposal whereby the beneficiaries of the exemptions were required to send periodical reports regarding utilisation of material imported at concessional rates to both the Ministry of Finance and the administrative Ministry to enable better monitoring. In this Report, the Committee have observed that there is no proper system of monitoring either in the Ministry of Finance or the administrative Ministries for watching the fulfilment of objectives behind the grant of exemption and that there is lack of effective co-ordination between them. The Committee have expressed their concern over this unsatisfactory state of affairs and desired that an effective monitoring system should be evolved by the Ministry of Finance in consultation with all the administrative Ministries with a view to review periodically the extent to which the objectives behind the grant of exemptions have been achieved and also for ensuring that there was no misuse of the concession.

3. The Committee had noted in their earlier report that while all notifications issued under sub-section 1 of Section 25 of the Customs Act, 1962 granting exemption from custom duty in general are laid before Parliament it is not obligatory on the part of the Government to lay copies of orders granting *ad-hoc* exemptions under Section 25(2). In the interest of financial accountability the Committee also recommended placing of notification granting *ad hoc* exemption as highly imperative. The Committee however, do not agree that placing of copies of such *ad hoc* exemption orders will not be possible as these cover import of items of strategic, sensitive and secret nature as bulk of these orders relate to import of items of commercial nature. The Committee therefore have recommended in this

report placing of all exemption orders before Parliament with the exception of those pertaining to import of strategic and secret nature and are of an individual or personal in nature.

4. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 24th November, 1993. Minutes of the sitting from Part-II of the Report.

5. For facility of reference and convenience the recommendations of the Committee have been printed in thick type in the body of the report and have also been reproduced in consolidated form in Appendix to the Report.

6. 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.

NEW DELHI;
December 7, 1993

Agrahayana 16, 1915 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

CHAPTER I REPORT

1.1 This Report of the Committee deals with the action taken by Government on the recommendations and observations contained in their Fifth Report (10th Lok Sabha) relating to Customs Receipts — Non-verification of end use based on paragraph 2.71 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989, No. 5 of 1990, Union Government (Revenue Receipts — Indirect Taxes).

1.2 The Fifth Report which was presented to Lok Sabha on 17 December 1991 contained 10 recommendations and observations. Action taken notes have been received in respect of all the recommendations and observations and these have been broadly categorised as follows:

(i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 1 to 4 and 8 to 10

(ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:
-Nil-

(iii) Recommendations and observations, replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 5 to 7

(iv) Recommendations and observations in respect of which Government have furnished interim replies:

-Nil-

1.3 The Committee will now deal with the action taken by Government on some of their recommendations.

Non-verification of End-Use

1.4 Exemptions from customs duty are granted by the Central Government under sub-sections (1) & (2) of Section 25 of the Customs Act, 1962. Exemption under sub-section (1) of Section 25 is granted by the Central Government by way of a notification which is published in the Official Gazette, on being satisfied that such an exemption is in public interest. The exemption could be either unconditional or with certain conditions to be fulfilled before or after clearance of the goods by the customs authorities. Similarly, exemptions under sub-section (2) of Section 25 are granted by the Central Government by a special order in each case after having satisfied that such an exemption is in public interest. The exemption

under sub-section (2) of Section 25 could be partial or whole and granted under the circumstances of exceptional nature which are to be mentioned in the order granting such an exemption.

1.5 In their Fifth Report (10th Lok Sabha), the Public Accounts Committee had examined two cases of incorrect grant of exemption in terms of two notifications (numbers 29/83 and 30/83 both dated 25.2.1983) issued under Section 25(1) of the Customs Act, 1962 with end-use conditions — one case involving short levy of duty of Rs. 77.86 lakhs (Maruti Udyog Ltd.) and the other Rs. 5.03 lakhs (Karnataka Scooters Ltd.). The cases had revealed non-verification of end-use by Customs authorities and absence of a clear-cut monitoring mechanism after allowing the clearance of goods imported at concessional rates for specified purposes.

1.6 The issue of grant of Custom exemptions had engaged the attention of the Public Accounts Committee on several earlier occasions. In their Fifth Report (10th Lok Sabha), the Committee had pointed out that despite the repeated concern expressed by them earlier, the administration of the grant of exemptions under the Customs Act continued to suffer from serious shortcomings. Emphasising the need for having an effective system of monitoring for ensuring fulfilment of the objectives behind the grant of exemptions and also for preventing misuses, the Committee in Para 1.39 had recommended as follows:

“The Committee regret to note that the Ministry of Finance have not so far evolved an effective monitoring mechanism for watching the fulfilment of objectives behind the grant of exemptions despite recommendations to this effect made by the Committee on several occasions in the past. Even the limited monitoring of end-use bonds prescribed at Collector’s level only is far from satisfactory. In fact, during evidence Secretary (Revenue) admitted that the existing system of monitoring required improvement and it was capable of improvement. After due deliberations, he promised to send a note after evolving a suitable system in consultation with the administrative Ministries. However, nothing concrete has emerged so far. The Committee reiterate their earlier recommendation and are of the firm view that a monitoring system should be evolved to review periodically how far the objectives behind the grant of exemptions have been achieved and there was no misuse of the concession. The Committee feel that though the administrative Ministry cannot be absolved of its responsibility in this regard the ultimate responsibility lies with the Ministry of Finance.”

In para 1.40, the Committee had further recommended:—

“The Committee would also like the Ministry of Finance to consider a proposal whereby the beneficiaries of the exemptions are required to send periodical reports regarding utilisation of material imported at

concessional rates to both the Ministry of Finance and the administrative Ministry so as to enable a better monitoring.”

1.7 In their action taken notes furnished in respect of the recommendations made in para 1.39 and 1.40, the Ministry of Finance (Department of Revenue) have stated as follows:—

1.39 “Exemptions or concessions in duty are often given at the instance of the administrative Ministry concerned with the industry for whom relief is sought. The concerned administrative Ministry recommends such a concession having regard to the state of a particular industry, competitiveness *vis-a-vis* imported goods, cost of production, escalation in the price of inputs, profitability, etc. The Department of revenue considers such recommendation keeping in view, *inter-alia*, the overall revenue position. The role of the Department of Revenue is thus to accord or not to give the concession sought, keeping in view revenue and other considerations. Once the concession has been given for the objective stated by the concerned administrative Ministry, it is for that Ministry to monitor the impact of the concession they had sought and see whether the stated objective has been fulfilled or not. For instance, if the objective is that the consumer should have the benefit of the concession, it is for the administrative Ministry both to ensure this and in case the benefit is not passed on to the consumer, inform the department of Revenue about the position for considering whether relief should continue, be modified or withdrawn.

2. Sometimes, it is felt that the rate of duty on a particular commodity is unduly high. Reduction in such cases has no objective except to make the duty fair and reasonable. The question of monitoring will not, therefore, arise in such cases.

3. For example, a large number of duty concessions and exemptions are given at the request of the Commerce Ministry in the interest of export promotion. Since export promotion is mainly the concern of the Commerce Ministry, monitoring of the fulfilment of the objective of export promotion is with that Ministry. Other such examples are duty reductions in respect of textile sector, steel, drugs and medicines, etc. The distribution and pricing mechanism lies with the concerned Ministry, in situations of price control.

4. The Department of revenue has neither any means nor any jurisdiction or authority to look into the efficient functioning of the market system or into pricing, marketing, etc. of commodities. It is just not in a position at all to monitor or watch the fulfilment of objectives leading to the grant of exemption.

5. If, however, by the expression ‘objective’ verification of ‘end-use’ is intended, which is quite distinct from ‘objective’, this is done by the Department of revenue whenever a notification makes it a condition,

mostly by means of certification by concerned agencies. There is a fairly effective mechanism for this purpose. It may, however, be stated that the mechanism of 'end-use' notifications is now not favoured and the Department of Revenue is trying to move away from the regime of such notifications.

6. As regards the monitoring of end use by the administrative Ministries concerned, a note containing comments of nine administrative Ministries/Departments, which have responded, is enclosed (Annexure-II)*. The other nine Departments have not so far sent their views (Annexure-III)*."

- 1.40 "Post-import overseeing is not generally the function of the Customs department. Where, however, the notification itself requires the importer to produce a duly authenticated consumption, certificate, Customs authorities monitor the compliance. As stated in reply to para 1.39, the mechanism of end-use notifications is now not favoured and the Department of Revenue is trying to move away from the regime of such notifications. In this background, the Ministry feels that it would not be advisable to prescribe such statements to be furnished by the beneficiaries to the Ministry of Finance. The administrative Ministry would, technically and jurisdictionally, be more competent to monitor the end-use."

1.8 From the comments furnished by nine administrative Ministries/departments in reply to the Action taken Note on the recommendation contained in Para 1.39, it is seen that most of the administrative Ministries either did not have any system for monitoring of the end use of the material imported at concessional rates of customs duty or were yet to introduce monitoring or had passed on the responsibility for the same to some other department. For example, Directorate General Technical Development (DGTD) maintained that end-use monitoring should continue to be done through central excise field formations (falling under the Ministry of Finance—Department of Revenue). The Ministry of Petroleum and Chemicals have in respect of certain notifications with end-use conditions issued in 1982 stated that necessary checks were now 'being introduced' and in respect of certain other notifications of 1986, 1988 and 1989 stated that no test check of end-use was being done but will now be done. The Development Commissioner, Small Scale industries has stated that the existing system of monitoring and control by the State/Union Territory DIs was the most appropriate system. Similarly, the Ministry of Home Affairs have stated that end-use was being monitored by State Government. The Department of Chemicals and Petrochemicals have stated that it was not possible to monitor the end-use and the Department of Non-Conventional energy sources have maintained that vigorous monitoring was not called for. The Department of Electronics have stated that there were no chances of misuse of end-use, and that vigorous

monitoring will not be cost effective; however utilisation reports will now be asked from units availing duty concessions.

1.9 Further, the observations made by the Ministry of Finance (Department of Revenue) on the comments of the administrative Ministries in certain cases also indicate that presently there did not appear to be any effective co-ordination between the Ministry of Finance and the administrative Ministries in respect of monitoring of the end-use. For example, the Ministry of Information & Broadcasting while offering their comments to the Ministry of Finance stated that presently there was no regular system for monitoring the end-use of items imported at concessional rates of custom duty and had asked the Ministry of Finance to suggest a system for the purpose. Responding to the same, the Ministry of Finance have stated that as the administrative Ministry was not in a position to monitor the end-use, the continuation of the notifications concerning them may perhaps needed to be reconsidered. Similarly, while the DGTD in their comments held that the Central Excise Department should do end-use monitoring, the Ministry of Finance responding to the same have observed that the mandate for Central Excise department for monitoring end-use was selective and suggested that DGTD should build up a mechanism for the purpose.

1.10 In their earlier Report while examining two cases of incorrect application of Customs notifications granting import of goods at concessional rates of duty, the Committee had observed that the Ministry of Finance had not so far evolved any effective monitoring mechanism for watching the fulfilment of objectives behind the grant of exemption despite recommendations to this effect made by the Committee on several occasions in the past. While reiterating the need for evolving a monitoring system to review periodically the extent to which the objectives behind the grant of exemptions had been achieved and ensuring that there was no misuse of the concession, the Committee had pointed out that though the administrative Ministry cannot be absolved of their responsibility in this regard, the ultimate responsibility lies with the Ministry of Finance. The Committee in this context had also recommended that the Ministry of Finance should consider a proposal whereby the beneficiaries of the exemptions were required to send periodical reports regarding utilisation of material imported at concessional rates to both the Ministry of Finance and the administrative Ministry so as to enable better monitoring. In their action taken reply the Ministry of Finance have stated that exemptions or concessions in duty were often given at the instance of the administrative Ministry concerned with the industry for whom relief was sought. Once the concession had been given for the objective stated by the concerned administrative Ministry, it was for that ministry to monitor and see whether the stated objective had been fulfilled or not. According to them, the Ministry of Finance (Deptt. of Revenue) were just not in a position at all to monitor or watch the fulfilment of objectives leading to the grant of

exemption. As regards the monitoring of end-use, the Ministry have stated that it was being done by the Department of Revenue whenever a notification made it a condition, mostly by means of certification by concerned agencies. In this connection, the Ministry of Finance have also furnished comments of nine administrative Ministries/other agencies; according to the Ministry of Finance nine other departments were yet to furnish their views. The comments of the administrative Ministries indicated that most of them either did not have any system for monitoring or were yet to introduce it or had passed on the responsibility for the same to some other department/agency. From the reply of the Ministry of Finance and the comments offered by the administrative Ministries it is evident that there is no proper system either in the Ministry of Finance or in the administrative Ministries concerned for watching the fulfilment of the objectives behind the grant of exemption. The observations made by the Ministry of Finance on the comments of the administrative Ministries in certain cases also indicated lack of effective co-ordination between the Ministry of Finance and the administrative Ministries. The Committee cannot but express their concern over this unsatisfactory state of affairs. They, therefore, reiterate their earlier recommendations and desire that an effective monitoring system should be evolved by the Ministry of Finance in consultation with all the administrative Ministries with a view to review periodically the extent to which the objectives behind the grant of exemptions have been achieved and also for ensuring that there was no misuse of the concession.

Laying down of ad hoc exemption orders before Parliament

1.11 The Committee in para 1.4 of the Report had noted that the amount of revenue foregone on account of exemptions of customs duty under sub-section 25(2) in respect of commercial and non-commercial imports during the years 1987-88 to 1989-90 as follows:—

Year	Revenue foregone in Rs. crores	
	Non-commercial	Commercial
1987-88	39.27	674.76
1988-89	47.55	1351.64
1989-90	41.35	661.05

1.12 Stressing the need for an effective enforcement of financial accountability of the Government to Parliament in the matter of grant of

ad hoc exemption under section 25(2) of the Customs Act, the Committee in para 1.41 of the Report had recommended as follows:—

“The Committee also note that an amount of Rs. 702.40 crores was granted during the year 1989-90 as *ad hoc* exemptions from customs duty under section 25(2) of the Customs Act, 1962. The corresponding figures for the preceding two years were Rs. 1399.19 crores and Rs. 714.03 crores respectively. The Committee further note that in terms of provision of Section 159 of the Customs Act, 1962, all the notifications issued under sub-section (1) of section 25 of the Customs Act, 1962, granting exemption from Customs duty in general are to be laid before Parliament. However, it is not obligatory on the part of Government to lay copies of exemption order issued under sub-section 25(2) before Parliament granting *ad hoc* exemptions. Thus, Parliament is presently not kept contemporaneously informed of the *ad hoc* exemptions granted by Government. The Committee strongly feel that in the interest of financial accountability of the Government to Parliament placing of notifications granting *ad hoc* exemption is highly imperative. They, therefore, recommend that suitable amendments should be brought out in the Statute so as to make the laying of *ad hoc* exemption orders on the Table of the House mandatory as practised in the case of notifications issued under Section 25(1).”

1.13 In their Action Taken Note the Ministry have replied as follows:—

“The Government attaches greatest importance to openness and transparency in its policy making. The Government, therefore welcomes the Committee’s recommendation that copies of *ad hoc* exemption orders should also be placed on the Table of the House. Suitable amendments can also be made in the law to make it possible. However, *ad hoc* exemption orders cover imports of strategic and secret nature affected by intelligence and other agencies besides essential imports on Government account for public distribution system etc. In the former case, Government feel that it would not be in public interest to disclose the contents of imports. In the latter category of imports, immediate issue of *ad hoc* orders at short notice becomes unavoidable.

Considering the sensitive nature of many of such orders, Government are of the view that it may not be possible to lay copies of *ad hoc* exemption orders on the Table of the House.”

1.14 In their earlier Report the Committee had pointed out that as per the existing provisions of the Customs Act, 1962 while copies of all the notifications of general nature issued under sub-section (1) of Section 25 granting exemption from custom duty were required to be laid before Parliament, it was not obligatory on the part of Government to lay copies of the specific exemption orders issued under sub-section (2) of Section 25 before Parliament granting *ad hoc* exemptions. Pointing out that as

substantial amount of money was involved every year in the grant of ad hoc exemptions from custom duty, the Committee had expressed the view that in the interest of financial accountability of the Government to Parliament placing all copies of orders granting ad hoc exemption before Parliament was highly imperative. They had, therefore, recommended suitable amendments in the Customs Act so as to make laying of ad hoc exemption order on the Table of the House mandatory as practised in the case of notifications issued under Section 25(1). In their Action Taken Note the Ministry of Finance while welcoming the Committee's recommendation in this regard have stated that suitable amendments could be made in the law to make it possible. However, according to the Ministry since ad hoc exemption orders covered imports of strategic and secret nature effected by intelligence and other agencies besides essential imports on Government account for public distribution system etc. it may not be possible to lay copies of ad hoc exemption orders on the Table of the House considering the sensitive nature of many of such orders. The Committee do not agree with this view. From the data of ad hoc exemptions relating to the period 1987-90 made available to the Committee it was abundantly clear that bulk of the ad hoc exemption orders covered import of items of commercial nature only and, therefore, it is evident that the orders pertaining to the import of items of a sensitive nature are very limited. The Committee, therefore, recommend that Government may consider placing of all exemption orders on the Table of Parliament with the exception of those pertaining to import of strategic and secret nature and are of an individual and personal in nature.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Exemptions from customs duty are granted by the Central Government under sub-sections (1) & (2) of Section 25 of the Customs Act, 1962. Exemption under sub-section (1) of Section 25 is granted by the Central Government by way of a Notification which is published in the Official Gazette, on being satisfied that such an exemption is in public interest. The exemption could be either unconditional or with certain conditions to be fulfilled before or after clearance of the goods by the customs authorities. Similarly, exemptions under sub-section (2) of Section 25 are granted by the Central Government by a special order in each case after having satisfied that such an exemption is in public interest. The exemption under sub-section (2) of Section 25 could be partial or whole and granted under the circumstances of exceptional nature which are to be mentioned in the order granting such an exemption. The issue of grant of exemption under the Customs and Central Excise law had constantly engaged the attention of the Public Accounts Committee for more than 20 years. The Committee have time and again emphasised the need to exercise this delegated power sparingly by the Executive.

[Sl. No. 1 (Para 1.35) of Appendix II to Fifth Report of PAC (10th Lok Sabha)].

- Action Taken

The Government have taken due note of the observations of the Committee and would assure the Committee that exercise of this delegated power for granting exemption would continue to be used as sparingly as possible, only where necessary in public interest and keeping in view the requirements due to changes in economic situation.

[Ministry of Finance (Deptt. of Revenue) F. No. 521/14/92-Cus. (TU) dated 17.8.92]

Recommendation

The Audit Paragraph under examination highlights two cases relating to import of components at concessional rate of customs duty in terms of notifications issued under Section 25(1) of Customs Act, 1962. In one case Maruti Udyog Ltd. imported components for use in the manufacture of fuel efficient motor car of engine capacity not exceeding 1000 cu. cms. valued at Rs. 54.45 lakhs; but these components were found damaged and were, therefore, not put to the desired use and compensation for such

damaged components was received from the insurance company. In the second case, Karnataka Scooters Ltd., also imported components required for manufacture of fuel efficient two wheeled motor vehicles which were assessed to concessional rate of customs duty on the certificate given by a Chartered Accountant though the law required end-use certificate from the Assistant Collector, Central Excise, in whose jurisdiction the factory manufacturing such motor vehicles was located. The differential duty on the said components amounting to Rs. 77.86 lakhs (Maruti Udyog Ltd.) and Rs. 5.03 lakhs (Karnataka Scooters Ltd.) was not recovered, even though the conditions specified in the notifications were not fulfilled. The Ministry of Finance have admitted the audit objection and informed the Committee that necessary follow-up action had been taken.

[Sl. No. 2 (Para 1.36) of Appendix II to Fifth Report of PAC (10th Lok Sabha)].

Action Taken

Out of the two cases cited, the case regarding Karnataka Scooters Ltd. has been regularised. In addition to the certificate already produced from a Chartered Accountant, another End-Use certificate from the jurisdictional Assistant Collector of Central Excise has also been produced on 14.8.1990.

Regarding recovery of duty from M/s. Maruti Udyog Ltd. on the imported components which were not used in the manufacture of fuel efficient cars as stipulated, due to the said components having been received in damaged condition, it was already stated that the Department had issued Demand Notices in the month of August, 1987 itself, while the Revenue Audit raised its objection on the issue only after its inspection during May, 1988. Only the recovery action was kept in abeyance for a short while since the importer had been representing to the Ministry for relief in this regard. Once the representation was rejected, recovery action was vigorously pursued. Though audit had pointed out that Rs. 77.86 lakhs was to be recovered as differential duty on the components, an amount of Rs. 99.70 lakhs have been recovered till date as duty on the components not used in production.

[Ministry of Finance (Department of Revenue) F. No. 521/14/92-CUS. (TU) dated 10.2.93]

Recommendation

The examination of the Audit Paragraph has revealed that despite the repeated concern expressed by the Committee the administration of the grant of exemptions under the Customs Act continues to suffer from serious shortcomings.

The cases highlighted in the Audit Paragraph involved non-verification of end-use and absence of a clear cut monitoring mechanism by the Customs Authorities after allowing the clearance of goods imported at concessional rates for specified purposes. During evidence, the representa-

tive of the Ministry of Finance stated that the verification of proper utilisation of the Customs Duty exemption with end-use was presently carried out through the cancellation of end-use bond executed by the importers. End-use bonds are executed in those cases where the imported goods are exempted from payment of customs duty partially or fully, provided those goods are used for specific purpose. From the information made available to the Committee after evidence, it is seen that 7337 such bonds in nine Custom Houses were pending cancellation beyond their validity period as on 30th November, 1990. The heavy pendency of end-use bonds beyond their validity period clearly shows that the Customs Authorities have not in reality reviewed the bonds in time and taken steps to cancel them or realise the differential duty.

[Sl. No. 3 (Para 1.37) of Appendix II to Fifth Report of P.A.C.(10th Lok Sabha)].

Action Taken

The Committee's recommendations on the need for a proper monitoring mechanism in the verification of end-use has been taken due note of. Out of the 7337 end-use bonds which were shown as pending as on 30.11.1990, as many as 4716 bonds have already been closed. In other words, about 65% of the pendency pointed out has been liquidated. Every effort is being taken to finalise the remaining bonds also.

[Ministry of Finance (Department of Revenue) F. No. 521/14/92-CUS. (TU) dated 15.4.93].

Recommendation

The Committee are informed that the field officers of the Customs Department presently monitor the end-use exemption. According to the Ministry of Finance, it is the responsibility of the administrative Ministry to see whether or not the objective behind issue of a given notification have been obtained.

[Sl. No. 4 (Para 1.38) of Appendix II to Fifth Report of P.A.C. (10th Lok Sabha)].

Action Taken

The para does not contain any recommendation. It only reproduces the stand of the Ministry regarding the responsibility of the Administrative Ministry in monitoring the fulfilment of the objective behind issue of a given notification. As such, no action is called for, in respect of this para.

[Ministry of Finance (Department of Revenue) F. No. 521/14/92-CUS. (TU) dated 15.4.93].

Recommendation

The Committee find that 752 notifications issued under Section 25(1) of the Customs Act, 1962 were in operation as on 30th November, 1990. However, no data was maintained for revenue foregone in respect of imports effected during a year in terms of these notifications issued under Section 25(1) of the Customs Act though such figures are maintained by the Ministry in the case of Central Excise. The Ministry of Finance have indicated that it is feasible to collect similar figures of customs revenue foregone for each notification with the help of the computers. The Committee recommend that necessary steps be taken to compile such data in order to make a periodical assessment of revenue foregone through grant of such exemptions.

[Sl. No. 8 (Para 1.42) of Appendix II to Fifth Report of P.A.C. (10th Lok Sabha)].

Action Taken

The Government would like to inform the Committee that efforts are on to suitably adjust and adapt the existing software for compilation and maintenance of notification-wise revenue foregone in respect of imports, so that this data could be available at least for exemption notification relating to basic customs duty.

[Ministry of Finance (Department of Revenue) F. No. 521/14/92-CUS. (TU) dated 17.8.92].

Recommendation

The Committee note that in response to the recommendation made in their 195th Report (Seventh Lok Sabha 1983-84), the Ministry of Finance had been indicating the major exemptions issued during the year alongwith the total number of exemptions and revenue foregone thereon under Section 25(2) in their Annual Reports of years 1986-87 and 1987-88. However, it is noticed that during the years 1988-89 and 1989-90, this information had not been included. The Committee take a serious note of this and desire that such lapses should not recur in future.

[Sl. No. 9 (Para 1.43) of Appendix II to Fifth Report of P.A.C. (10th Lok Sabha)].

Action Taken

The Government have taken due note of the observations made by the committee. The Government would assure the Committee that this information would be invariably furnished in the Annual Reports in future.

[Ministry of Finance (Department of Revenue) F. No. 521/14/92-CUS. (TU) dated 15.4.93].

Recommendation

The Committee further desire that the Ministry of Finance should in future incorporate a separate Section in their Annual Reports on exemptions granted under Customs and Central Excise Laws. Apart from the details of orders, the Annual Report should also indicate the total number of exemption notifications in force during the year, the number of notifications under various Descriptions/Chapters in the Tariff and estimated revenue foregone on account of the notifications.

[Sl. No. 10 (para 1.44) of Appendix II, to 5th report of the PAC (Tenth Lok Sabha)].

Action Taken

Fairly detailed information about major notifications issued during the year is contained in the Annual Report. For example paras 2.3 and 2.4 of the Annual Report for 1991-92 contain information relating to major changes made in central excise and customs duties and the commodities affected. Only notification numbers are not shown. All such notifications are placed on the Table of the House alongwith explanatory memoranda. These details are, therefore, not repeated in the Annual Report which seeks to convey a summary of various activities undertaken during the year by all the Departments in the Finance Ministry. If details of individual notifications alongwith description of commodities etc. were to be incorporated in the Report, the Report would become unwieldy. Besides, the additional information may not be found very useful. A specimen of the information that would get incorporated in terms of Committee's recommendation is, however, enclosed (Annexure-I). Earnest efforts will, nevertheless be made to compile this information as desired, though serious difficulties are envisaged. Government would like to assure the Committee that the information about the number of notifications in force during the year would be furnished in the future Annual Reports.

[Ministry of Finance (Department of Revenue) F.No. 521 / 14 / 92—Cus. (TU) dated 19.2.1993].

ANNEXURE-I

CUSTOMS			(Rs. Crore)
Notf. No.	Date	Chapter	Revenue foregone
41	1.4.91	27	
42	29.4.91	GENERAL	
43	3.5.91	89	
44	30.5.91	Deemed Import	
45	27.6.91	H.B.J. pipe line	
46	25.7.91	1	-744.52
47	25.7.91	12	
48	25.7.91	12	
49	25.7.91	15	
50	25.7.91	17	
51	25.7.91	25,26,28 or 38	
52	25.7.91	26	
53	25.7.91	27	
54	25.7.91	8, 15	
55	25.7.91	12,29,33	
56	25.7.91	28	
57	25.7.91	28	
58	25.7.91	28 or 38	
59	25.7.91	29 or 38	
60	25.7.91	28,29	
61	25.7.91	29,27,38 & 15,28, 84	
62	25.7.91	29 or 30	
63	25.7.91	29 or 30	
64	25.7.91	28 or 29	
65	25.7.91	28 or 29	
66	25.7.91	28,29,30 or 39	
67	25.7.91	30	
68	25.7.91	32,33,34	
69	25.7.91	32	
70	25.7.91	39	
71	25.7.91	39	
72	25.7.91	28 or 39	
73	25.7.91	44	
74	25.7.91	44	
75	25.7.91	48	

CUSTOMS

Notf. No.	Date	Chapter	(Rs. Crore) Revenue foregone
76	25.7.91	48	
77	25.7.91	54 or 55	
78	25.7.91	55	
79	25.7.91	58	
80	25.7.91	73	
81	25.7.91	GENERAL (ELECTRONICS)	
82	25.7.91	74	
83	25.7.91	84	
84	25.7.91	84	
85	25.7.91	84	
86	25.7.91	84,39,69,85 or 90	
87	25.7.91	85	
88	25.7.91	89	
89	25.7.91	84,85	
90	25.7.91	85	
91	25.7.91	84,85	
92	25.7.91	85	
93	25.7.91	84	
94	25.7.91	84,85	
95	25.7.91	84	
96	25.7.91	84,85 or 90 (Electronics)	
97	25.7.91	84,85 or 90	
98	25.7.91	GENERAL (ELECTRONICS)	
99	25.7.91	Rescinding	
100	25.7.91	Electronics	
101	25.7.91	Electronics	
102	25.7.91	General (Life saving Drugs)	
103	25.7.91	87	
104	25.7.91	64,90,85,84,96	
105	25.7.91	95	
106	25.7.91	98	
107	25.7.91	98	
108	25.7.91	Auxiliary duty	
109	25.7.91	Auxiliary duty	
110	25.7.91	Auxiliary duty	
111	25.7.91	Kandla-Foreign Trade Zone	

CUSTOMS

Notf. No.	Date	Chapter	(Rs. Crore) Revenue foregone
112	25.7.91	Santacruz-Free Trade Zone	
113	25.7.91	Falta-Free Trade Zone	
114	25.7.91	Madras-Free Trade Zone	
115	25.7.91	Noida-Free Trade Zone	
116	25.7.91	Cochin-Free Trade Zone	
117	26.7.91	Aux. Rescind	
118	26.7.91	84,85,87	
119	31.7.91	74	
120	1.8.91	Auxiliary duty	
121	1.8.91	84,85,90	
122	21.8.91	84,85	
123	21.8.91	Auxiliary duty	
124	30.8.91	Import from Nepal	
125	11.9.91	29 or 30	
126	11.9.91	29	
127	11.9.91	37	-20
128	11.9.91	82,84,85 or 90	
129	11.9.91	Medical Equipment	
130	13.9.91	44	
131	13.9.91	Auxiliary duty	
132	16.9.91	39	
133	17.9.91	95	
134	24.9.91	CG (Para 206 ii)	
135	24.9.91	Auxiliary duty	
136	26.9.91	29 or 38	
137	22.10.91	100% EOU	
138	22.10.91	Electronics software	
139	22.10.91	Auxiliary duty	
140	22.10.91	Electronics software	
141	22.10.91	Auxiliary duty	
143	1.11.91	26	
144	1.11.91	29	
145	7.11.91	30	
146	8.11.91	Santacruz-Free Trade Zone	
147	8.11.91	Cochin-Free Trade Zone	
148	8.11.91	Noida-Free Trade Zone	
149	8.11.91	Falta-Free Trade Zone	
150	8.11.91	Madras-Free Trade Zone	
151	8.11.91	Jhandewallan-Free Trade Zone	
152	15.11.91	39,69,82,84,85 or 90	

CUSTOMS			(Rs. Crore)
Notf. No.	Date	Chapter	Revenue foregone
153	2.12.91	GENERAL (CSIR)	
154	2.12.91	Auxiliary duty	
155	5.12.91	85	
156	15.12.91	Auxiliary duty	
157	16.12.91	Computer	
158	16.12.91	84,85,90 or 98	
159	16.12.91	General (Power trans, sys. for Earth moving Equip.)	
160	16.12.91	18	
161	27.12.91	15	
162	27.12.91	15	
163	27.12.91	92	
164	30.12.91	GENERAL HBJ PIPELINE	
1	2.1.92	Integrated guided missile programme	-31
2	2.1.92	Auxiliary	
3	2.1.92	29 or 30	
4	2.1.92	98	-40.91
5	2.1.92	General (Light Commercial Aircraft)	
6	2.1.92	General (Aircraft for Training)	-0.61
7	2.1.92	Auxiliary	
8	3.1.92	Advance licences	
9	3.1.92	CG for 100% EOU	
10	3.1.92	Santacruz-Gem & jewellery	
11	3.1.92	Cochin-Gem & jew	
12	3.1.92	Noida-Gem & jew	
13	3.1.92	Falta Gem & jew	
14	3.1.92	Madras-Gem & jew	
15	3.1.92	Jhandewallan 100% EOU-Gem & jew	
16	3.1.92	Gem & jew	
17	7.1.92	Project Import Regulation	
18	15.1.92	Advance licence	
19	15.1.92	Auxiliary	
20	16.1.92	Components for 87	
21	16.1.92	72	-500
22	16.1.92	Auxiliary	
23	3.2.92	Imports for Nepal	
24	5.2.92	Nepalese industrial products	

CUSTOMS			
No. Notf.	Date	Chapter	(Rs. in Crore) Revenue foregone
25	7.2.92	29 or 30	
26	1.3.92	General (Peak Tariff)	***
27	1.3.92	1	
28	1.3.92	2	
29	1.3.92	3	
30	1.3.92	5	
31	1.3.92	6	
32	1.3.92	7	
33	1.3.92	8	
34	1.3.92	8	
35	1.3.92	9	
36	1.3.92	9	
37	1.3.92	11	
38	1.3.92	12	
39	1.3.92	12	
40	1.3.92	13	
41	1.3.92	14	
42	1.3.92	15	
43	1.3.92	17	
44	1.3.92	23	
45	1.3.92	12,15,5,1,6,7,8 etc.	
46	1.3.92	27,25,26,28 or 38	
47	1.3.92	28,	
48	1.3.92	29 or 38	
49	1.3.92	29	
50	1.3.92	84,29,38,28,27,15 etc.	
51	1.3.92	29	
52	1.3.92	28,29,30	
53	1.3.92	General (Drug and Medicines)	
54	1.3.92	36,37,38,87,90,39 etc.	
55	1.3.92	32	
56	1.3.92	34	
57	1.3.92	34	
58	1.3.92	36	
59	1.3.92	38	
60	1.3.92	39	
61	1.3.92	39,28 or 29	
62	1.3.92	30,39,68,69,70,71	
63	1.3.92	40	
64	1.3.92	40	

CUSTOMS

No. Notf.	Date	Chapter	(Rs. in Crore) Revenue foregone
65	1.3.92	40	
66	1.3.92	43	
67	1.3.92	Fur skins	
68	1.3.92	44	
69	1.3.92	44	
70	1.3.92	48	
71	1.3.92	48	
72	1.3.92	48	
73	1.3.92	48	
74	1.3.92	Textiles (50—63)	
75	1.3.92	72	
76	1.3.92	Metals (72—81)	
77	1.3.92	72	
78	1.3.92	73	
79	1.3.92	75	
80	1.3.92	78	
81	1.3.92	82	
82	1.3.92	Machinery (84-85)	
83	1.3.92	84	
84	1.3.92	84 & 85	
85	1.3.92	84	
86	1.3.92	84	
87	1.3.92	84	
88	1.3.92	Machines for dyeing	
89	1.3.92	84	
90	1.3.92	82 or 84	
91	1.3.92	84	
92	1.3.92	84,39,69,85 or 90	
93	1.3.92	85	
94	1.3.92	Raw material for electronics	
95	1.3.92	49	
96	1.3.92	Electronics	
97	1.3.92	Raw material etc. Silicon wafers	
98	1.3.92	85	
99	1.3.92	85	
100	1.3.92	85	
101	1.3.92	Parts for wind operated elec. generator	
102	1.3.92	86	
103	1.3.92	87	

CUSTOMS			(Rs. in Crore)
No. Notf.	Date	Chapter	Revenue foregone
104	1.3.92	General (Crash fire tender)	
105	1.3.92	Helicopter parts etc.	
106	1.3.92	Dredger parts	
107	1.3.92	90	
108	1.3.92	90	
109	1.3.92	90	
110	1.3.92	90	
111	1.3.92	90	
112	1.3.92	90	
113	1.3.92	93,96,95,90,91,84 etc.	
114	1.3.92	92	
115	1.3.92	97	
116	1.3.92	98	
117	1.3.92	98	
118	1.3.92	Rescinds	
119	1.3.92	Rescinds	
120	1.3.92	Auxiliary	
121	1.3.92	Auxiliary	
122	1.3.92	Auxiliary	
123	1.3.92	Auxiliary	
124	1.3.92	Auxiliary	
125	1.3.92	Auxiliary	
126	1.3.92	Auxiliary	
127	1.3.92	Auxiliary	
128	1.3.92	Auxiliary	
129	1.3.92	Auxiliary	
130	1.3.92	Auxiliary	
131	1.3.92	Auxiliary	
132	1.3.92	Auxiliary	
133	1.3.92	Export duty	
134	1.3.92	Export duty	
135	1.3.92	Export duty	
136	1.3.92	Export duty	
137	1.3.92	Export duty	
138	1.3.92	18, Aircraft fro training: items for newspaper etc.	
139	4.3.92	28, 29	
140	5.3.92	Advance licence	
141	9.3.92	Imports from Nepal	
142	10.3.92	Project Import regulation	

CUSTOMS

Notf. No.	Date	Chapter	(Rs. in Crore) Revenue foregone
143	10.3.92	25	
144	11.3.92	Auxiliary	
145	26.3.92	Fuel efficient LCV components	-30
146	26.3.92	Fuel efficient LCV components	
147	26.3.92	87	
148	26.3.92	Auxiliary	
149	26.3.92	63	-30
150	26.3.92	Auxiliary	
151	26.3.92	84,98,85,90	-185
152	26.3.92	84	
153	26.3.92	84 & 85	
154	26.3.92	Auxiliary	
155	30.3.92	Gem & jewellery import by EPZ	
156	31.3.92	90	
			-1582.04

*** The revenue gain/loss will be for the year 1992-93 hence not reported.

CENTRAL EXCISE

14	1.5.91	General (armed forces)	
15	3.5.91	General (for repair of Ch. 89)	
16	25.7.91	4	1440.94
17	25.7.91	15	
18	25.7.91	15	
19	25.7.91	20	
20	25.7.91	21	
21	25.7.91	24	
22	25.7.91	24	
23	25.7.91	24	
24	25.7.91	25	
25	25.7.91	25	
26	25.7.91	General (fuel briquettes)	
27	25.7.91	7,16,20,21,11,17	
28	25.7.91	17	
29	25.7.91	28	
30	25.7.91	28	
31	25.7.91	28	
32	25.7.91	29	

CENTRAL EXCISE

Notf. No.	Date	Chapter	(Rs. in Crore) Revenue foregone
33	25.7.91	29	
34	25.7.91	28	
35	25.7.91	28 or 29	
36	25.7.91	28 or 29	
37	25.7.91	30	
38	25.7.91	28,64,70,69,68	
39	25.7.91	39	
40	25.7.91	40	
41	25.7.91	40	
42	25.7.91	40	
43	25.7.91	40	
44	25.7.91	40	
45	25.7.91	44	
46	25.7.91	48	
47	25.7.91	48	
48	25.7.91	48	
49	25.7.91	55	
50	25.7.91	53,56,57 or 63	
51	25.7.91	54,55	
52	25.7.91	52,55,58,59,54	
53	25.7.91	51,52,54,55,53,56	
54	25.7.91	58	
55	25.7.91	General EOU	
56	25.7.91	53,54,59,52	
57	25.7.91	Rescinding notification	
58	25.7.91	54,55	
59	25.7.91	Rescinding notification	
60	25.7.91	68	
61	25.7.91	69	
62	25.7.91	Chulhas	
63	25.7.91	72,78,76,83,72,29 etc. (con- nected with metals)	
64	25.7.91	72	
65	25.7.91	Rescinding	
66	25.7.91	82	
67	25.7.91	84	
68	25.7.91	84	
69	25.7.91	84	
70	25.7.91	85	
71	25.7.91	85	

CENTRAL EXCISE			
Notf. No.	Date	Chapter	(Rs. in Crore) Revenue foregone
72	25.7.91	85	
73	25.7.91	85	
74	25.7.91	87,34,37	
75	25.7.91	87	
76	25.7.91	90	
77	25.7.91	96	
78	25.7.91	90	
79	25.7.91	MODVAT Scheme	
80	25.7.91	General (Rural area)	
81	25.7.91	EOU's	
82	25.7.91	General (SED)	
83	19.8.91	54	
84	30.8.91	55	
85	11.9.91	21	-0.15
86	11.9.91	21	
87	11.9.91	22	-9
88	11.9.91	25	
89	11.9.91	28,29	
90	11.9.91	34	
91	11.9.91	39	
92	11.9.91	85	
93	11.9.91	85	
94	11.9.91	85	
95	16.9.91	87	
96	16.9.91	General (Trailers)	
97	7.10.91	General (EOU)	
98	9.10.91	11	5.5
99	1.11.91	25	
100	1.11.91	64	
101	15.11.91	39	
102	11.12.91	General (Earthquake donations)	
103	16.12.91	General (Armed Forces)	
104	16.12.91	32	
105	16.12.91	46	
1	2.1.92	25	
2	2.1.92	25	
3	2.1.92	22	
4	1.3.92	21	***
5	1.3.92	General (Good vended through automatic vending. m/c)	

CENTRAL EXCISE

 (Rs. in Crore)
 Revenue
 foregone

Notf. No.	Date	Chapter	(Rs. in Crore) Revenue foregone
6	1.3.92	21	
7	1.3.92	25	
8	1.3.92	27, 34, 25	
9	1.3.92	24	
10	1.3.92	28	
11	1.3.92	28	
12	1.3.92	30	
13	1.3.92	34	
14	1.3.92	39	
15	1.3.92	39	
16	1.3.92	39	
17	1.3.92	40	
18	1.3.92	40	
19	1.3.92	40	
20	1.3.92	44	
21	1.3.92	44	
22	1.3.92	52	
23	1.3.92	General (50-63) Samples etc. relating to textiles	
24	1.3.92	General (Prison)	
25	1.3.92	52, 54, 55	
26	1.3.92	68	
27	1.3.92	68	
28	1.3.92	68	
29	1.3.92	69	
30	1.3.92	70	
31	1.3.92	70	
32	1.3.92	72	
33	1.3.92	SSI (72, 73, 84, 74, 76, 98)	
34	1.3.92	72, 73	
35	1.3.92	74	
36	1.3.92	78, 79	
37	1.3.92	84	
38	1.3.92	85	
39	1.3.92	85	
40	1.3.92	85	
41	1.3.92	87, 35, 32, 34	
42	1.3.92	88	
43	1.3.92	91	
44	1.3.92	94	

CENTRAL EXCISE

Notf. No.	Date	Chapter	(Rs. in Crore) Revenue foregone
45	1.3.92	96	
46	1.3.92	SED	
47	1.3.92	SED	
48	1.3.92	SED	
49	1.3.92	SED	
50	1.3.92	Rescinds	
51	1.3.92	Rescinds	
52	1.3.92	22	
53	10.3.92	72	
54	10.3.92	73, 84, 85, 86, 87	
55	31.3.92	SSI MODVAT	
56	31.3.92	25	

***The revenue gain/loss will be
for the year 1992-93 hence not reported.

1437.29

CHAPTER III

**RECOMMENDATIONS AND OBSERVATIONS WHICH THE
COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF
THE REPLIES RECEIVED FROM GOVERNMENT**

—NIL—

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendations

The Committee regret to note that the Ministry of Finance have not so far evolved an effective monitoring mechanism for watching the fulfilment of objectives behind the grant of exemption despite recommendations to this effect made by the Committee on several occasions in the past. Even the limited monitoring of end-use bonds prescribed at Collector's level only is far from satisfactory.

In fact, during evidence Secretary (Revenue) admitted that the existing system of monitoring required improvement and it was capable of improvement. After due deliberations, he promised to send a note after evolving a suitable system in consultation with the Administrative Ministries. However, nothing concrete has emerged so far. The Committee reiterate their earlier recommendation and are of the firm view that a monitoring system should be evolved to review periodically how far the objectives behind the grant of exemptions have been achieved and there was no misuse of the concession. The Committee feel that though the administrative Ministry cannot be absolved of its responsibility in this regard the ultimate responsibility lies with the Ministry of Finance.

[Sl. No. 5 (Para 1.39) of Appendix-II to 5th Report of the PAC—(Tenth Lok Sabha)].

Action Taken

Exemptions or concessions in duty are often given at the instance of the administrative Ministry concerned with the industry for whom relief is sought. The concerned administrative Ministry recommends such a concession having regard to the state of a particular industry, competitiveness *vis-a-vis* imported goods, cost of production, escalation in the price of inputs, profitability, etc. The Department of Revenue considers such recommendation keeping in view, *inter alia*, the overall revenue position. The role of the Department of Revenue is thus to accord or not to give the concession sought, keeping in view revenue and other considerations. Once the concession has been given for the objective stated by the concerned administrative Ministry, it is for that Ministry to monitor the impact of the concession they had sought and see whether the stated objective has been fulfilled or not. For instance, if the objective is that the

consumer should have the benefit of the concession, it is for the administrative Ministry both to ensure this and in case the benefit is not passed on to the consumer, inform the Department of Revenue about the position for considering whether relief should continue, be modified or withdrawn.

2. Sometimes, it is felt that the rate of duty on a particular commodity is unduly high. Reduction in such cases has no objective except to make the duty fair and reasonable. The question of monitoring will not, therefore, arise in such cases.

3. For example, a large number of duty concessions and exemptions are given at the request of the Commerce Ministry in the interest of export promotion. Since export promotion is mainly the concern of the Commerce Ministry, monitoring of the fulfilment of the objective of export promotion is with that Ministry. Other such examples are duty reductions in respect of textile sector, steel, drugs and medicines, etc. The distribution and pricing mechanism lies with the concerned Ministry, in situations of price control.

4. The Department of Revenue has neither any means nor any jurisdiction or authority to look into the efficient functioning of the market system or into pricing, marketing, etc. of commodities. It is just not in a position at all to monitor or watch the fulfilment of objectives leading to the grant of exemption.

5. If, however, by the expression 'objective' verification of 'end use' is intended, which is quite distinct from 'objective', this is done by the Department of Revenue whenever a notification makes it a condition, mostly by means of certification by concerned agencies. There is a fairly effective mechanism for this purpose. It may, however, be stated that the mechanism of 'end use' notifications is now not favoured and the Department of Revenue is trying to move away from the regime of such notifications.

6. As regards the monitoring of end use by the administrative Ministries concerned, a note containing comments of nine administrative Ministries/Departments, which have responded, is enclosed (Annexure-II). The other nine Departments have not so far sent their views (Annexure-III).

[Ministry of Finance (Department of Revenue) F.No. 521/14/92-CUS.
(TU) dated 27.8.1992]

*To D/Revenue's ATN on Para-1.39
5th Report of PAC (10th Lok Sabha)*

**NOTE CONTAINING MECHANISM FOR MONITORING THE END USE NOTIFICATIONS
PREVALENT IN VARIOUS ADMINISTRATIVE MINISTRIES**

Name of Ministry /Department and their comments

Comments of D/Revenue

4. DGTD

A summary of the pre-import and post-import conditions in the notifications with which DGTD is concerned, is attached Stat. A. It may be observed that in vast majority of cases, the customs duty concession for the specified end-use is being given to actual users under pre-import certificate from the DGTD or the other sponsoring authorities. Also in a large number of cases, the post-import condition states that an account of the said imported goods received and consumed in the place of manufacture for the specified purpose shall be maintained in the manner specified by the Assistant Collector of Customs or the importer shall produce requisite certificate from the Asstt. Collector of Excise in whose jurisdiction the importer is situated. However, in very few cases, a post-import certificate is required to be given by DGTD to the effect that the said components have been used for the specified purposes (e.g. Notification No. 315/88-Cus. dated 15.12.88)

In cases which involve duty concession for the import of sensitive items (whose diversion is likely to command premium), the post-import certification may be made the responsibility of DGTD/administrative Ministry. Such materials should be identified at the outset and suitable provisions incorporated in the notifications.

In case of the factories which are not under central excise control, importers may be advised to produce a certificate from the sponsoring authority that the post-import use of materials will be monitored by them and submitted to the customs authorities within a specified period of time.

While normal end-use monitoring should continue to be done through central excise field formations they may seek the assistance of DGTD/administrative Ministries on cases where it is considered necessary.

The consumption/end-use of an imported material is not always in such premises as are subject to central excise control. Since the concessions have been given on the basis of a unit being an actual use of the imported item, the DGTD should build up a mechanism to ensure that the imported item is actually being used for the declared end-use. In case imported item has multifarious uses, then despite the importer being an actual user, keeping in view the possibility of diversion/misuse the DGTD should reconsider their recommendation for continuation of such end-use based notifications. It is only in those cases where there is a substantial possibility of diversion monitoring of end-use through maintenance of consumption accounts to be certified and scrutinised by the Central Excise field formations has been prescribed and in these cases the said consumption certificate are being scrutinised by the concerned Asstt. Collector of Customs as stipulated in the respective notifications. Besides this selective monitoring, there is no mandate with the central excise field officers to monitor the actual use of material imported at concessional duty.

Comments of D/Revenue

Name of Ministry / Department and their comments

<i>Name of Ministry / Department and their comments</i>	<i>Comments of D/Revenue</i>
<p>2. <i>Ministry of Petroleum & Chemicals</i></p> <p>The Chief Consultant OADB issues essentiality certificates in terms of Notification No. 514/86, 333/88, 196/89 and maintains necessary records. He has not so far been doing any test check of the end-use. He would now do test checks and send quarterly reports to the Administrative Ministry. In respect of Notification No. 227/82 necessary end-use checks are being introduced.</p>	Nil
<p>3. <i>Development Commissioner, Small Scale Industries</i></p> <p>State/U.T. DIs are in constant interaction with the SSI units in operation under their administrative jurisdiction and therefore, the existing system of monitoring and control by the State/UT DIs is the most appropriate system.</p>	<p>Units in the small scale sector upto specified turnover are fully exempted from excise duty and licensing control. Unless the relevant customs notification requires maintenance of consumption accounts and their certification the field officers of the central excise department normally do not visit these units.</p>
<p>4. <i>Department of Electronics</i></p> <p>There are only a limited number of users since clearance is restrictive as per PMP and one time only to absorb the technology and reverse engineering. There are no chances of misuse. Further details like drawings, design and end product are verified by Deptt. of Electronics and misuse of end-use is unlikely. A very rigorous concurrent monitoring will not be cost-effective or justifiable. Each unit availing concessional duty is however, being asked to submit a complete report of utilisation to D O E and the said reports will be sent to the Ministry of Finance on a half-yearly basis.</p>	Nil

5. *Department of Chemicals & Petrochemicals*

In the case of petrochemicals and chemicals sectors, prices are set by market forces and there is no administrative price control on most of the items. Duty concessions are usually recommended for intermediate products. The end product may be several steps down-stream. It is not feasible to monitor the impact of duty concession given to an intermediate product on its end-product except in the case of drugs.

Nil

6. *Ministry of Home Affairs*

Home Ministry gives pre-import certificates such as the fire arms are not manufactured in the country or the same are required for research purposes. End-use is monitored by State Governments.

Nil

7. *Department of Non-Conventional Energy Sources*

The products being developed and popularised by the Department are new as well as in a developmental stage and revenue loss is comparatively negligible. The items cannot generally be diverted for other applications. Rigorous monitoring is not called for.

Nil

8. *Department of Animal Husbandry & Dairying*

The record of Sheep, Goats and Rabbits which are imported to improve live stock are being maintained by the Central/State Sheep Breeding Farms/Goat Breeding Farms/Rabbit Breeding Farms. Similarly, thorough bred horses are registered individually with the stud Book Authority of India which ensures that the imported animals are not misused (Notification Nos. 130/77, 237/78 and 10/90).

Nil

<i>Name of Ministry/ Department and their Comments</i>	<i>Comments of D / Revenue</i>
<p>9. <i>Ministry of Information & Broadcasting</i></p> <p>At present there is no regular system for monitoring the end use of items imported at concessional rates of customs duty. In case it is considered necessary to introduce such monitoring system, the Board of Excise and Customs may examine the feasibility of prescribing suitable periodical reports/returns and of carrying out surprise inspections as may be warranted.</p>	<p>As the administrative Ministry is not in a position to monitor the end-use the continuation of the notifications concerning them may perhaps need to be reconsidered.</p>

STATEMENT—A

Sl. No.	Notification No. and date	Application	Pre import condition	Post import condition
1.	2.	3.	4.	5.
1.	39/79-Cus dt. 15.2.79	Component parts required for the purpose of (i) A/U manufacture or assembly of dumpers	(i) No certification	An Account of the said component parts received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
2.	192/80-Cus dt. 26.9.80	Rubber Blankets for use in printing on any surface.	-do-	Nil
3.	155/81-Cus dt. 28.5.81	Parts of stationary or industrial internal combustion piston engines, for industrial and agricultural tractors, power tillers and marine engines.	-do-	An account of the said imported parts received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
4.	228/83-Cus dt. 17.8.83	Stainless Steel tubes for the manufacture of electrical heating elements.	-do-	Nil
5.	30/83-Cus dt. 25.2.83	Components for Fuel Efficient 2 Wheelers (i) A/U required for use in the manufacture of fuel efficient two wheeled motor vehicles.	(ii) Certification from DGTD	-as above-

1	2	3	4	5
6.	235/83-Cus dt. 18.8.83	Parts (other than parts containing thermionic valves or transistors or similar semiconductor devices or light emitting diodes or electronic microcircuits or capacitors other than paper capacitors) required for the manufacture of medical electronic equipment.	(i) A/U (ii) No certification.	Nil
7.	210/84-Cus dt. 1.8.84	Components for fuel efficient 2 Wheelers	(i) A/U (ii) No certification from DGTD	Nil
8.	254/84-Cus dt. 8.10.84	Goods (other than raw materials) required for the manufacture of components of fuel efficient motor cars	-do-	An account of the said imported goods received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
9.	268/84-Cus dt. 30.10.84	Components of motor vehicles (including components of motor vehicles in semi-knocked down packs and completely knocked down packs) required for the manufacture of heavy commercial motor vehicles.	-do-	-as above-
10.	7/85-Cus dt. 16.1.85	Components of electrically operated trolley buses, electrically operated two tractors (other than platform trucks and fork lift trucks) and battery powered road vehicles.	-do-	-as above-

- | | | | | |
|-----|---------------------------|--|---|--|
| 11. | 75/85-Cus
dt. 17.3.85 | Goods (other than raw materials) required for the manufacture of components of Motor Vehicles. | -do- | -as above- |
| 12. | 76/85-Cus
dt. 17.3.85 | Components of fuel injection equipment (including components of fuel injection equipment in semi-knocked down packs and completely knocked down packs) | -do- | The importer shall, within such period as the Asstt. Collector of Customs may specify in this behalf, produce a certificate from the Asstt. Collector of Central Excise in whose jurisdiction the factory manufacturing fuel injection equipment is situated to the effect that the said components have been used in the manufacture of fuel injection equipment. |
| 13. | 348/85-Cus
dt. 5.12.85 | Components (including components of fuel efficient four wheeler cross country Motor vehicles in semi-knocked down packs and completely knocked down packs) required for the manufacture of fuel efficient four wheeled cross country motor vehicles. | (a) A.U.
(b) Certification from DGTD | An account of the said component parts received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs. |
| 14. | 349/85-Cus
dt. 5.12.85 | Components of fuel efficient four wheeled cross country motor vehicles | (a) A.U.
(b) Certification from DGTD | Nil |
| 15. | 350/85-Cus
dt. 5.12.85 | Goods (other than raw materials) for the manufacture of components of 4 wheelers cross country motor vehicles. | (a) A.U.
(b) Certification from DGTD | An account of the said components parts received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs. |

1	2	3	4	5
16.	351/85-Cus dt. 5.12.85	Goods for the manufacture of components of fuel efficient two wheeled motor vehicles.	-do-	-do-
17.	41/85-Cus dt. 28.2.85	Digital Digianna electronic wrist watches and similar combination type wrist watches and parts thereof (including semi-knocked down packs and completely knocked down packs)	(a) A.U. (b) Certification from DGTD	Nil
18.	43/85-Cus dt. 28.2.85	Components of mechanical wrist watches and quartz analog wrist watches (excluding those specified in the table)	(a) A.U. (b) Certification from DGTD	Importer shall, within such period as the Asstt. Collector of Central Excise in whose jurisdiction the factory manufacturing such wrist watches is situated, to the effect that the said imported components have been used in the manufacture of the said wrist watches.
19.	45/85-Cus dt. 28.2.85	Horological machines and testing equipments for the purpose of manufacture or assembly of mechanical wrist watches or parts thereof and quartz analog wrist watches or parts thereof.	-do-	Importer shall within such period as the Asstt. Collector of Customs, may specify in this behalf, produce a certificate from the Asstt. Collector of Central Excise in whose jurisdiction the factory manufacturing or assembling such wrist watches or parts thereof is situated, to the effect that the said goods have been installed in the importers own factory for the manufacture or assembly of the said wrist watches or parts thereof.

20. 46/85-Cus
dt. 28.2.85
- Horological raw materials for the manufacture of components of mechanical wrist watches and quartz analoge wrist watches
- do-
- The importer shall within such period as the Asstt. Collector of customs may specify in this behalf, produce a certificate from the Asstt. Collector of Central Excise in whose jurisdiction the factory manufacturing components of the said wrist watches is situated, to the effect that the imported horological raw material have been used in the manufacture of said components.
- Nil
21. 345/85-Cus
dt. 2.12.85
- Components parts (excluding quartz crystals) of electronic modules (including semi knocked down packs and completely knocked down packs) of digital, analoge, digiana and similar combination type electronic wrist watches.
- (i) A.U.
(ii) Certification from D.O.E.
22. 343/86-Cus
dt. 16.6.86
- Moulds (including chases for the manufacture of semi-conductor devices) and the tools (excluding tungtation carbide micro PCB drills) and dies.
- (i) A.U.
(ii) Certification from DGTD
23. 502/86-Cus
dt. 24.12.86
- Components (including components of fuel-efficient motor cars in semi-knocked down packs and completely knocked down packs) required for the manufacture of fuel-efficient motor cars of engine capacity exceeding 1000 cubic centimetres.
- The importer shall within such period as the Asstt. Collector of Customs may specify in this behalf, produce a certificate from the Asstt. Collector of Central Excise in whose jurisdiction the factory manufacturing such fuel efficient motor cars is situated to the effect that such imported components have been used in the manufacture of fuel-efficient motor cars of engine capacity exceeding 1000 cubic centimetres.

1	2	3	4	5
24.	503/86-Cus dt. 24.12.86	Components of fuel efficient motor cars of engine capacity exceeding 1000 cubic centimetres.	(a) A.U. (b) Certification from DGTD	Nil
25.	397/86-Cus dt. 29.7.86	Parts of Computer numerical control systems, required for the purpose of initial setting up, or for the assembly or manufacture, of such systems.	(a) A.U. (b) Certification from DGTD	Nil
26.	229/87-Cus dt. 4.6.87	Stainless Steel Strips for Heating Element Tubes.	(a) A.U. (b) No Certification	Nil
27.	297/87-Cus dt. 17.8.87	Components of electrically operated trolley buses, electrically operated platform trucks, electrically operated work trucks, electrically operated two tractors and battery powered road vehicles including components of such electrically operated trolley buses, electrically operated platform trucks, electrically operated works trucks, electrically operated tow tractors and battery powered road vehicles in semi-knocked down packs and completely knocked down packs.	(a) A.U. (b) Certification from DGTD	An account of the said component received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
28.	222/87-Cus dt. 28.5.87	Components of Light Commercial Motor vehicles.	(a) A.U. (b) Certification from DGTD	An account of the said component received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in manner specified by the Asstt. Collector of Customs.

29. 187/87-Cus
dt. 1.3.87
- Automatic Transmission and gadgets intended for use by disabled persons (hereinafter referred to as the said goods) required for use in fuel-efficient motor cars of engine capacity not exceeding 1000 cubic centimetres specially designed or adopted for use by disabled persons.
- (a) A.U.
(b) Certification from DGTD
- An account of the said goods received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
30. 65/87-Cus
dt. 1.3.87
- For the manufacture of mechanical wrist watches and quartz analoge wrist watches or of components of such wrist watches.
- (a) A.U.
(b) Certification from DGTD
- The importer shall, within such period as the Asstt. Collector of Customs may specify in this behalf, produce a certificate from Asstt. Collector Central Excise in whose jurisdiction the factory manufacturing such wrist watches is situated, to the after that the said imported parts have been used in the manufacture of the said wrist watches or their components.
31. 317/87-Cus
dt. 17.9.87
- Goods for specified industries
- (a) A.U.
(b) Certification from DGTD
- Nil
32. 83/87-Cus
dt. 1.3.87
- Silicon, in the form of diffused wafers disc or chips for the manufacture of hybrid microcircuits or semi-conductor devices.
- (a) A.U.
(b) Certification from DGTD
- Nil

1	2	3	4	5
33.	228/88-Cus dt. 1.8.88	Machinery, equipment instruments, components, spares tools accessories, computer software, raw materials and consumables required for the purpose of the Light Combat Aircraft programme of the Ministry of Defence.	(a) A.U. (b) No Certification	Nil
34.	31/88-Cus dt. 1.3.88	Components of fuel-efficient motor car of engine capacity not exceeding 1000 cubic centimeters.	(a) A.U. (b) Certification from DGTD	Nil
35.	32/88-Cus dt. 1.3.88	Components including components of fuel efficient motor cars in semi-knocked down packs and completely knocked-down packs for the manufacture of fuel-efficient motor cars of engine capacity not exceeding 1000 cubic centimeters.	(a) A.U. (b) Certification from DGTD	On account of the said component parts received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
36.	33/88-Cus dt. 1.3.88	Goods (other than raw materials) for the manufacture of components of fuel-efficient light commercial vehicles, of payload not exceeding 4000 kgs.	(a) A.U. (b) Certification from DGTD	On account of the said imported goods received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.
37.	276/88-Cus dt. 30.9.88	Components of fuel-efficient light commercial motor vehicles employing indirect injection (IDI) engine (including components of such fuel efficient light commercial motor vehicles in semi-knocked down packs and completely knocked down packs) required for the manufacture of such fuel efficient light commercial vehicles of payload not exceeding 4000 kgs.	(a) A.U. (b) Certification from DGTD	An account of the said component received and consumed in the place of manufacture for the aforesaid purpose shall be maintained in the manner specified by the Asstt. Collector of Customs.

38.	31/5/88-Cus dt. 15.12.88	Components required for the manufacture of power transmission system for earth moving machinery, for fork lift trucks and locomotives.	(a) A.U. (b) Certification from DGTD	The importer shall, within such period as the Asstt. Collector of Customs may specify in this behalf, produce a certificate issued by an Industrial adviser or an Addl. Industrial Adviser in the said Directorate, to the effect that the said components have been used for the purpose specified above.
39.	26/88-Cus dt. 1.3.88	Machinery for the manufacture of Rolling Bearings.	(a) A.U. (b) No certification	Nil
40.	71/89-Cus dt. 1.3.89	Goods for use in the leather processing industry, leather finishing industry, leather goods manufacturing industry, leather footwear manufacturing industry of leather apparel industry, Machinery for fishing net.	(a) A.U. (b) No Certification	Nil
41.	64/89-Cus dt. 1.3.89	Machinery for fishing net.	(a) A.U. (b) No Certification	Nil
42.	98/89-Cus dt. 1.3.89	Goods for the manufacture of high pressure sodium vapour lamps.	(a) A.U. (b) Certification from DGTD	Nil
43.	97/89-Cus dt. 1.3.89	Parts required for the manufacture of specified instruments.	(a) A.U. (b) Certification from DGTD	Account of the said parts received and consumed in the place of manufacture, shall be maintained in the manner specified by the Asstt. Collector of Customs.

44.	79/89-Cus dt. 1.3.89	Components for capital goods for electronic industry.	(a) A.U. (b) Certification from DGTD	Nil
45.	93/90-Cus dt. 20.3.90	Goods for the manufacture of synthetic industrial diamonds.	(a) A.U. (b) No Certification	Nil
46.	25/90-Cus dt. 20.3.90	Oleopine resin for the manufacture of gum resin and turpentine.	(a) A.U. (b) No Certification	Nil
47.	96/90-Cus dt. 20.3.90	Aseptic Form Fill seal Machine for use in pharmaceutical industry.	(a) A.U. (b) No Certification	Nil

List of Ministries/Departments who have not sent their views on Monitoring of end-use

1. Department of Mines.
2. Ministry of Health & Family Welfare
3. Department of Youth Affairs & Sports
4. Department of Fertilizer
5. Department of Steel
6. Ministry of Agriculture & Cooperation
7. Ministry of Food Processing
8. Ministry of Commerce
9. Department of Textiles

Recommendation

The Committee would also like the Ministry of Finance to consider a proposal whereby the beneficiaries of the exemptions are required to send periodical reports regarding utilisation of material imported at concession rates to both the Ministry of Finance and the administrative Ministry so as to enable a better monitoring.

[Sl. No.6 (para 1.40) of Appendix II to Fifth Report of PAC (10th Lok Sabha)].

Action Taken

Post-import overseeing is not generally the function of the Customs department. Where, however, the notification itself requires the importer to produce a duly authenticated consumption certificate, customs authorities monitor the compliance. As stated in reply to para 1.39, the mechanism of end-use notification is now not favoured and the Department of Revenue is trying to move away from the regime of such notifications. In this background, the Ministry feels that it would not be advisable to prescribe such statements to be furnished by the beneficiaries to the Ministry of Finance. The administrative Ministry would, technically and jurisdictionally, be more competent to monitor the end-use.

[Ministry of Finance (Department of Revenue) F.No 521/14/92-Cus.(TU) dated 23.9.1992]

Recommendation

The Committee also note that an amount of Rs. 702.40 crores was granted during the year 1989-90 as ad-hoc exemptions from customs duty under Section 25 (2) of the Customs Act, 1962. The corresponding figures for the preceding two years were Rs. 1399.19 crores and Rs. 714.03 crores respectively. The Committee further note that in terms of provision of

Section 159 of the Customs Act, 1962, all the notifications issued under sub-section 1 of Section 25 of the Customs Act, 1962, granting exemption from Customs duty in general are to be laid before Parliament. However, it is not obligatory on the Part of Government to lay copies of exemption orders issued under sub section 25 (2) before Parliament granting ad-hoc exemptions. Thus, Parliament is persently not kept contemporaneously informed of the ad hoc exemptions granted by Government. The Committee strongly feel that in the interest of financial accountability of the Government to Parliament placing of notification granting ad-hoc exemption is highly imperative. They, therefore, recommend that suitable amendments should be brought out in the Statue so as to make the laying of ad hoc exemption orders on the Table of the House mandatory as practised in the case of notifications issued under Section 25 (1).

[Sl. No.7 (para 1.41) of Appendix II to the 5th report of the PAC
(Tenth Lok Sabha)].

Action Taken

The Government attaches greatest importance to openness and transparency in its policy making. The Government, therefore welcomes the Committee's recommendation that copies of ad hoc exemption orders should also be placed on the Table of the House. Suitable amendments can also be made in the law to make it possible. However, ad hoc exemption orders cover imports of strategic and secret nature effected by intelligence and other agencies besides essential imports on Government account for public distribution system etc. In the former case, Government feel that it would not be in public interest to disclose the contents of imports. In the latter category of imports, immediate issue of ad hoc orders at short notice becomes unavoidable.

Considering the sensitive nature of many of such orders, Government are of the view that it may not be possible to lay copies of ad hoc exemption orders on the Table of the House.

[Ministry of Finance (Department of Revenue) F.No. 521/14/92-
Cus(TU) dated 27.8.1992].

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLY

—NIL—

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NEW DELHI;
December 7, 1993

Agrahayana 16, 1915 (Saka)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

APPENDIX

Conclusions and Recommendations

S. No.	Para No.	Ministry/ Deptt. Concerned	Conclusions/Recommendations
1	2	3	4
1	1.10	Ministry of Finance (Deptt. of Revenue)	In their earlier Report while examining two cases of incorrect application of Customs notifications granting import of goods at concessional rates of duty, the Committee had observed that the Ministry of Finance had not so far evolved any effective monitoring mechanism for watching the fulfilment of objective behind the grant of exemption despite recommendations to this effect made by the Committee on several occasions in the past. While reiterating the need for evolving a monitoring system to review periodically the extent to which the objectives behind the grant of exemptions had been achieved and ensuring that there was no misuse of the concession, the Committee had pointed out that though the administrative Ministry cannot be absolved of their responsibility in this regard, the ultimate responsibility lies with the Ministry of Finance. The Committee in this context had also recommended that the Ministry of Finance should consider a proposal whereby the beneficiaries of the exemptions were required to send periodical reports regarding utilisation of material imported at concessional rates to both the Ministry of Finance and the administrative Ministry so as to enable better monitoring. In their action taken reply, the Ministry of Finance have stated that exemptions or concessions in duty were often given at the instance of the administrative Ministry concerned with the industry for whom relief was sought. Once the concession had been given for

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the objective stated by the concerned administrative Ministry, it was for that Ministry to monitor and see whether the stated objective had been fulfilled or not. According to them, the Ministry of Finance (Deptt. of Revenue) were just not in a position at all to monitor or watch the fulfilment of objectives leading to the grant of exemption. As regards the monitoring of end-use, the Ministry have stated that it was being done by the Department of Revenue whenever a notification made it a condition, mostly by means of certification by concerned agencies. In this connection, the Ministry of Finance have also furnished comments of nine administrative Ministries/other agencies; according to the Ministry of Finance nine other departments were yet to furnish their views. The comments of the administrative Ministries indicated that most of them either did not have any system for monitoring or were yet to introduce it or had passed on the responsibility for the same to some other Department/Agency. From the reply of the Ministry of Finance and the comments offered by the administrative Ministries it is evident that there is no proper system either in the Ministry of Finance or in the administrative Ministries concerned for watching the fulfilment of the objectives behind the grant of exemption. The observations made by the Ministry of Finance on the comments of the administrative Ministries in certain cases also indicated lack of effective co-ordination between the Ministry of Finance and the administrative Ministries. The Committee cannot but express their concern over this unsatisfactory state of affairs. They, therefore, reiterate their earlier recommendations and desire that an effective monitoring system should be evolved by the Ministry of Finance in consultation with all the administrative Ministries with a view

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			to review periodically the extent to which the objectives behind the grant of exemptions have been achieved and also for ensuring that there was no misuse of the concession.
2	1.14 Ministry of Finance (Deptt. of Revenue)		In their earlier Report, the Committee had pointed out that as per the existing provisions of the Customs Act, 1962 while copies of all the notifications of general nature issued under sub-section(1) of Section 25 granting exemption from Custom duty were required to be laid before Parliament, it was not obligatory on the part of Government to lay copies of the specific exemption orders issued under sub-section (2) of Section 25 before Parliament granting <i>ad hoc</i> exemptions. Pointing out that a substantial amount of money was involved every year in the grant of <i>ad hoc</i> exemptions from Custom duty, the Committee had expressed the view that in the interest of financial accountability of the Government to Parliament placing all copies of orders granting <i>ad hoc</i> exemption before Parliament was highly imperative. They had, therefore, recommended suitable Amendments in the Customs Act so as to make laying of <i>ad hoc</i> exemption orders on the Table of the House mandatory as practised in the case of notifications issued under Section 25(1). In their Action Taken Note, the Ministry of Finance while welcoming the Committee's recommendation in this regard have stated that suitable Amendments could be made in the law to make it possible. However, according to the Ministry since <i>ad hoc</i> exemption orders covered imports of strategic and secret nature effected by intelligence and other agencies besides essential imports on Government account for Public Distribution System etc. it may not be possible to lay copies of <i>ad hoc</i> exemption orders on the Table of the House considering the sensitive nature of many of such orders. The Committee do not agree with this view. From the data of <i>ad hoc</i> exemptions relating to the period 1987-90 made available to the Committee it was

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abundantly clear that bulk of the *ad hoc* exemption orders covered import of items of commercial nature only and, therefore, it is evident that the orders pertaining to the import of items of a sensitive nature are very limited. The Committee, therefore, recommend that Government may consider placing of all exemption orders on the Table of Parliament with the exception of those pertaining to import of strategic and secret nature and are of an individual and personal in nature.

PART II

MINUTES OF THE 14TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 24 NOVEMBER, 1993

The Committee sat from 10.30 hrs. to 11.30 hrs.

PRESENT

MEMBERS

Lok Sabha

1. Shri Nirmal Kanti Chatterjee (in the Chair)
2. Dr. K.V.R. Chowdary
3. Shri Jagat Veer Singh Drona
4. Smt. Krishnendra Kaur
5. Smt. Geeta Mukherjee
6. Shri Mrutyunjaya Nayak
7. Shri Satya Pal Singh Yadav

Rajya Sabha

8. Shri S. S. Ahluwalia
9. Shri Somappa R. Bommai
10. Shri Anant Ram Jaiswal
11. Miss Saroj Khaparde

SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Smt. Ganga Murthy — *Deputy Secretary*
3. Shri K.C. Shekhar — *Under Secretary*

REPRESENTATIVES OF AUDIT

1. Shri S.H. Manghani — ADADI (OAB)
2. Shri Vikram Chandra — Pr. Director (Reports)
3. Shri Sunil Verma — Pr. Director
4. Shri V. Srikantan — Pr. Director of Audit (ESM)
5. Shri P.K. Brahma — Pr. Director (INDT)
6. Shri R.K. Paul — Director (OAB)
7. Mrs. Ruchira Pant — Director (Custom)

2. The Committee in absence of the Chairman requested Shri Nirmal Kanti Chatterjee to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee considered the following draft Reports and adopted the same subject to certain modifications and amendments indicated in Annexures I*, II* and III.

i) xxx xxx xxx

ii) xxx xxx xxx

iii) Draft Report on Action Taken on 5th Report of PAC (10th Lok Sabha) regarding Custom Receipts-non-verification of end use.

4. The Committee authorised the Chairman to finalise these draft Reports in the light of verbal charges and minor modifications/amendments arising out of factual verification by the Audit and present the Reports to both the Houses of Parliament.

The Committee then adjourned.

*Not appended.

AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC
ACCOUNTS COMMITTEE IN THE DRAFT REPORT ON ACTION
TAKEN ON 5TH REPORT OF PAC (10TH LOK SABHA) RELATING
TO CUSTOMS RECEIPTS—NON VERIFICATION OF END-USE

PAGE	PARA	LINE	AMENDMENTS/MODIFICATIONS
12	1.14	Last line	<i>add</i> after 'secret nature.' "and are of an individual or personal in nature".
