

# **CUSTOMS BUSINESS PROCESSES RE-ENGINEERING: STEP TOWARDS FURTHER EASING BUSINESS**

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# Ease of Doing Business With Special Focus on Customs in India

- Ease of doing business, an index created by the [World Bank Group](#), is now a very familiar tune in India.
- With the Indian government going ahead with the WTO's Trade Facilitation Agreement (TFA), it is believed this initiative will help India to further boost its trade growth through the reduction of trade costs while meeting India's ambition to reach USD 900 billion in export volume by 2020, which is nearly double from today's export volume.
- In India it takes 29 days to start a business and one has to complete 12 procedures compared to Canada where it takes 5 days to start a business and one has to complete 1 procedure and therefore ranks 130 out of 185 countries.
- Customs has been at the vanguard of ease of doing business for the last 2 decades in India.

# Factors propelling Customs to Change

- **Manual processes, high tariffs, multiple rates and complex restrictions;**
- **1991 Economic Reforms ushered in trade liberalization and globalization of the economy;**
  - **Customs begin to see a redefined role in the new context;**
  - **Growing focus on trade facilitation and process improvement;**
- **Increased foreign Trade and the consequent increase in volume of transactions**
  - **14 + million transactions recorded in Custom system last year**
- **Proliferation of preferential trade agreements**
  - **Bilateral / Regional / Multi-Lateral**
- **Raising demands from globally aligned trade and Industry**
  - **Intelligence driven Risk assessment as the basis for Custom clearance**
- **New challenges for Enforcement**
  - **Enhanced Security threat and new avenues for commercial frauds**

# Prominent Modules implemented in the last 2 decades

- **ICES (EDI) – 1995**
- **ICEGATE – 2004**
- **RMS & PCA – 2005**
- **IT Consolidation – 2010**
- **SWIFT -- 2015**

**EDI** replaces :  
(current practice) of manual  
assessment of import and  
export documents

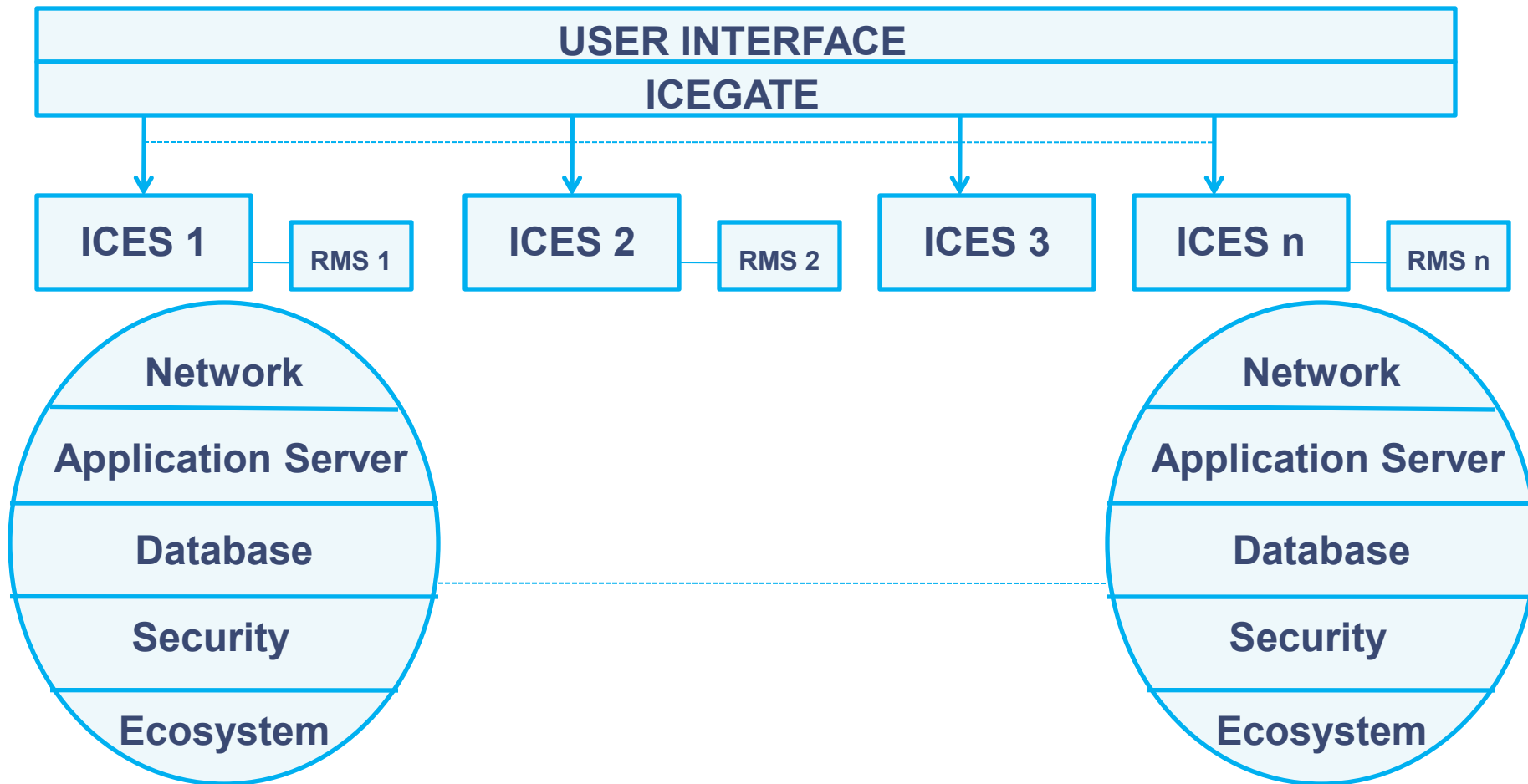


with **Electronic assessment on computer.**

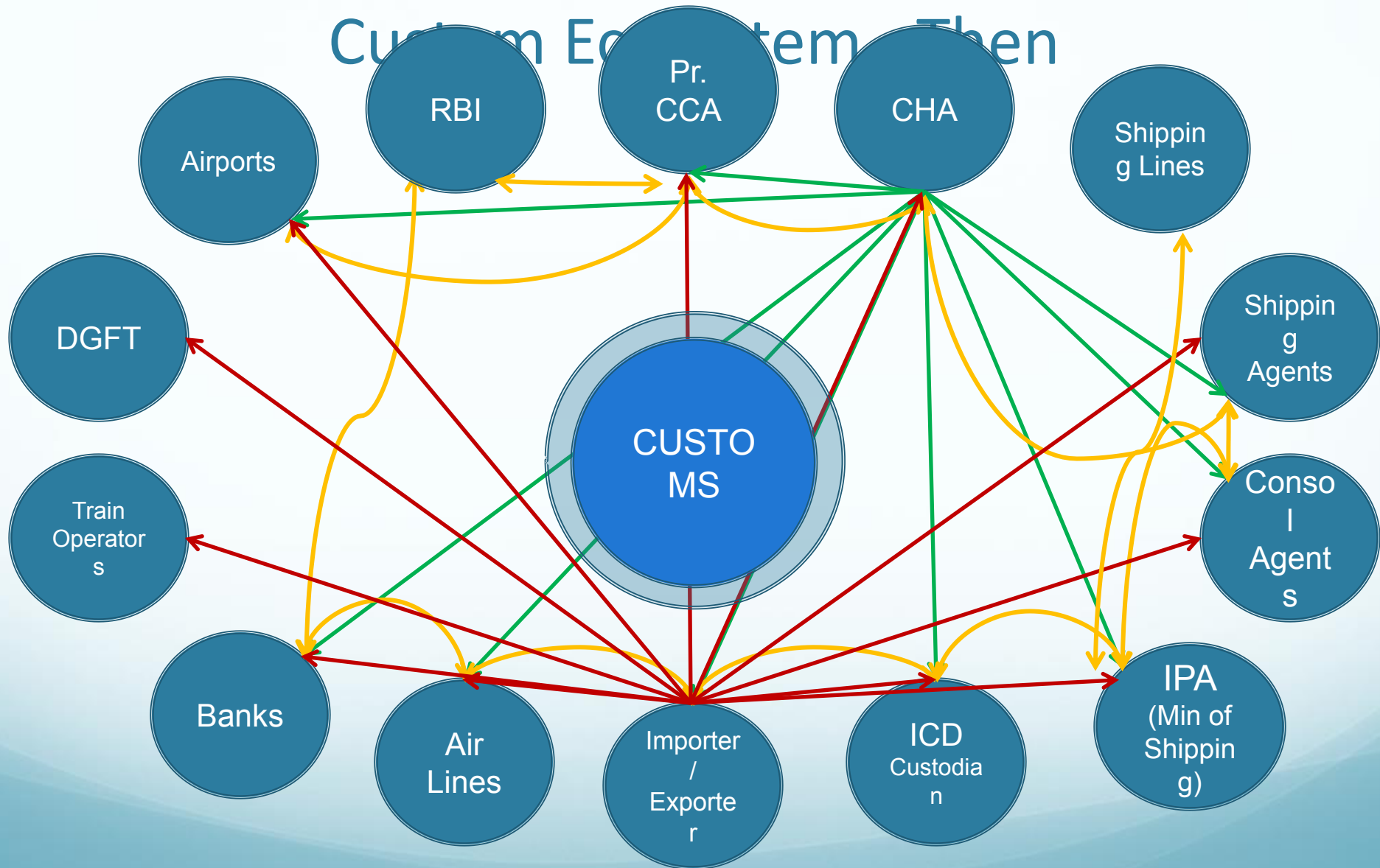
**Automated customs clearance system  
conceptualized in 1992 with EDI as the  
basic premise. First pilot in 1995.**

**Assessment** was started through a software package, which accepts **Customs document electronically** from **Customs House Agent (CHA), Importers and Exporters** for processing, by **Customs Officers**.

# Customs IT Architecture



# Custom Ecosystem - Then





# CBEC Automation – Integration with Stakeholders

Customs and Excise  
Officers

Importers/ Exporters  
Tax Payers

CBEC Applications

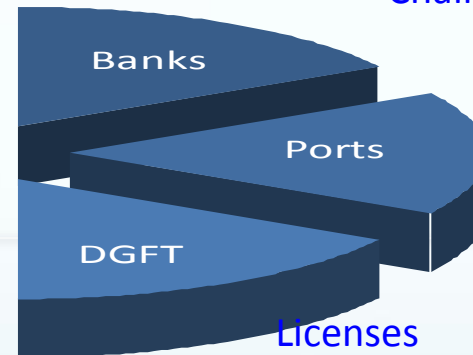
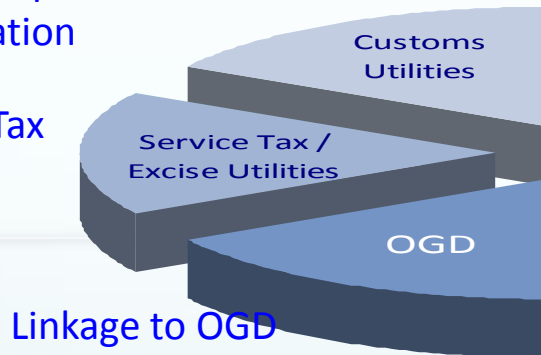
## Applications integrating Stakeholders

Importer/ Exporter  
Declaration

Challans/ Bank Scroll

Excise/ Service Tax  
Returns

Import/ Export  
Manifest



Infrastructural/ Application Support

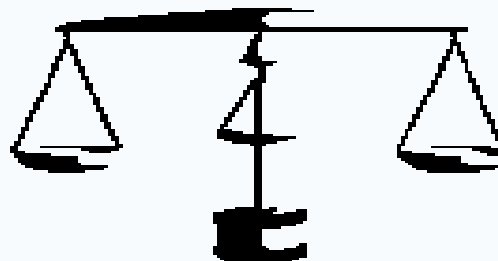
# Compliance Management Philosophy

## Securing Borders and Revenue Collection through:

Facilitation

- Faster Clearance
- Lower Transaction Cost
- High Service Standards

Risk Management



**Powered by:**

- Intelligence driven data analysis and Information Exchange

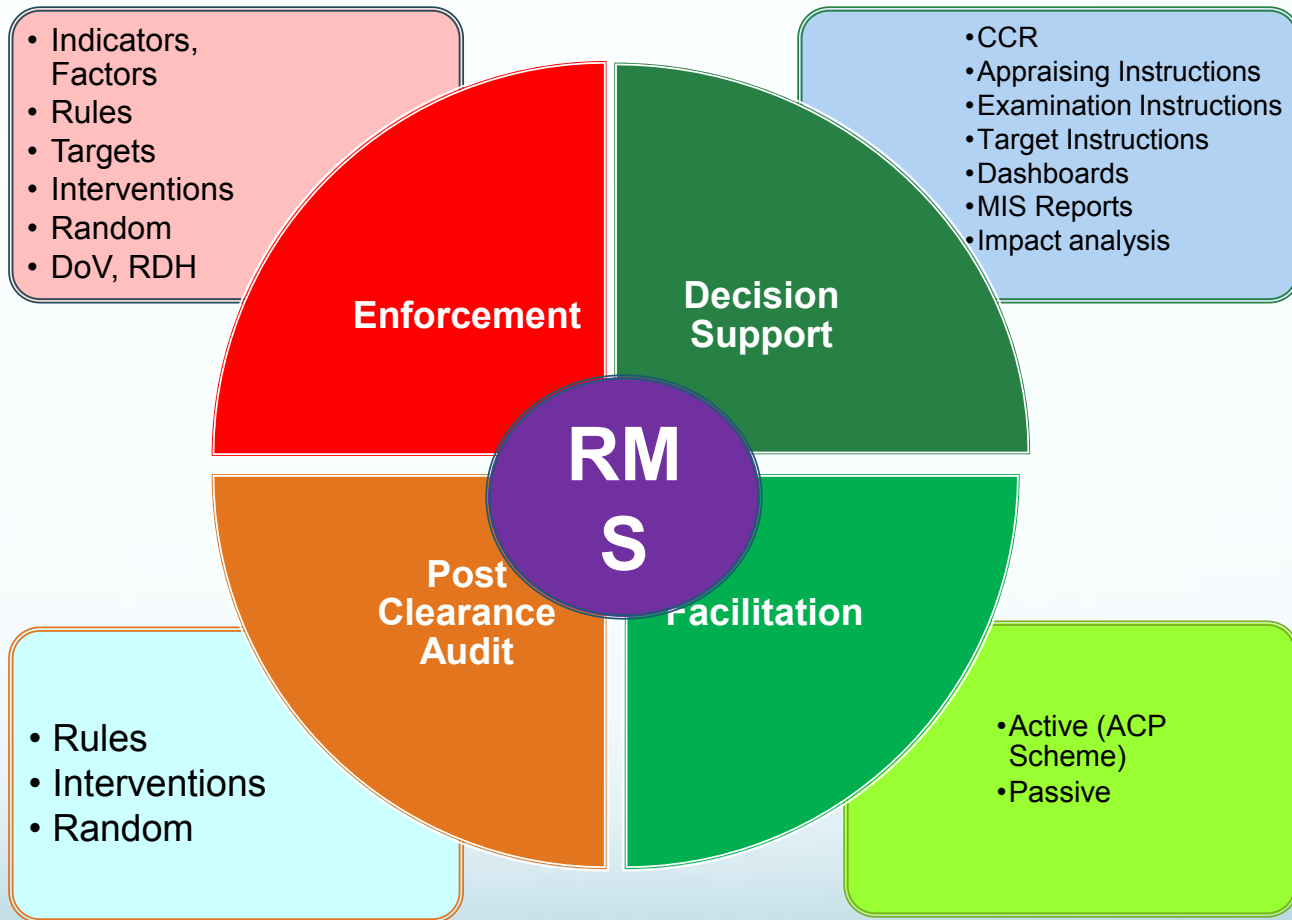
Enforcement

- National & Global Security
- Public Health & Safety
- Revenue Protection

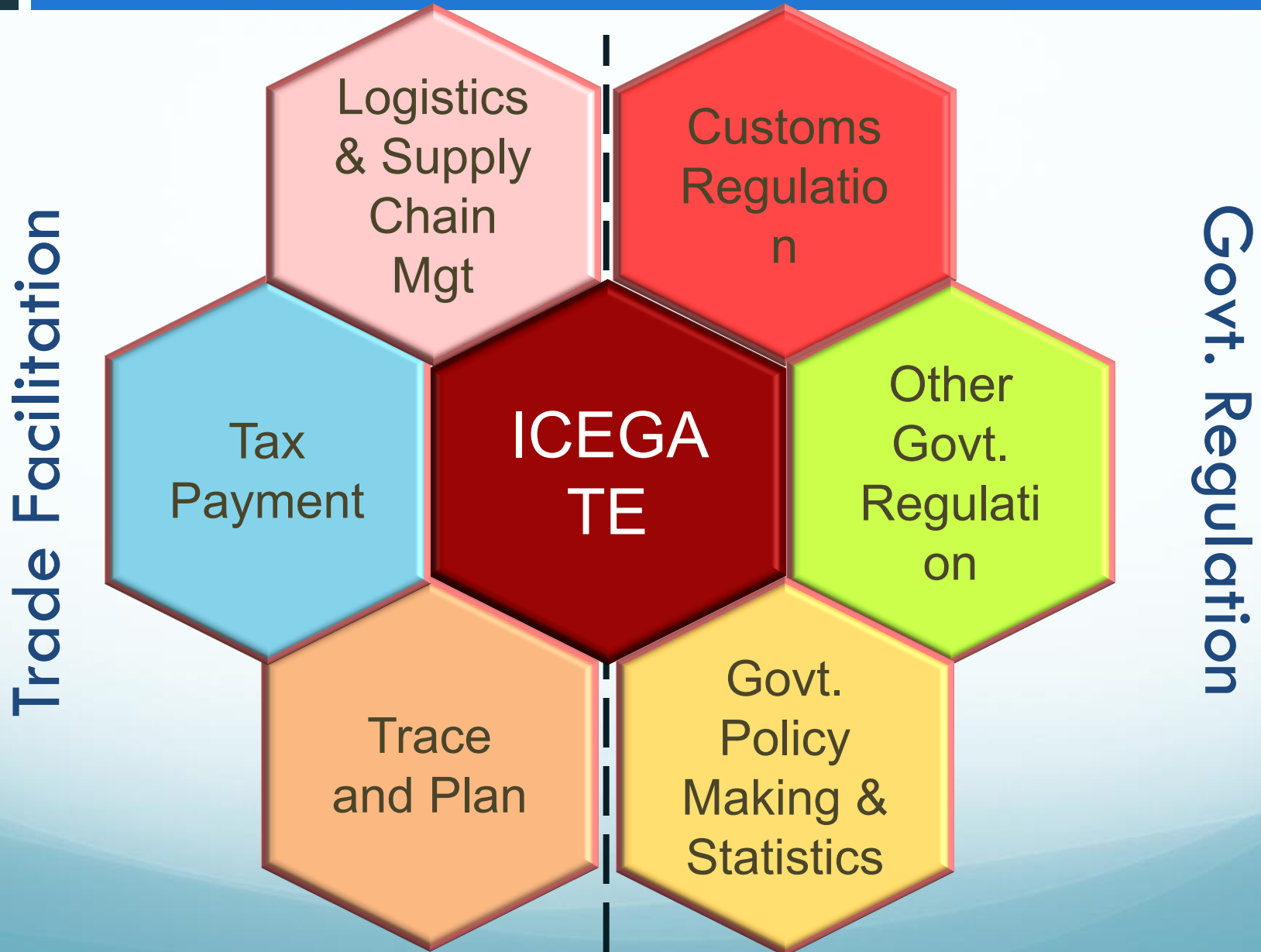
**Enablers**

Human Resources, Technology, Capacity Building , Legislation

# Risk Management System Components



# ICEGATE as Single Window



# OBJECTIVE

- Identification and documentation of challenges faced by the Trade Partners in the current state of Custom business operations
  - Suggest Improvements in the current business processes of Custom Domain
  - Recommend new Developments in the Customs Business Processes, pertaining to Trade, to match up with the international best practices
  - Identification of any other business process/operations related improvements and enhancements
- 
- **Identification of bottlenecks in the course of supply chain,**
  - **Eliminating Human interferences,**

# Challenges in existing system: DRISHTI report

- IT infrastructure catering to Customs operations in India has grown humungously in the last two decades. Several silos are interacting at different levels to deliver the desired result.
- DRISHTI report has documented the challenges from tax payer's perspective, issues involved in change management, Active ownership matters apart from HR as well as financial and administrative constraints.
- From tax payers perspective this report identified issue of frequent network outage and flapping of network links.
- Lack of structured helpdesk with single dial in number was also identified. It is quoted in the report that existing helpdesk requires revamp into an integrated National help desk to introduce better control on user wait times, call drop rates, call resolution etc., thus enhancing the overall quality of help for the taxpayer.
- Multiplicity of vendors in application and IT infrastructure management leading to coordination hiccups and lack of single end to end monitoring platform was listed.
- On technology side this report has stated that data center infrastructure is inadequate to handle the volume of data.
- Need for adding several features like, Non-intrusive inspection of cargo, E-Refunds, IPR enforcements and advanced passenger information (API) systems was documented.
- It is mentioned that ICES application is running on obsolete technology. Similar observations are made on RMS and ICEGATE applications. Scheduler based message exchange is identified as an inefficient method.

# STRATEGIC FRAMEWORK

- **Good strategy requires continuous morphing and consistency based on changing needs of time.**
- **Every organization is associated with a complex web of Internal and External Factors, which may have positive and negative influence on the processes of organization.**
- **Proper scientific analysis of such factors is needed so as to evolve successful strategy.**

# SWOT Analysis

## **STRENGTHS**

**Online system of customs processes such as assessment**

**Robust IT infrastructure including hardware and software in place**

**Quality of Human Resource**

## **WEAKNESSES**

**Bottlenecks underlying some processes**

**Manual processes still in use**

**Inadequate utilisation of manpower  
Multiplicity of Acts and Rules**

## **OPPORTUNITIES**

**Improvement in IT processes especially security features**

**Fast speeds underlying IT infrastructure**

**Eagerness of trade for adopting any positive change in processes**

## **THREATS**

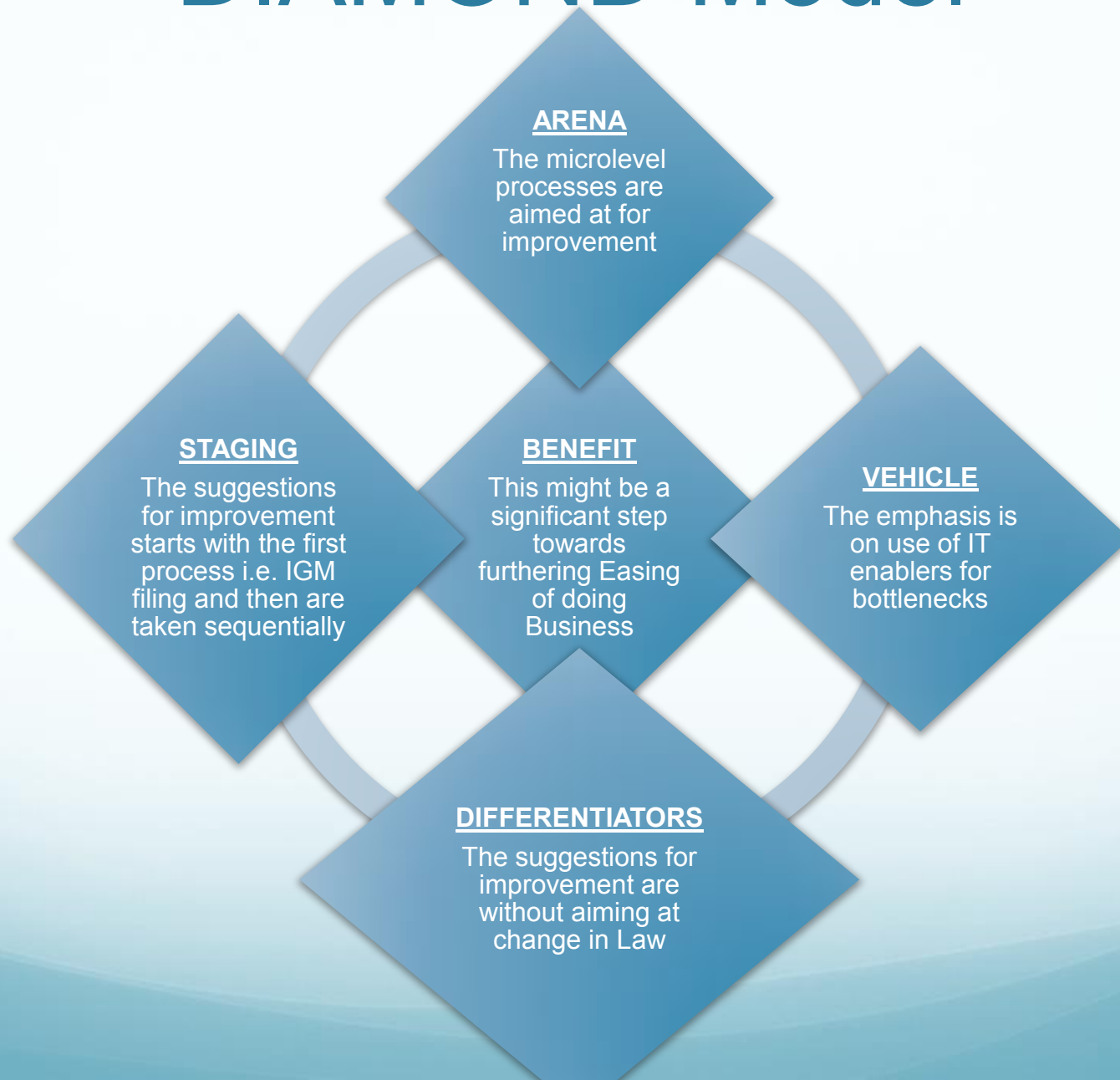
**Multiplicity of Stake Holders**

**Slow speed of adaptation of other agencies towards change and IT processes**



- **SWOT analysis when analysed in combination of micro level processes, indicated the scope of further improvement in customs processes.**
- **In present project, Diamond Model, a well-known tool for strategic management was attempted at for more scientific decision making.**

# DIAMOND Model



# Identified Problematic Areas and Suggestions for Improvement

- One main reform which is still work in progress is ease of doing business in India. We did not have a great track record on that, but our rankings have improved there also. Still, it remains a work in progress and we will continue to take steps on that front
- The scope for further improvement at different stages of customs processes is enumerated in following slides

# IGM filing

- **Issues:**
  - **Amendments to IGM is cumbersome, time consuming and manually driven process.**
  - **Provision for IGM to capture details at House level is not available and hence in many cases mismatch of details between House and master level of Bill of Lading occurs.**
  - **As the amendment process is lengthy and time consuming, comfort level of importers is low to opt for advance noting**

- **Suggestions :**
  - **Online amendment of IGM may be enabled.**
  - **Entry inward date should automatically get entered into the system. There may be some connectivity with the airport operator and the customs system to record this time. Manual feeding for this purpose may not be required.**

# ADVANCE FILING OF BILLS OF ENTRY

- **Issues:**
  - Online advance filing of BE is facing issues due to rigid validations in EDI system. Amendment of MAWB and date is not possible as on date, which is causing hardship.
  - The procedure for amendment, in case of short landing or excess cargo, in case of advance B.E is quite cumbersome, thereby discouraging the trade to file the advance B.E.
- **Suggestions:**
  - The present EDI system should be enabled to incorporate any such amendments.
  - Split/part clearances may be allowed in case of short landing of goods, in case of advance B.E where duty for the entire consignment covered by the IGM is already paid.

# Import Assessment

- In the self-assessment scenario under Section 17 of the Customs Act, 1962, the onus is completely shifted to either the importer or the CHA. In such a situation, there should not be any assessment at all. If at all the Bill of Entry is assessed (for whatsoever is the reason), then it should lose the colour of self-assessment and the responsibility should cease to be that of the importer or the CHA.
- RMS facilitation fluctuates from time to time. There could be better monitoring system to maintain a minimum level of facilitation – the minimum level so set should be aligned with the intention and Circulars of the CBEC
- Examination order should be based on the CCR with rare exceptions. CCR should be documented and made available in public domain either as a notification or circular which will bind both the importers and the officers of the department. Such a transparency will facilitate better preparedness and thus faster clearances. Indirectly it also adds to accountability both sides for delays.
- **AMENDMENT REQUESTS:** The procedure is lengthy. Importer/CHA gives a letter for amendment. It is approved by the Appraiser then by AC. There after reply to query is given at the service centre. Then amendment is carried out. Should be online driven. An EDI amendment module should be created, so as to incorporate all the amendments on line after the approval of the Competent Officer.

- **ICEGATE does not have an option of auto generation of errors or acknowledgements. The follow-up is difficult.**
- **Example: In one of the ex-bond bill of entry, there was no negative or positive acknowledgement. when this was written to ICEGATE, the message received is that BE type can be 'W' or 'H' and not 'X' . As CHAs file 'X' no reply is given.**
- **Presently around 70% of imports are cleared under RMS and increased trust is placed on importers by granting direct port delivery. Such shipments should be released / cleared in the same way as foreign post parcel or courier shipments, where importer/CB intervention is not required.**
- **Whatever documentation is being done by courier companies will be done by airlines/shipping companies and importer will directly pay duty and clear without any intervention by importer or CB. Information required for assessment should be mandatorily filed in advance to Indian Customs by Shipping Company/Airlines similar to the way information in the form of advance manifest is being filed for export shipments to US.**
- **EDD challan generation must be automated. There should be no manual intervention. Today even when bills are RMS facilitated, one has to approach the group officer for EDDchallan generation. In case of filing of a bill on Friday afternoon or Saturday and the bill gets facilitated under RMS, clearance will not be possible until MONDAY when the Group Officer will be available to generate the EDD challan.**



- Under single window bills are referred to the respective agencies without any manual intervention. But the RMS instruction shows otherwise. i.e. where CTH reference to DRUG controller has been removed under SINGLE WINDOW, RMS instructions or CCR shows DRUG CONTROLLER CLEARANCE, IF REQD. This must be removed from RMS instruction or CCR
- Auto levy of Anti Dumping Duty / RSP based CVD etc.- Anti Dumping Duty (ADD) is levied on the basis of various factors declared in B/E like CTH, Description, Country of Origin (COO) and value of goods. Instead of manually levying the same by the proper officer at the assessment stage, the System should automatically levy the ADD, if the import goods fall under the above parameters.
- Reflection of double duty payment - Many times due to technical error at the time of payment of duty, the duty amount gets debited but the same does not gets reflected on ICEGATE. Under such circumstances, the party has to again make duty payment, which results in payment of double duty. Then the importer has to claim refund of double duty for which confirmation of double duty payment is sought from e-PAO office. The double duty payment does not get reflected in ICES. A provision should be made so that double duty payment is visible in ICES, so that dependence on e-PAO for the same may be done away with which can help in faster processing of claim in such cases.
- Issues in e-payment–It has frequently been represented by trade in PTFC and various other forums that many a times duty gets reflected very late on ICEGATE or does not get reflected at all. The duty is shown as successfully transmitted from the bank but the same does not gets reflected on ICEGATE portal. Further, response of ICEGATE helpdesk on such matters is not satisfactory. A need is felt that reflection of duty on ICEGATE should be on real time basis without any time lag.

# Export Procedure

- Considering that Authorised Economic Operator (AEO) concept will cover shipping company, Custom Brokers (CB), Exporters, Exporters and Transporters; it is suggested as follows:
- All export procedures hitherto being done by Customs at port with regard to interface with Exporters & CBs to be carried out at exporter's factory by Central Excise authority by extending Customs terminal to Excise. This is for both LCL & FCL. This can factor in disbursement of export benefits also.
- All licences like EPCG etc. should be registered with Central Excise office in the jurisdiction of the exporter and EO would be monitored by Central Excise including installation of EP Capital Goods.
- AEO Transporters/Shipping Companies will be an integral part of this plan & procedure.
- To carry out this process effectively, the proposed GSTN and ICES should shake hand with each other.
- Option to put S/Bs in previous Queue - There is no option available to put S/Bs in previous Queue, when Shipping Bills are in Short shipment Mode or consignment is required to be done "Back to Town". Short shipment in a particular consignment comes to light only after examination, but the S/B at that time is already in examination queue. In this case, all documents which have short shipment remain pending or cleared manually. Similarly, in case of 'Back to Town', the consignment is allowed 'Back to Town' permission manually on file, but the S/B remains pending in System. An option to put S/Bs in previous Queue can help to deal with such cases and the S/Bs can be processed further in System.

## EGM & Selection and Examination of Packages:

- The empty container details exported in the vessel cannot be captured in the EGM as of now and the same are cleared through manual shipping bills. ICD EGM is not getting integrated with the gateway EGM which makes monitoring the movement of the containers extremely difficult.
- Further option of amending EGM should be available anytime even after scroll generation so as to eliminate the manual processing in case of any amendments required.
- As per the Appraising Manual as well as mathematical probability, the packages for examination should be selected without any bias and with absolute randomness. However at present the import module does not capture the information about the selection of the packages by the Appraiser/Superintendent and also does not capture the information about the packages examined by the Examiner/P.O. leading to poor quality of the examination report which sometimes is detrimental to the revenue's interest. Therefore in order to improve the quality as well as to ensure fairness in selection of packages, the import module may be programmed to seek package details from the A.O./Supdt and also the report from the Examiner/P.O. for the selected packages, apart from the general examination report. Otherwise, the selection of the packages may be integrated with the examination order given by the group so that the time taken for selection can be brought down.

## PROVISIONAL ASSESSMENT

- Finalization of provisional assessments take time as also refund of EDD. There could be a time frame fixed for both.
- Once query is raised then, assessment tends to get delayed which at times is due to hardening of stand. This requires monitoring.

### Assessment Screen:

- The ICES 1.5 may be programmed to flash on the screen at the time of assessment, three lowest values with B/E. Number and Customs station along with the description against each item based on the tariff item and Country of Origin.

## EDI – B/E FOR RE-EXPORT

- Re-Export Bill of Entry is not captured in the EDI mode. Need to enable the same in the EDI system.

# WAREHOUSING

- When goods are exported from Bonded warehouse, the stock in the Bond does not reduce. Stock reduces only when Ex-Bond Bill of Entry is filed. EDI system should be enabled to capture export of goods from warehouse.

## Warehoused Bill of Entry:

- The clearance of the bonded goods through in-bond sales to the SEZ units and the goods moved by the transfer bond to the place are not processed in the ICES 1.5 till date.
- The bond module does not have provisions to capture the above two transactions and re-export of bonded goods. If these transactions are captured in the ICES 1.5, it will help to close the bond electronically and also helps the department to have database.

# Transshipment of Cargo

- Procedure for SMTP, Transshipment of goods to other Custom locations. Consumes time - more of manual procedure and less of electronic mode. This needs to change.
- HARD COPIES OF SHIPPING BILL INSISTING AT GATEWAY PORTS
- For transshipment of container from ICD to gateway ports. Customs are insisting hard copy of Shipping Bill at the time of entry to gateway port moved through by train or by road. This creates a lot of delay.
- Shipping Bill can be transferred by electronic mode to the gateway port. Then there is no need carry physically the hard copy of the Shipping Bill.

# Miscellaneous Procedures

- All note sheets, proposals and files in groups (where public dealing is involved) up to a particular level should **ONLY** be done electronically / through emails (no written files – i.e. paper less) to higher authorities **WITH COPY MARKED TO CBs**. In any case all such files are available to public against RTI Act. This would ensure transparency and monitoring/fixing responsibility of time at every stage.
- **NOC from CIU and other departments to be obtained ONLY electronically AND NOT THROUGH MOVEMENT OF HARD COPY OF FILES.**
- Online Refund
- The refund module need to be incorporated for processing refunds online. This would eliminate need to file copy of BE with refund application as well as help department in keeping record of BEs against which refund has been granted obviating any possibility of double refund.
- Uncleared Cargo:
- Though uncleared Goods (Bill of Entry) Regulations 1972 stipulate the form of Bill of entry to be filed, the same is yet to be incorporated in the ICES 1.5 and is processed and cleared manually till date.

# Technology aspect

- **Build a single system integrating all the modules functional today and incorporate all other aspects of Customs business which are yet to be computerised. Single ICS can interact with systems built by other Governmental departments, Custodians and other stake holders (SWIFT).**
- **An endeavour to build paperless system has to be made. The dependence on not so dependable printers in present system has to end.**
- **There is a need to revisit the messages exchanged between various stakeholders in the trade so as to optimise time taken for clearance.**
- **The Systems should be portable to any platform and all devices handheld/mobile apart from PCs.**
- **Major focus has to be on scaling up the system calibrated for future growth in volume of trade in the near future. An opportunity is at our doors to deliver a system which addresses all the pitfalls of existing system and also incorporate every link in the Customs business.**



# Business Rule Side

- **Revisit Business rules written for Manifest filing and amendments in System. Trust the Airlines and Freight forwarders. Reduce complications. Amend Act if necessary.**
- **Redefine facilitation in RMS, Expand the scope of facilitation.**
- **Redefine scrutiny of documents and examination procedure to get a feedback to RMS.**
- **Introduce Period Bill of Entry with permission to file summary declaration and allow duty payment at the end of month.**
- **Tag all critical documents for clearance in digital form and consider scrutiny by domain experts at specified location for specified cargo**
- **Accredited CHA**
- **Accommodate Courier and Postal cargo in ICS**
- **Catch manifest data of all non scheduled flights along with scheduled flights.**

# Miscellaneous suggestion

- **Lack of data capture about manifest filed by each and every airline in present system**
- **Courier cargo: Despite an attempt to build an automated system by the express cargo council, courier cargo clearances are still out of the purview of present EDI. The Courier trade is growing exponentially. Data available on courier applications is minimal and speed is the essence in this ecosystem. Hence, integrating courier with other cargo is seen as a challenge.**
- **Postal Cargo: Postal cargo is akin to Courier cargo. The volume of clearances has been on the upswing. We have not brought postal clearances under the purview of cargo as yet.**
- **Advanced Passenger information: We have to reach a stage where in a risk based approach to passenger interdiction at international airports can be built. API which is fully owned by Customs and used at all international airports is an opportunity.**
- **Making applications available on Mobile platform: It is important that app based schema is designed for various applications and efforts should be made to ensure that all the application work on mobile platform too.**

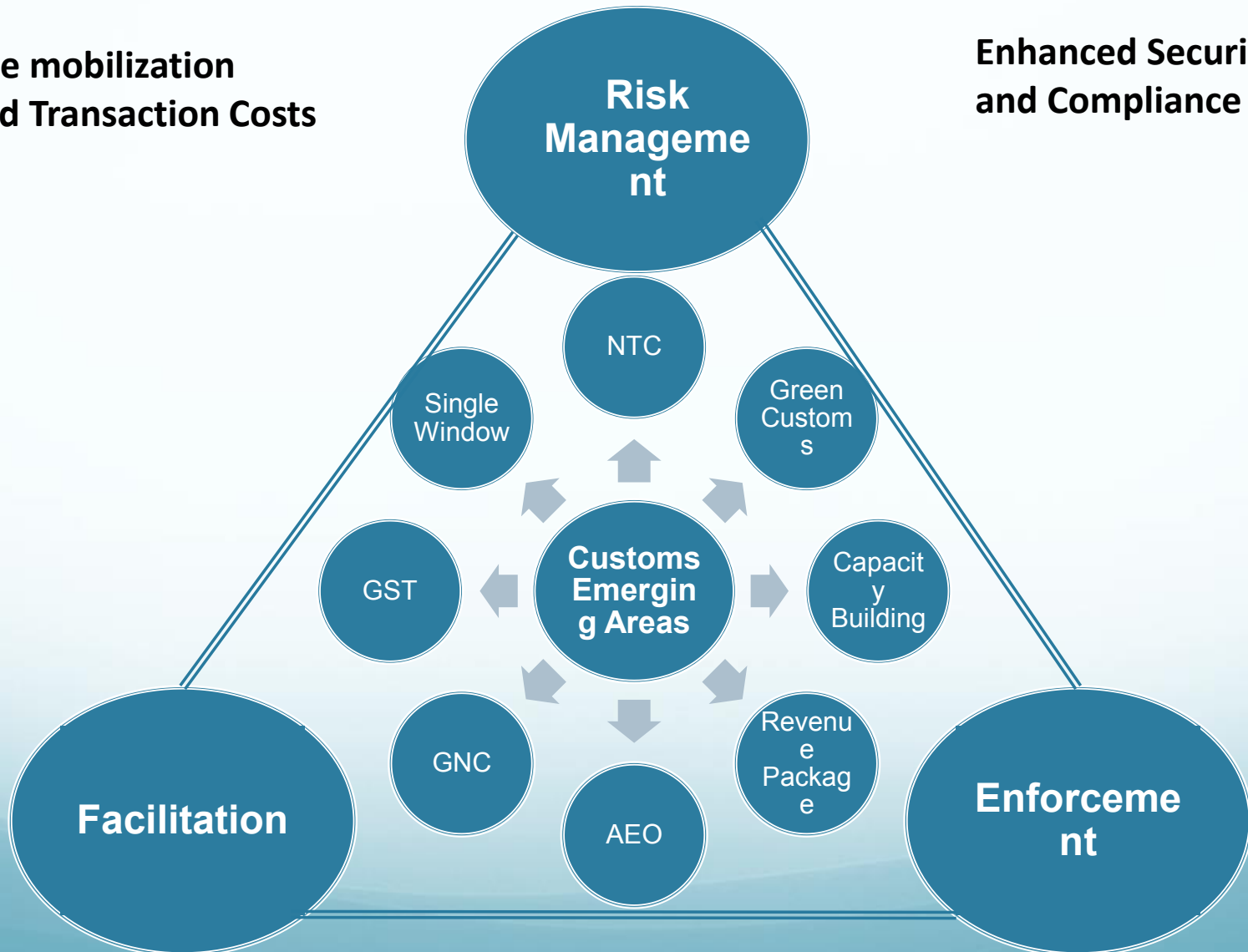
# Conclusion

**There is no doubt that the Indian Customs has made rapid strides forward in the last two decades to match up to the expectations of its stakeholders in view of rapid all round technological changes taking place. However, there is still a lot of scope to further streamline the processes and integrate it with the online system, especially at the micro level. With the onset of GST and changing role of Customs in the coming decades as depicted below, there is a greater need to smoothen the rough edges in the prevailing system so as to bring it at par with the best international practices and thereby improve our performances and ratings in the field of our twin avowed goal of reducing the “Dwell Time” and “Transaction Cost” under the overarching theme of Ease of Doing Business.**

# Indian Customs in 21<sup>st</sup> Century

Revenue mobilization  
Reduced Transaction Costs

Enhanced Security  
and Compliance





Thank You