

STUCK UP REVENUE OF BILLIONS OF RUPEES
DUE TO NON-DISPOSAL OF PENDING AUCTION LOTS
WITHIN CUSTOMS DEPARTMENT

A major exercise was conducted on the directions of Hon'ble FTO to identify the magnitude of pendency of stuck-up auctionable goods/vehicles pending with the Deptt of Customs, FBR, for last 05 years basically pertaining to large quantity of confiscated or otherwise goods and vehicles laying un-disposed at Customs formations all over the country, involving stuck up revenue of billions of rupees in contradiction to the existing Customs Laws, Rules, Customs General Orders (CGOs) and instructions provide for expeditious disposal and auctions of such goods/vehicles and the Customs authorities were not disposing these goods and vehicles having tampered and non-tampered chassis numbers as required under the law.

2. As a result thereof, the following data was collected for analysis purposes by this Office:

Sr. No.	Field Formation	Pending/ Undisposed of Lots
01.	Collectorate of Customs, JIAP, Karachi	01
02.	Collectorate of Customs (Appraisalment) West, Karachi	736
03.	Collectorate of Customs, Sialkot	84
04.	Collectorate of Customs, Gawadar	303
05.	Collectorate of Customs (Appraisalment), Faisalabad	04
06.	Collectorate of Customs Export, Karachi	05
07.	Collectorate of Customs, Gilgit Baltistan	11
08.	Collectorate of Customs, Hyderabad	148
09.	Collectorate of Customs (Enforcement), Lahore	646
10.	Collectorate of Customs (Appraisalment) East, Karachi	511
11.	Collectorate of Customs Export, Port M. Qasim, Karachi	04
12.	Collectorate of Customs, Airport, Lahore	58
13.	Collectorate of Customs (Appraisalment), Port M. Bin Qasim, Karachi	1136
14.	Collectorate of Customs (Enforcement), Multan	162
15.	Collectorate of Customs (Appraisalment), Lahore	61
16.	Collectorate of Customs (Enforcement), Peshawar	176
17.	Collectorate of Customs (Appraisalment), Quetta	390
18.	Collectorate of Customs, Islamabad	
19.	Collectorate of Customs (Enforcement), Karachi	3110
20.	Directorate General of Intelligence & Investigation-Customs, Islamabad	976
Total:		8522

The above data reveals that 8522 number of lots were pending un-disposed of or pending in auction and reason intimated by FBR, was

that satisfactory bids have not been received against the reserve price fixed for these lots.

3. At certain Customs Collectorates, the goods/vehicles have been offered for auction upto 40 times but still not disposed of. In addition to this alarming pendency in case of auctionable lots, other non-auctionable goods and cut & weld/tempered vehicles were also not being disposed of, leading to colossal loss to the federal exchequer.

4. During this analysis, the following legal position was observed:

(a) for appropriate disposal of confiscated vehicles, Sr. No.07 of Chapter IV of CGO 12/2002 dated 15.06.2002 stipulates that:

“It has also been decided that motor vehicles should be placed in public auction/sale etc. at least twice. In case the reserve price cannot be obtained in two successive auctions/sales etc., then the Deputy Collector/Assistant Collector concerned may propose to the Collector for reduction in reserve price. The Collector, if he deems fit, may reduce the reserve price keeping in view the previous bids received and the condition of the vehicle.”

(b) to revise downwards, the reserve price of good/vehicles undisposed of in auction. Rule 58(2A) of the Customs Rules, 2001, notified vide SRO 450(I)/2001 dated 18.06.2001 stipulates that:

“(2A) Notwithstanding the mechanism contained in the proviso to sub-rule (2), where the Reserve Price is required to be further revised downwards, due to physical condition of the goods, the Reserve Price shall be determined by a committee constituted by the Collector and headed by an officer not below the rank of an Additional Collector, allowing extent of depreciation after taking into consideration, the physical condition of the goods.”

(c) furthermore, goods that cannot be disposed of through open auction are required to be disposed of in terms of the procedure laid down in Sr. No.34 of of CGO 12/2002 dated 15.06.2002 read with the other relevant provisions of law/procedure.

(d) in addition to the above, Rule 73 of Customs Rules, 2001 issued vide SRO 450(I)/2001 dated 18.06.2001 stipulates a comprehensive mechanism regarding acceptance of bid.

- (e) it was also noted that the Economic Coordination Committee (ECC)'s decision in Case No.44/3/2006 dated 03.03.2006 materialized in the shape of CGO 05/2018 dated 24.05.2018 but in its eligibility criteria at para 2, the said CGO is silent about the disposal of confiscated vehicles with tempered chassis number to the registered philanthropic organizations, to the extent of vehicles having relevance to their philanthropic activities.

5. In view of the above detailed analysis, FTO Secretariat made following Recommendations to the Customs Deptt, FBR:

- (i) to direct the Collectors/Directors concerned to do away with the huge pendency of auctionable goods/vehicles and other goods ripe for disposal under the relevant provisions of law, within 60 days.
- (ii) Member Customs (Operations) to personally monitor the above activity and disciplinary action to be initiated under E&D Rules, 2020, against the Collectors/Directors who fail to comply to the direction at Para 7(i) above;
- (iii) to ensure the Collectors/Directors get the reserve price of the lots revised after every three consecutive auctions, if found undisposed. Necessary provision to this effect is also required to be incorporated under the Rule 58(2A) of the Customs Rules *ibid*;
- (iv) to withdraw letter No.10(2)E&C/2018/96242-R dated 25.06.2020 to the extent of suspension of processing of cases under para 4 of the CGO 5 of 2018. Circulation of lists to the eligible departments under Sr. No.4(i) of the CGO 5 *ibid* is to be centralized and Chief (F&C) Customs will circulate the lists to all such departments on monthly basis after obtaining monthly information from all Customs field formations across the country;
- (v) to take up the matter before the ECC to consider for approval, appropriate modification in para 2 of CGO 5/2018 dated 24.05.2018 (ECC's decision No.44/3/2006 dated 03.03.2006) for inclusion of registered Philanthropic Organizations of good standing, to the extent of vehicles having relevance to their philanthropic activities.

6. As a result of the above working and on implementation of Hon'ble FTO's above referred recommendations, the Deptt of Customs has disposed of 2690 lots and has realized an amount of Rs.4.6 billion till 30.05.2022

**REVENUE COLLECTED IN DISPOSAL/AUCTION OF
CONFISCATED OR OTHERWISE GOODS/VEHICLES (OM
NO.211/OM/2021)**

In continuation of earlier report dated 19.05.2022 that FBR on 30.05.2022, intimated the following latest position of disposal of auctionable lots and revenue generation in implementation of FTO Secretariat's Findings/ Recommendations in OM No.211/OM/2021 dated 07.01.2022:

Sr. No.	Directorate / Collectorate	Auctioned Lots	Revenue (Rs.in millions)
1.	I&I-Customs	591	1,023.520
2.	Appraisalment West Karachi	638	787.094
3.	App. Port Qasim Karachi	534	1,376.310
4.	Appraisalment East Karachi	83	167.230
5.	Enforcement Karachi	52	116.372
6.	Customs Collectorate Gwadar	65	76.790
7.	Enforcement Lahore	65	110.790
8.	Collectorate Islamabad	72	151.900
9.	Appraisalment Lahore	35	45.119
10.	Collectorate AIIA, Lahore	35	6.195
11.	Appraisalment Faisalabad	02	0.702
12.	Collectorate Sambrial	66	204.315
13.	Enforcement Quetta	223	257.370
14.	Enforcement Peshawar	132	102.616
15.	Enforcement Multan	31	112.487
16.	Enforcement D.I. Khan	66	106.060
Total:		2690	4,644.870

2. To seek the latest position of Revenue realization and disposal upto 30.06.2022, FBR has been tasked to provide an update by 15.07.2022 vide this office letter dated 15.06.2022 (Copy enclosed).