

## **INDEX**

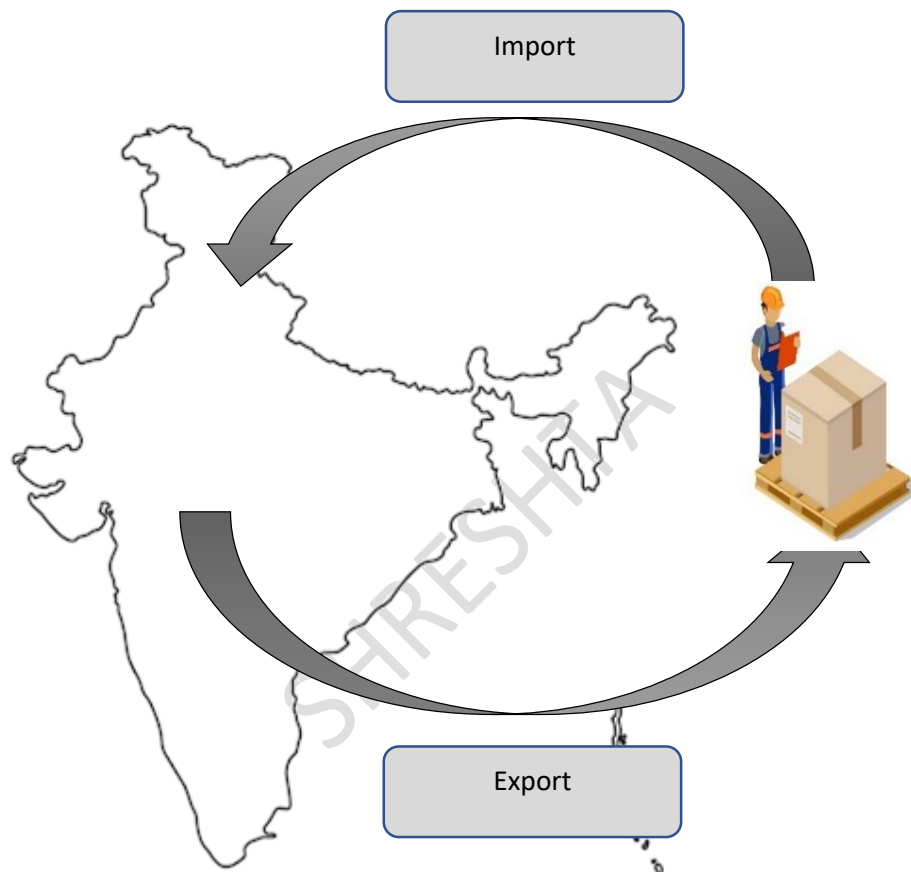
<b>1. CUSTOMS ACT – BASIC CONCEPTS AND DEFINITIONS .....</b>	<b>3</b>
<b>2. TYPES OF DUTIES .....</b>	<b>20</b>
<b>3. VALUATION RULES .....</b>	<b>35</b>
<b>4. COMPUTATION OF ASSESSABLE VALUE AND DUTIES .....</b>	<b>67</b>

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# 1. CUSTOMS ACT – BASIC CONCEPTS AND DEFINITIONS

1. Customs means
  - a habitual practice or
  - course of action
  - that characteristically repeated in like circumstances
2. Customs duty levied on imports are exports of the **goods**.



3. **Entry No. 83** of the List I to the Schedule VII of the Constitution empowers the Union Government to legislate and collect duties on imports and exports of goods.
4. Accordingly, the Customs Act, 1962, effective from **1-2-1963** provides vide its section 12 for the levy of duties on goods imported into or exported from India.
5. **Source of Customs Law**
  - a) **Customs Act. 1962**

The Customs Act contains the provisions governing the import and export duty imposed on imports and exports of goods.
  - b) **Customs Tariff Act. 1975**

It contains rate of customs duty levied on imports or exports of a goods.

### c) Rules & Regulation

There are various rules and regulation has been issued. Few of them are

- Customs Valuation (Determination of Value of Export Goods) Rules, 2007;
- Customs Valuation (Determination of Value of Imported Goods) Rules, 2007;
- Baggage Rules, 2016;
- Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995; etc

## 6. Levy of Customs Duty

### Applicability:

**The Customs Act, 1962 extends to whole of India**

### Taxpoint:

- India includes the territorial waters of India [Sec. 2(27)]
- As per sec. 3 of the Territorial Water, Continental Shelf, Exclusive Economic Zone and Other Maritime Zone Act, 1976,
  - territorial water extends to **12 nautical miles** (1 nautical miles = 1.1515 miles = 1.852 km) into the sea from the base line on the coast of India and include any bay, gulf, harbour, creek or tidal river.
  - Further note that, India includes not only the surface of sea but also to the seabed and subsoil underlying, and the air space over, such waters.
- India has sovereignty in its territorial waters. That means all the provisions of the Customs Act and rules and regulations are applicable in Indian Territorial Waters.

### Meaning of terms

- **Baseline:** It is lower water mark along the coast.
- **Exclusive Economic Zone of India (EEZI):** The exclusive economic zone of India is an area beyond and adjacent to the territorial waters, and the limit of such zone is **200 nautical miles** from the baseline.
- **Continental Shelf of India (CSI):** The continental shelf of India comprises the **seabed and subsoil** of the submarine areas that extend beyond the limit of its territorial waters throughout the natural prolongation of its land territory to the outer edge of the continental margin or to a distance of **200 nautical miles** from the baseline, where the outer edge of the continental margin does not extend up to that distance.

### Chargeability [Sec. 12]

Duties of customs shall be levied at the rate specified under the Customs Tariff Act, 1975 or any other law for the time being in force on goods imported into or exported from India.

**Taxpoint:**

- Duty of custom is leviable on goods and not on the person importing / exporting it.
- The goods shall be such as are imported to or exported from India.

The duty shall be at such rate as may be specified under the Customs Tariff Act, 1975.

**Notes**

1. **Goods** [Sec. 2(22)]: It includes –
  - a. vessels, aircraft and vehicles;
  - b. stores;
  - c. baggage;
  - d. currency and negotiable instrument; and
  - e. any other kind of movable property
2. **Import**: means bringing into India from a place outside India [Sec. 2(23)]
3. **Imported goods**: means any goods brought into India from a place outside India but does not include goods, which have been cleared for home consumption [Sec. 2(25)]
4. **Dutiable goods**: means any goods which are chargeable to duty and on which duty has not been paid. [Sec. 2(14)]
5. **Importer**: in relation to any goods at any time between their importation and the time when they are cleared for home consumption includes any owner or any person holding himself out to be the importer [Sec. 2(26)]
  - Taxpoint: The term importer also include a person who cleared the goods from warehouse even though he is not the actual importer.
6. **Export**: means taking out of India to a place outside India. [Sec. 2(18)]
7. **Export goods**: means any goods which are to be taken out of India to a place outside India. [Sec. 2(19)]
8. **Exporter**: in relation to any goods at any time between their entry for export and the time when they are exported includes -
  - owner; or
  - any person holding himself out to be the exporter. [Sec. 2(20)]
9. The provision shall also apply in respect of goods belonging to the Government.

However, imports by Indian Navy, specific equipment required by police, Ministry of Defence,

Costal Guard, etc. are fully exempt from duty by virtue of specific notification. Such exemption is subject to fulfillment or conditions and / or procedure set out in the said notifications.

**10. Taxable Event in case of imports:** Import of goods will commence when they cross the territorial waters but continues and is completed when they become part of the mass of goods within the country [Garden Silk Mills Ltd. vs UOI (1999) 113 ELT 358 (SC)]

**In case of goods cleared for home consumption:** The taxable event being reached at the time when the goods reach the customs barriers and bill of entry for home consumption if filed

**In case of goods cleared for warehousing:** If imported goods are taken into warehouse, goods continue to be in custom bond. Thus in case of warehouse also, import take place when the goods are cleared for home consumption.(by presenting Ex-Bond Bill of Entry)

**11. Taxable Event in case of exports:** Export of goods is complete when they **cross the territorial waters**. That means, if goods sinks within the territorial water, export is not complete.

**12.** The object of the Act is to tax only those goods which gets mixed up with the mass of goods in India – [M. Jamal Co. vs Union of India (1985) 21 ELT 369 (Mad.)]

**13.** The rate of import duty is specified in the First Schedule to the Customs Tariff Act, 1975 and the rate of export duty is specified in the Second Schedule to the said Act.

#### Some Important Definitions

Sec.	Term	Definition
2(1)	<b>Adjudicating authority</b>	Adjudicating authority means any authority competent to pass any order or decision under this Act, but does not include <ol style="list-style-type: none"> <li>i. the Board,</li> <li>ii. Commissioner (Appeals) or</li> <li>iii. Appellate Tribunal</li> </ol>
2(2)	<b>Assessment</b>	Assessment means determination of the dutiability of any goods and the amount of duty, tax, cess or any other sum so payable, if any, under this Act or under the Customs Tariff Act, 1975 or under any other law for the time being in force, with reference to: <ol style="list-style-type: none"> <li>a. the tariff classification of such goods as determined in accordance with the provisions of the Customs Tariff Act;</li> <li>b. the value of such goods as determined in accordance with the provisions</li> </ol> of this Act and the Customs Tariff Act;

		<p>c. exemption or concession of duty, tax, cess or any other sum, consequent upon any notification issued therefor under this Act or under the Customs Tariff Act or under any other law for the time being in force;</p> <p>d. the quantity, weight, volume, measurement or other specifics where such duty, tax, cess or any other sum is leviable on the basis of the quantity, weight, volume, measurement or other specifics of such goods;</p> <p>e. the origin of such goods determined in accordance with the provisions of the Customs Tariff Act or the rules made thereunder, if the amount of duty, tax, cess or any other sum is affected by the origin of such goods;</p> <p>f. any other specific factor which affects the duty, tax, cess or any other sum payable on such goods, and includes provisional assessment, self-assessment, re-assessment and any assessment in which the duty assessed is nil ;</p>
<b>2(3)</b>	<b>Baggage</b>	Baggage includes unaccompanied baggage but does not include motor vehicles;
<b>2(3A)</b>	<b>Beneficial owner</b>	Beneficial owner means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported;
<b>2(4)</b>	<b>Bill of entry</b>	<p>Bill of entry means a bill of entry referred to in sec. 46.</p> <p>Sec. 46 provides that the importer of any goods, other than goods intended for transit or transhipment, shall make entry thereof by presenting electronically on the customs automated system to the proper officer a bill of entry for home consumption or warehousing in such form and manner as may be prescribed.</p>
<b>2(5)</b>	<b>Bill of export</b>	<p>Bill of export means a bill of export referred to in sec. 50.</p> <p>Sec. 50 provides that the exporter of any goods shall make entry thereof by presenting electronically on the customs automated system to the proper officer in the case of goods to be exported in a vessel or aircraft, a shipping bill, and in the case of goods to</p>

		be exported by land, a bill of export in such form and manner as maybe prescribed.
<b>2(6)</b>	<b>Board</b>	Board means the Central Board of Indirect Taxes and Customs (CBIC) constituted under the Central Boards of Revenue Act, 1963
<b>2(7)</b>	<b>Coastal Goods</b>	Coastal goods means goods, other than imported goods, transported in a vessel from one port in India to another
<b>2(9)</b>	<b>Conveyance</b>	Conveyance includes a vessel (for sea), an aircraft (for air) and a vehicle (for land) <u>Taxpoint:</u> Vehicle means conveyance of any kind used on land and includes a railway vehicle – sec. 2(42)
<b>2(13)</b>	<b>Customs Station</b>	Customs station means any customs port, customs airport, international courier terminal, foreign post office or land customs station
<b>2(10)</b>	<b>Customs Airport</b>	Customs airport means any airport appointed u/s 7(a) to be a customs airport and includes a place appointed u/s 7(aa) to be an air freight station
<b>2(11)</b>	<b>Customs Area</b>	Customs area means the area of a customs station or a warehouse and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities;
<b>2(12)</b>	<b>Customs Port</b>	Customs port means any port appointed u/s 7(a) to be a customs port and includes a place appointed u/s 7(aa) to be an inland container depot;
<b>2(21)</b>	<b>Foreign-going vessel or aircraft</b>	Foreign-going vessel or aircraft means any vessel or aircraft for the time being <ul style="list-style-type: none"> <li>• engaged in the carriage of goods or passengers</li> <li>• between any port or airport in India and</li> <li>• any port or airport outside India,</li> <li>• whether touching any intermediate port or airport in India or not, and includes –</li> </ul>



		<ul style="list-style-type: none"> <li>i. any naval vessel of a foreign Government taking part in any naval exercises;</li> <li>ii. any vessel engaged in fishing or any other operations outside the territorial waters of India</li> <li>iii. any vessel or aircraft proceeding to a place outside India for any purpose whatsoever</li> </ul>						
<b>2(24)</b>	<b>Arrival manifest or import manifest or import report</b>	<p>Arrival manifest or import manifest or import report means the manifest or report required to be delivered u/s 30.</p> <p>Sec. 30 provides that the person-in-charge (or any other notified person) of-</p> <ul style="list-style-type: none"> <li>i. a vessel; or</li> <li>ii. an aircraft; or</li> <li>iii. a vehicle,</li> </ul> <p>carrying imported goods or export goods shall deliver following document (in the prescribed form and manner) to the proper officer:</p> <table border="1"> <thead> <tr> <th>In the case of</th> <th>Document</th> </tr> </thead> <tbody> <tr> <td>a vessel or an aircraft</td> <td>an arrival manifest or import manifest (in case of export, departure manifest or export manifest) by presenting electronically prior to the arrival (in case of export, before departure) of the vessel or the aircraft</td> </tr> <tr> <td>a vehicle</td> <td>an import report (in case of export, export report) within 12 hours after its arrival in the customs station (in case of export, before departure)</td> </tr> </tbody> </table>	In the case of	Document	a vessel or an aircraft	an arrival manifest or import manifest (in case of export, departure manifest or export manifest) by presenting electronically prior to the arrival (in case of export, before departure) of the vessel or the aircraft	a vehicle	an import report (in case of export, export report) within 12 hours after its arrival in the customs station (in case of export, before departure)
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a vehicle	an import report (in case of export, export report) within 12 hours after its arrival in the customs station (in case of export, before departure)							
<b>2(31)</b>	<b>Person-in-charge</b>	<p>Person-in-charge means:</p> <ul style="list-style-type: none"> <li>a. in relation to a vessel, the master of the vessel;</li> <li>b. in relation to an aircraft, the commander or pilot-in-charge of the aircraft;</li> <li>c. in relation to a railway train, the conductor, guard or other person having the chief direction of the train;</li> </ul>						

		d. in relation to any other conveyance, the driver or other person-in-charge of the conveyance
2(33)	<b>Prohibited goods</b>	Prohibited goods means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with;
2(38)	<b>Stores</b>	Stores means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting;
53	<b>Transit of goods</b>	Where any goods imported in a conveyance and mentioned in the arrival manifest or import manifest or the import report, as the case may be, as for transit in the <b>same conveyance</b> to <ul style="list-style-type: none"> <li>• any place outside India or</li> <li>• to any customs station in india,</li> </ul> the proper officer may allow the goods and the conveyance to transit without payment of duty, subject to such conditions, as may be prescribed.
54	<b>Transshipment of goods</b>	Where any goods imported into a customs station are intended for transshipment, a bill of transshipment shall be presented to the proper officer in such form and manner as may be prescribed.
<p>The diagram shows a process of transshipment. It starts with a ship from the USA carrying goods A, B, C, and D. This ship reaches Mumbai, where goods A, B, and C are unloaded. Goods B and C are then transhipped to Chennai Port and Sri Lanka Port respectively via other vessels. The ship then leaves for Japan with goods D. A box at the bottom states: 'In this case, Goods D - Transit goods, Goods B &amp; C - Transhipped Goods'.</p>		

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### Determination of duty where goods consist of articles liable to different rate [Sec. 19]

Where the goods consist of a set of articles, duty shall be calculated on the following basis:

Articles	Basis of chargeability
1. Articles liable to duty on the basis of quantity	Such articles shall be chargeable on the basis of quantity
2. Articles liable to duty on the basis of value:	
➤ If they are liable to duty at same rate	Such articles shall be chargeable at that rate
➤ If they are liable to duty at different rates	Such articles shall be chargeable at the highest of such rates
3. Articles not liable to duty	Such articles shall be chargeable on the basis mentioned in (2) above.

#### Other points

- Accessories of and spare parts or maintenance and repairing implements for, any article shall be chargeable at the same rate of duty as that article. E.g. where a machine is chargeable at the rate of 30%, then repairing implements with that machine shall also be charged at the rate of 30%.
- Where the importer produces evidence to the satisfaction of the proper officer (or the evidence is available) regarding the value of any of the articles liable to different rates of duty, such article shall be chargeable to duty separately at the rate applicable to it.

### Re-importation of goods [Sec. 20]

If goods are imported into India after exportation therefrom, such goods shall be liable to duty and be subject to all the conditions and restrictions, if any, to which goods of the like kind and value are liable or subject, on the importation thereof.

### Duty on Goods derelict, wreck, jetsam and flotsam [Sec. 21]

#### Meaning:

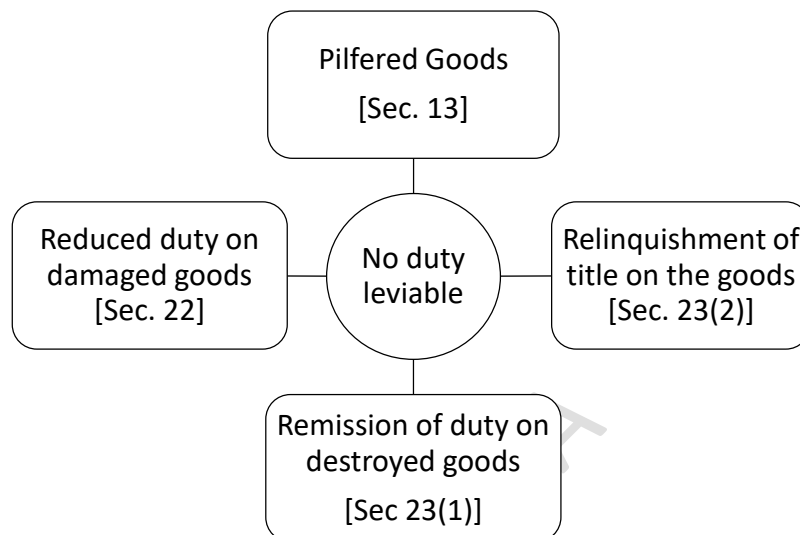
Derelict	Derelict means property abandoned at sea without hope of recovering.
Wreck	Wreck is the property cast ashore by tide after shipwreck.
Jetsam	Where goods are cast into the sea for lighten the ship to prevent it from sinking.
Flotsam	Goods separated from ship by some peril, which continue to float on sea.

## Treatment

Goods being derelict, wreck, jetsam and flotsam brought or coming into India shall be dealt with as if they were imported into India. However, where it is shown to the satisfaction of the proper officer that they are entitled to be admitted duty-free, then proper officer may admit it as duty-free.

Customs Duty not leviable in certain cases

In following cases, duty is not leviable or leviable at reduced amount:



### No Duty on pilfered goods [Sec. 13]

#### Conditions:

- Imported goods are pilfered
- Such goods are pilfered after the unloading thereof and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse
- The pilfered goods are not re-stored

#### Treatment:

The importer shall not be liable to pay the duty leviable on such pilfered goods<sup>4</sup>.

#### Taxpoint:

- Pilfer means to steal something, typically of small value or in small quantities; petty theft. It does not mean total destruction or complete lost.
- If such goods are re-stored to the importer after pilferage, the importer becomes liable to pay duty.
- The principle governed this provision is that “when the goods are not in the control of the importer; he is not liable to pay duty thereon”.
- Sec. 13 does not deal in the situation

- a. where goods are lost or destroyed.
  - b. Where goods are pilfered before unloading thereof
  - c. Where goods are pilfered after the order for clearance for home consumption or deposit in a warehouse, sec. 13 is not applicable.
- Where sec. 13 is applicable, sec. 23(1) is not applicable.

**If goods are pilfered after the order of clearance is made but before the goods are actually cleared, duty would be leviable?**

**Answer:**

**Yes. Importer has to pay duty. Note: refund can be claimed**

**Provisions of section 13 would apply if it can be shown that pilferage took place prior to the unloading of goods?**

**Answer:**

**Section 13 would not apply in the given case.**

**The pilferage should have occurred after the goods are unloaded, but before the proper officer makes the order of clearance.**

### **Abatement of duty on damaged or deteriorated goods [Sec. 22]**

#### **Circumstances:**

Where it is shown to the satisfaction of Assistant Commissioner of Customs or Deputy Commissioner of Customs –

1. That any imported goods had been damaged or had deteriorated at any time before or during the unloading of goods in India; or
2. That any imported goods (other than warehoused goods) had been damaged at any time after the unloading of goods in India but before its examination on account of any accident not due to any wilful act, negligence or default of the importer, his employee or agent; or
3. That any warehoused goods had been damaged at any time before clearance for home consumption on account of any accident not due to any wilful act, negligence or default of the owner, his employee or agent.

**Treatment:**

The duty to be charged on the goods shall bear the same proportion to the duty chargeable on the goods before the damage or deterioration, which the value of the damaged or deteriorated goods bears to the value before the damage or deterioration.

Mathematically,

$$\text{Duty on damaged goods} = \frac{\text{Value of damage / deteriorated goods} * \text{Duty on goods before damage}}{\text{Value of goods before damage / deterioration}}$$

**Note:**

The value of damaged or deteriorated goods may be ascertained by either of the following methods at the option of the owner -

- a. The value of such goods may be ascertained by the proper officer; or
- b. Such goods may be sold by the proper officer by public auction or by tender or with the consent of the owner in any other manner and the gross sale proceeds shall be deemed to be the value of such goods.

**Taxpoint**

- “Damage” denotes physical damage i.e., goods are not fit for the purpose for which they are intended.
- “Deterioration” denotes reduction in the quality of goods due to natural cause.

**Example 1:**

Value of goods before damage	Rs.1,00,000
Duty liability before damage	Rs.10,000
Value of goods after damage	Rs.40,000
Revised Duty liability after damage	Rs.4,000 [i.e., Rs.10,000 * Rs.40,000 / Rs.1,00,000]

**Remission of duty on lost or destroyed goods [Sec. 23(1)]**

Where it is shown to the satisfaction of the Assistant Commissioner or Deputy Commissioner that any imported goods have been **lost (otherwise than as a result of pilferage) or destroyed** at any time **before** clearance for home consumption, then the Assistant Commissioner or Deputy Commissioner shall remit the duty on such goods.

**Taxpoint:**

- The remission of duty is permissible only when there is total loss or loss is forever and beyond recovery. E.g., imported goods is destroyed before clearance for home consumption destroyed due to fire in the warehouse.
- In case of pilferage, sec. 13 is applicable.

### Distinction between sec. 13 and sec. 23(1)

In Hindustan Petroleum Corporation –vs.- CC 1984 (18) ELT 358 (Tri Mumbai), following essential difference between the situations contemplated u/s 13 & 23(1) are stated:

<b>Point of difference</b>	<b>Pilferage of goods u/s 13</b>	<b>Loss or destruction of goods u/s 23(1)</b>
Meaning	Pilferage denotes stealing in small quantities i.e., petty theft	Lost or destruction denotes total loss or loss is forever and beyond recovery
Duty liability	The importer is not made liable to pay the duty on pilfered imported goods. However, if goods are restored, importer is liable to pay the duty.	The duty paid on the goods shall be remitted to the importer.
Time of occurrence	The imported goods must have been pilfered after the unloading, but before the proper officer has made an order for clearance for home consumption	Imported goods have been lost or destroyed at any time before physical clearance of the goods for home consumption
Warehoused goods	Sec. 13 is not applicable where goods are pilfered after warehousing	The provision is applicable on warehoused goods also
Burden to prove	No such burden is cast on the importer u/s 13	U/s 23(1) the burden is cast on the importer to satisfy the Assistant / Deputy Commissioner that imported goods have been lost or destroyed at any time before physical clearance of the goods for home consumption



### **Remission of duty on relinquishment of title to the goods [Sec. 23(2)]**

The owner of any imported goods may, before an order for clearance of the goods for home consumption or an order for permitting the deposit of goods in a warehouse, relinquish his title to the goods and thereupon he shall not be liable to pay the duty thereon.

#### **Taxpoint**

- Relinquish literally means 'to withdraw from' or 'to abandon' or 'to give up any thing or any right' or 'to cease to hold' or 'to surrender' or 'to give over the possession or control of, to leave off'.
- Such relinquishment should be unconditional
- It is open to the importer to exercise the above option at any time before the passing of the order for clearance for home consumption or before order permitting the deposit of goods in a warehouse.
- However, the owner of any such imported goods shall not be allowed to relinquish his title to such goods regarding which an offence appears to have been committed under this Act or any other law.
- Few situations where importer is unwilling or unable to take delivery of imported goods:
  - a. The imported goods are not according to the specifications
  - b. The goods is so damaged during voyage and as such may not be useful to the importer
  - c. There may be breach of contract

### **Power to make rules for denaturing or mutilation of goods [Sec. 24]**

The Central Government may make rules for permitting at the request of the owner the denaturing or mutilation of imported goods which are ordinarily used for more than one purpose so as to render them unfit for one or more of such purposes; and where any goods are so denatured or mutilated they shall be chargeable to duty at such rate as would be applicable if the goods had been imported in the denatured or mutilated form.

### **Exemption from Customs Duty**

#### **Power to grant exemption from duty [Sec. 25]**

If the Central Government is satisfied that it is necessary in the public interest so to do -

- a. It may by **notification** in the Official Gazette exempt **generally** (either absolutely or subject to certain conditions), goods of any specified description from the whole (or any part) of duty.
- b. It may by **special order** exempt from the payment of duty under circumstances of an exceptional nature (being stated in such order) any goods on which duty is leviable.

## Notes

- a. An exemption from duty in respect of any goods may be granted by providing for the levy of the duty at a rate expressed in a form or method different from the form or method in which duty is leviable. Such duty shall in no case exceed the original duty.

Form or method means the basis, namely, valuation, weight, number, length, area, volume or other measure with reference to which the duty is leviable.

- b. Duty shall not be collected where the amount of duty leviable does not exceed Rs.100.

### Classification of imported / export goods

Import and export of goods are required to be assessed to duty which may include an assessment of nil duty. For this purpose, it is necessary to determine the classification of the goods, which basically means the categorization of the goods in a specific heading or sub-heading of the Schedules to the Customs Tariff Act, 1975.

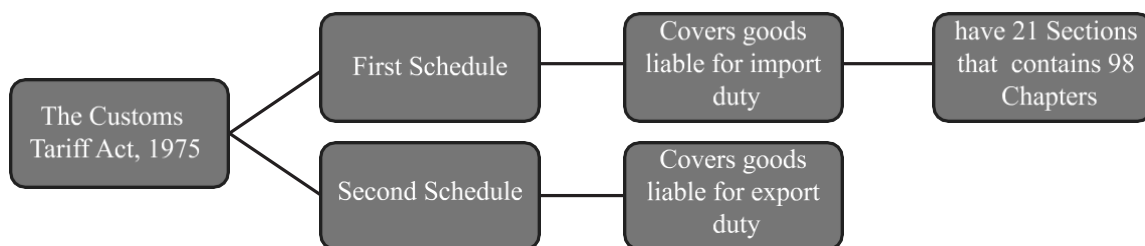
#### Why Classification

Following is the importance of correct classification:

- i. For determining rate of duty;
- ii. For determining the eligibility of exemption notification, which are with reference to the tariff heading or sub headings. Wrong classification would either cause loss of revenue to the Central Government or impose unjustifiable loss to assessee.
- iii. For applicability of other duties on goods like anti-dumping duty, safeguard duty, etc.
- iv. For applicability of any restriction and control on import or export of goods

#### Scheme of Classification

In the Tariff Schedule, commodities/products are arranged in a fixed pattern with the duty rates specified against each of them. It contains 2 Schedules:

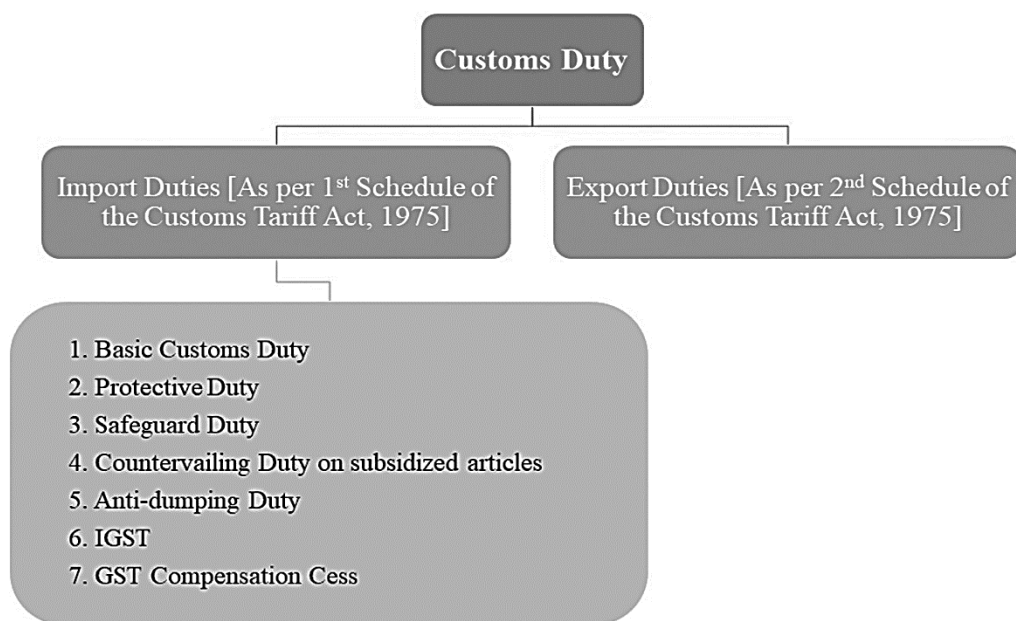


- **First Schedule:** The First Schedule contains description of goods chargeable to **import duty**.
  - It specifies the nomenclature that is based on the Harmonized Commodity Description and Coding System generally referred to as “Harmonized System of Nomenclature” or simply “HSN”, developed by the World Customs Organization (WCO) which is applied uniformly by more than 137 countries the world over.
  - The First Schedule has 21 Sections and 98 Chapters.

- A Section is a group consisting of a number of Chapters which codify a particular class of goods.
- The Section notes explain the scope of chapters / headings, etc. The Chapters consist of chapter notes, brief description of commodities arranged at four digit, six digit and eight digit levels. Every four-digit code is called a 'heading' and every six digit code is called a 'subheading' and 8-digit code is called a 'Tariff Item'.
- **Second Schedule:** The Second Schedule contains description of goods chargeable to **export duty**.

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## 2. TYPES OF DUTIES



### Taxpoint:

- Apart from that, Social Welfare Surcharge (SWS) @ 10% of total customs duties (excluding few) is also applicable on imported goods. (w.e.f.02/02/2018)
- Social Welfare Surcharge is not levied on export.

**Example 2:** Goods of Rs.1,00,000 has been imported and the applicable rate of basic customs duty is 10%. Then customs duty shall be:

Assessable Value	Rs.1,00,000
Basic Customs Duty @ 10%	Rs.10,000
<i>Add:</i> Social Welfare Surcharge @ 10% of aforesaid	Rs.1,000
<b>Total duty payable</b>	<b>Rs.11,000</b>

- However, for the purpose of computing SWS following are not to be considered:
  - Safeguard Duty
  - Countervailing duty on subsidized article
  - Anti-dumping duty
  - IGST
  - Compensation cess
- Similarly, Government imposes certain surcharge or cess on specific goods from time to time. Example, Road and Infrastructure cess on motor spirit and high speed diesel, Health cess on medical equipment, etc.

## **Basic Customs Duty (BCD) [Sec. 12 of the Customs Act r.w.s. 2 of the Customs Tariff Act]**

Duty is levied as per sec. 12 of the Customs Act. Sec. 2 of the Customs Tariff Act, 1975 provides the rate at which duties of customs shall be charged.

- First schedule to Customs Tariff Act enlists the goods liable to duty on importation
- second schedule enlists the goods liable to duty on exportation.

The duty charged by this system may be specific duty (i.e. duty based on measures like quintal, meters, etc.) or ad valorem (i.e. duty based on certain percentage of assessable value). Further, Customs Tariff Act provides two types of basic rate -

### **A. Standard rate of duty:**

Generally, all goods are liable to duty at this rate. This rate is higher than preferential rate of duty. This rate is mentioned in fourth column of the schedule.

### **B. Preferential rate of duty:**

- Where goods are imported from notified preferential area, then preferential rate of duty is applicable.
- It is a concessional rate (given in column 5 of the schedule) for importation from preferential area.
- Importer should make a specific claim for this concessional rate and satisfy specified conditions.
- If importer fails to satisfy those conditions, then goods shall be liable to standard rate even if such goods are imported from preferential area.

### **C. Integrated Goods and Services Tax (IGST) [Sec. 3(7) of Customs Tariff Act, 1975]**

- Any article which is imported into India shall, in addition, be liable to integrated tax.
- IGST shall be levied at such rate as leviable u/s 5 of the Integrated Goods and Services Tax Act, 2017 on a like article on its supply in India.
- For the purpose of levying IGST, value of the imported article shall be determined as under:
  - The value of the imported article determined u/s 14(1) of the Customs Act, 1962 or the tariff value of such article fixed u/s 14(2), as the case may be;
  - Any duty of customs chargeable on that article u/s 12 of the Customs Act, 1962;
  - Any sum chargeable on that article under any law for the time being in force as an addition to, and in the same manner as, a duty of customs like anti-dumping duty, safeguard duty, etc.;
  - but does not include this IGST and the Compensation cess;

**Example 3:**

Goods of Rs.1,00,000 has been imported and the applicable rate of basic customs duty is 10%. On such goods applicable rate of IGST is 18%. Then computation of duty shall be as under:

Assessable Value [A]	Rs.1,00,000
Basic Customs Duty [B = 10% of A]	Rs.10,000
Add: Social Welfare Surcharge [C = 10% of B]	Rs.1,000
<b>Value for computing IGST [D = A + B + C]</b>	<b>Rs.1,11,000</b>
Add: IGST [E = D x 18%]	Rs.19,980
<b>Total Duty payable [B + C + E]</b>	<b>Rs.30,980</b>

For aforesaid payment of IGST, ITC under GST law is available.

**Taxpoint**

Where the goods deposited in a warehouse under the provisions of the Customs Act, 1962 are sold to any person before clearance for home consumption or export under the said Act, the value of such goods for the purpose of calculating the integrated tax shall be,-

Where the whole of the goods are sold	the value determined as per aforesaid provision or the transaction value of such goods, whichever is higher
Where any part of the goods is sold	the proportionate value of such goods as per aforesaid provision or the transaction value of such goods, whichever is higher.
However, where the whole of the warehoused goods or any part thereof are sold more than once before such clearance for home consumption or export, the transaction value of the last such transaction shall be the transaction value for the aforesaid purposes	

**D. GST Compensation Cess [Sec. 3(9) of Customs Tariff Act, 1975]**

Under GST regime, Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of **5 years** in order to compensate states for loss of revenue.(extended upto 31/03/2026)

Any article which is imported into India shall, in addition, be liable to the goods and services tax compensation cess at such rate, as is leviable u/s 8 of the Goods and Services Tax (Compensation to States) Cess Act, 2017 on a like article on its supply in India.

Where such cess is leviable at any percentage of its value, the value of the imported article shall be the aggregate of the following:

- the value of the imported article determined u/s 14(1) of the Customs Act, 1962 or the tariff value of such article fixed u/s 14(2), as the case may be;
- any duty of customs chargeable on that article u/s 12 of the Customs Act, 1962;
- any sum chargeable on that article under any law for the time being in force as an addition to, and in the same manner as, a duty of customs like anti-dumping duty, safeguard duty, etc.;
- but does not include the IGST or this cess

**Taxpoint:** In respect of warehoused goods, similar provision is applicable as applicable in case of levying IGST.

**Example 4:**

Goods of Rs.1,00,000 has been imported and the applicable rate of basic customs duty is 10%. On such goods applicable rate of IGST is 18% and GST Compensation cess is 28%. Then computation of duty shall be as under:

Assessable Value [A]	Rs.1,00,000
Basic Customs Duty [B = 10% of A]	Rs.10,000
Add: Social Welfare Surcharge [C = 10% of B]	Rs.1,000
<b>Value for computing IGST [D = A + B + C]</b>	<b>Rs.1,11,000</b>
Add: IGST [E = D x 18%]	Rs.19,980
Add: Compensation Cess [F = D x 28%]	Rs.31,080
<b>Total Duty payable [B + C + E + F]</b>	<b>Rs.62,060</b>

**Note:** For aforesaid payment of IGST and compensation cess, ITC under GST law is available.

**Other Customs Duties**

**E. Protective Duties [Sec. 6 of the Customs Tariff Act, 1975]**

In order to protect the interests of **any industry** established in India, Central Government may impose protective duty on any goods imported into India.

**Taxpoint:**

1. Government imposes such duty on recommendation made to it by the Tariff Commission established under the Tariff Commission Act, 1951.

2. This duty is effective only and inclusive of the date, if any, specified in the First Schedule of the Tariff [Sec. 7 of the Customs Tariff Act, 1975]

**F. Safeguard Duty [Sec. 8B of Customs Tariff Act]**

**Condition to impose:**

Where the Central Government is satisfied that -

- a. An article is imported into India in increased quantities; and
- b. Such article is imported so as to cause or threaten to cause serious injury to the domestic industry,

- then it may apply such safeguard measures on that article, as it deems appropriate.

**Taxpoint:**

1. The safeguard measures shall include imposition of safeguard duty, application of tariff-rate quota or such other measure, as the Central Government may consider appropriate, to curb the increased quantity of imports of an article to prevent serious injury to domestic industry.
2. If the following conditions are satisfied then safeguard duty shall not be imposed –
  - a. Such article is originating from a developing country or countries; and
  - b. Aggregate import from country or countries shall not exceed –

Where the article is originating from one developing country	The share of imports of that article from that country <b>does not exceed 3% of the total imports</b> of that article into India
Where the article is originating from more than one developing country	The aggregate of the imports from all such countries <b>does not exceed 9%</b> of the total imports of that article into India

3. However, the Central Government may exempt such quantity of any article, when imported from any country or territory into India, from payment of the whole or part of the safeguard duty leviable thereon.
4. Where tariff-rate quota is used as a safeguard measure, the Central Government shall not fix such quota lower than the average level of imports in the last 3 representative years for which statistics are available, unless a different level is deemed necessary to prevent or remedy serious injury.
5. The Central Government may allocate such tariff-rate quota to supplying countries having a substantial interest in supplying the article concerned, in such manner as may be provided by rules.
6. **Provisional Safeguard Duty:** The Central Government may, pending the determination of safeguard measures, apply provisional safeguard measures on the basis of a preliminary



determination that increased imports have caused or threatened to cause serious injury to a domestic industry. However, any provisional safeguard measure shall not remain in force for **more than 200 days** from the date on which it was applied.

Further, where, on final determination, the Central Government is of the opinion that increased imports have not caused or threatened to cause serious injury to a domestic industry, it shall refund the safeguard duty so collected.

- 7. Duration of imposition:** Safeguard duty shall be ceased to have effect on the expiry of 4 years (unless revoked earlier) from the date of its imposition. However, the Central Government may extend the period of levy to 10 years.
- 8.** Safeguard duty or provisional safeguard duty shall not apply to articles imported by a 100% export-oriented undertaking or a unit in a special economic zone unless:
  - a. it is specifically made applicable in such notification or to such undertaking or unit; or
  - b. such article is either cleared as such into the domestic tariff area or used in the manufacture of any goods that are cleared into the domestic tariff area, in which case, safeguard measures shall be applied on the portion of the article so cleared or used, as was applicable when it was imported into India.
- 9.** The safeguard duty is product specific and it is in addition to any other duty imposed under this Act or under any other law for the time being in force.
- 10.** Developing country means a country notified by the Central Government in the Official Gazette;
- 11.** Domestic industry means the producers:
  - a. as a whole of the like article or a directly competitive article in India; or
  - b. whose collective output of the like article or a directly competitive article in India constitutes a major share of the total production of the said article in India;
- 12.** Serious injury means an injury causing significant overall impairment in the position of a domestic industry
- 13.** Threat of serious injury means a clear and imminent danger of serious injury.

#### **G. Countervailing Duty on Subsidized articles [Sec. 9 of the Customs Tariff Act, 1975]**

##### **Condition to impose:**

- a. Any country or territory pays, or bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any article including any subsidy on transportation of such article;

- b. Such article is imported into India;
- c. Such article is imported directly / indirectly from the country of manufacture, production; and
- d. The article is imported in the same condition as when exported from the country of manufacture or production or has been changed in condition by manufacture, production or otherwise.

#### **Quantum of duty:-**

The Central Government may impose a countervailing duty not exceeding the amount of such subsidy.

#### **Taxpoint**

- **Duration of imposition:** Such duty shall be in force **for 5 years** (unless revoked earlier) from the date of its imposition. However, it can be further extended for another 5 years.  
However, where a review initiated before the expiry of the aforesaid period of 5 years has not come to a conclusion before such expiry, the countervailing duty may continue to remain in force pending the outcome of such a review for a further period not exceeding 1 year. Further, if the said duty is revoked temporarily, the period of such revocation shall not exceed 1 year at a time.
- Such countervailing duty shall be in addition to any other duty imposed under this Act or any other law.
- A subsidy shall be deemed to exist if -
  - a. there is financial contribution by a Government, or any public body in the exporting or producing country or territory, that is, where -
    - i. a Government practice involves a direct transfer of funds (including grants, loans and equity infusion), or potential direct transfer of funds or liabilities, or both;
    - ii. Government revenue that is otherwise due is foregone or not collected (including fiscal incentives);
    - iii. a Government provides goods or services other than general infrastructure or purchases goods;
    - iv. a Government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions specified in clauses (i) to (iii) above which would normally be vested in the Government and the practice in, no real sense, differs from practices normally followed by Governments; or
  - b. a Government grants or maintains any form of income or price support, which operates directly or indirectly to increase export of any article from, or to reduce import of any article into, its territory, and a benefit is thereby conferred.

- Where the Central Government, on such inquiry as it considers necessary, is of the opinion that circumvention of imposed countervailing duty has taken place, either by altering the description or name or composition of the article on which such duty has been imposed or by import of such article in an unassembled or disassembled form or by changing the country of its origin or export or in any other manner, whereby the countervailing duty so imposed is rendered ineffective, it may extend the countervailing duty to such other article also from such date, not earlier than the date of initiation of the inquiry, as specified – Sec. 9(1A)
- Where the Central Government, on such inquiry as it considers necessary, is of the opinion that absorption of countervailing duty imposed has taken place whereby the countervailing duty so imposed is rendered ineffective, it may modify such duty to counter the effect of such absorption, from such date, not earlier than the date of initiation of the inquiry, as specifies. – Sec. 9(1B)
- Absorption of countervailing duty is said to have taken place:
  - a. if there is a decrease in the export price of an article without any commensurate change in the resale price in India of such article imported from the exporting country or territory; or
  - b. under such other circumstances as may be provided by rules.
- The Central Government may, pending the determination in accordance with the provisions of this section and the rules made thereunder of the amount of subsidy, impose a countervailing duty not exceeding the amount of such subsidy as provisionally estimated by it and if such countervailing duty exceeds the subsidy as so determined, -
  - a. the Central Government shall, having regard to such determination and as soon as may be after such determination, reduce such countervailing duty; and
  - b. refund shall be made of so much of such countervailing duty which has been collected as is in excess of the countervailing duty as so reduced. – Sec. 9(2)
- A notification issued or any countervailing duty imposed shall not apply to article imported by a 100% export oriented undertaking or a unit in a special economic zone, unless, -
  - i. it is specifically made applicable in such notification or to such undertaking or unit; or
  - ii. such article is either cleared as such into the domestic tariff area or used in the manufacture of any goods that are cleared into the domestic tariff area, in which case, countervailing duty shall be imposed on that portion of the article so cleared or used, as was applicable when it was imported into India.
- Further, the countervailing duty shall not be levied unless it is determined that -
  - a. the subsidy relates to export performance;

- b. the subsidy relates to the use of domestic goods over imported goods in the export article;  
or
- c. the subsidy has been conferred on a limited number of persons engaged in manufacturing, producing or exporting the article unless such a subsidy is for -
  - i. research activities conducted by or on behalf of persons engaged in the manufacture, production or export;
  - ii. assistance to disadvantaged regions within the territory of the exporting country; or
  - iii. assistance to promote adaptation of existing facilities to new environmental requirements.
- **Levy from retrospective effect:** If the Central Government, is of the opinion that the injury to the domestic industry which is difficult to repair, is caused by massive imports in a relatively short period, of the article benefiting from subsidies paid or bestowed and where in order to preclude the recurrence of such injury, it is necessary to levy countervailing duty retrospectively, the Central Government may levy countervailing duty from a date prior to the date of imposition of countervailing duty but not beyond 90 days from the date of such notification
- The amount of any such subsidy shall, from time to time, be ascertained and determined by the Central Government, after such inquiry as it may consider necessary and the Central Government may make rules for the identification of such article and for the assessment and collection of any countervailing duty imposed upon the importation thereof under this section.

#### H. Anti-Dumping duty [Sec. 9A of Customs Tariff Act]

**Dumping** is said to occur when the goods are

- exported by a country
- to another country
- at a price lower than its normal value.
  - ✓ This is an unfair trade practice which can have a distortive effect on international trade.
  - ✓ Anti dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect.
  - ✓ Thus, the purpose of anti dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade.
  - ✓ The use of anti-dumping measure as an instrument of fair competition is permitted by the WTO.

- ✓ In fact, anti-dumping is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry. It provides relief to the domestic industry against the injury caused by dumping.

**Condition to impose :**

- a. Any article is exported by an exporter or producer from any country or territory to India at less than its normal value; and
- b. Such article is imported into India;

**Quantum of Anti-Dumping Duty:**

The Central Government may impose an anti-dumping duty not exceeding the margin of dumping in relation to such article.

- **Margin of dumping** = Normal Value - Export Price
- Export price, in relation to an article, means
  - a. the price of the article exported from the exporting country or territory; and
  - b. in cases where there is no export price or where the export price is unreliable because of association or a compensatory arrangement between the exporter and the importer or a third party, the export price may be constructed on the basis of the price at which the imported articles are first resold to an independent buyer or if the article is not resold to an independent buyer, or not resold in the condition as imported, on such reasonable basis as may be determined in accordance with the rules made u/s 9A(6);
- Normal value, in relation to an article, means -
  - i. the comparable price, in the ordinary course of trade, for the like article when destined for consumption in the exporting country or territory as determined in accordance with the rules made u/s 9A(6); or
  - ii. when there are no sales of the like article in the ordinary course of trade in the domestic market of the exporting country or territory, or when because of the particular market situation or low volume of the sales in the domestic market of the exporting country or territory, such sales do not permit a proper comparison, the normal value shall be either:
    - a. comparable representative price of the like article when exported from the exporting country or territory to an appropriate third country as determined in accordance with the rules made u/s 9A(6); or
    - b. the cost of production of the said article in the country of origin along with reasonable addition for administrative, selling and general costs, and for profits, as determined in accordance with the rules made u/s 9A(6)

However, in the case of import of the article from a country other than the country of origin and where the article has been merely transhipped through the country of export or such article is not produced in the country of export or there is no comparable price in the country of export, the normal value shall be determined with reference to its price in the country of origin

**Taxpoint:**

- **Duration of imposition:** Such duty shall be in force **for 5 years** (unless revoked earlier) from the date of its imposition. However, if the Central Government, in a review, is of the opinion that the cessation of such duty is likely to lead to continuation or recurrence of dumping and injury, it may, from time to time, extend the period of such imposition for a further period upto 5 years and such further period shall commence from the date of order of such extension.
- Where a review initiated before the expiry of the aforesaid period of 5 years has not come to a conclusion before such expiry, the anti-dumping duty may continue to remain in force pending the outcome of such a review for a further period not exceeding 1 year.

If the said duty is revoked temporarily, the period of such revocation shall not exceed 1 year at a time.

- Such countervailing duty shall be in addition to any other duty imposed under this Act or any other law.
- Where the Central Government, on such inquiry as it may consider necessary, is of the opinion that circumvention of anti-dumping duty imposed has taken place, either by altering the description or name or composition of the article subject to such anti-dumping duty or by import of such article in an unassembled or disassembled form or by changing the country of its origin or export or in any other manner, whereby the anti-dumping duty so imposed is rendered ineffective, it may extend the anti-dumping duty to such article or an article originating in or exported from such country, as the case may be, from such date, not earlier than the date of initiation of the inquiry, as the Central Government may, specify.
- Where the Central Government, on such inquiry as it may consider necessary, is of the opinion that absorption of anti-dumping duty imposed has taken place whereby the anti-dumping duty so imposed is rendered ineffective, it may modify such duty to counter the effect of such absorption, from such date, not earlier than the date of initiation of the inquiry, as the Central Government may specify.

Absorption of anti-dumping duty is said to have taken place,-

- a. if there is a decrease in the export price of an article without any commensurate change in

the cost of production of such article or export price of such article to countries other than India or resale price in India of such article imported from the exporting country or territory;  
or

b. under such other circumstances as may be provided by rules.

- **Provisional anti-dumping duty:** The Central Government may, pending the determination of the normal value and the margin of dumping in relation to any article, impose on the importation of such article into India an anti-dumping duty on the basis of a provisional estimate of such value and margin and if such anti-dumping duty exceeds the margin as so determined :-

a. the Central Government shall, having regard to such determination and as soon as may be after such determination, reduce such anti-dumping duty; and

b. refund shall be made of so much of the anti-dumping duty which has been collected as is in excess of the anti-dumping duty as so reduced.

- A notification issued or any anti-dumping duty imposed shall not apply to articles imported by a 100% export-oriented undertaking or a unit in a special economic zone, unless,-

i. it is specifically made applicable in such notification or to such undertaking or unit; or

ii. such article is either cleared as such into the domestic tariff area or used in the manufacture of any goods that are cleared into the domestic tariff area, in which case, anti-dumping duty shall be imposed on that portion of the article so cleared or used, as was applicable when it was imported into India.

- Retrospective effect: If the Central Government, in respect of the dumped article under inquiry, is of the opinion that -

i. there is a history of dumping which caused injury or that the importer was, or should have been, aware that the exporter practices dumping and that such dumping would cause injury; and

ii. the injury is caused by massive dumping of an article imported in a relatively short time which in the light of the timing and the volume of imported article dumped and other circumstances is likely to seriously undermine the remedial effect of the anti-dumping duty liable to be levied,

the Central Government may levy anti-dumping duty retrospectively from a date prior to the date of imposition of anti-dumping duty but not beyond 90 days from the date of notification under that sub-section, and such duty shall be payable at such rate and from such date as may be specified in the notification.

### Illustration 1:

A commodity is imported into India from a country covered by a notification issue by the Central

Government u/s 9A of the Customs Tariff Act, 1975. Following particulars are made available:

- Assessable Value for levying Basic Customs Duty: Rs.12,62,500
- Quantity imported: 500 kgs.
- Basic customs duty: 10%
- IGST: 18%

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US\$ 50 per kg (Exchange Rate is 1 USD = INR 70) and the landed value of the commodity as imported

Appraise the liability on account of normal duties and the anti-dumping duty.

Answer:

Computation of Customs Duty, SWS, anti-dumping duty and IGST

Particulars	Details	Rs.
Assessable Value		12,62,500
Basic Customs Duty @ 10% on Rs.12,62,500 [A]		1,26,250
Add: SWS @ 10% [B]		12,625
Landed value of imported goods [C]		14,01,375
Rate of commodity as per Anti Dumping Notification per kg.	US\$ 50	
Quantity Imported	500 Kg	
Value as per notification (500 x 50)	US\$ 25,000	
Exchange rate 1US\$	Rs.70	
Market Value in Rs.[D]	17,50,000	
Add: Anti-dumping Duty [E = D - C]		3,48,625
Value for levying IGST [F]		17,50,000
Add: IGST @ 18% of [F]		3,15,000
<b>Total Customs Duty Payable [A + B + E + F]</b>		<b>8,02,500</b>

### Refund of anti-dumping duty in certain cases [Sec. 9AA]

- Where upon determination by an officer authorised in this behalf by the Central Government, an importer proves to the satisfaction of the Central Government that he has paid anti-dumping duty imposed u/s 9A on any article, **in excess** of the actual margin of dumping in relation to such article, the



Central Government shall, as soon as may be, reduce such anti-dumping duty as is in excess of actual margin of dumping so determined, in relation to such article or such importer, and such importer shall be entitled to refund of such excess duty. Such importer shall not be entitled to refund of so much of such excess duty which is refundable u/s 9A(2).

- ii. The Central Government may make rules to-
  - a. provide for the manner in which and the time within which the importer may make application for this purposes;
  - b. authorise the officer of the Central Government who shall dispose of such application on behalf of the Central Government within the time specified in such rules; and
  - c. provide the manner in which the excess duty shall be -
    - 1. determined by such officer; and
    - 2. refunded by the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, after such determination.

**No levy under section 9 or section 9A in certain cases [Sec. 9B]**

- 1. Notwithstanding anything contained in sec. 9 or 9A:
  - a. no article shall be subjected to both countervailing duty and anti-dumping duty to compensate for the same situation of dumping or export subsidization;
  - b. the Central Government shall not levy any countervailing duty or anti-dumping duty -
    - i. u/s 9 or 9A by reasons of exemption of such articles from duties or taxes borne by the like article when meant for consumption in the country of origin or exportation or by reasons of refund of such duties or taxes;
    - ii. under sub-section (1) of each of these sections, on the import into India of any article from a member country of the World Trade Organisation or from a country with whom Government of India has a most favoured nation agreement (hereinafter referred as a specified country), unless in accordance with the rules made under sub-section (2) of this section, a determination has been made that import of such article into India causes or threatens material injury to any established industry in India or materially retards the establishment of any industry in India; and
    - iii. under sub-section (2) of each of these sections, on import into India of any article from the specified countries unless in accordance with the rules made under sub-section (2) of this section, a preliminary findings has been made of subsidy or dumping and consequent injury to domestic industry; and a further determination has also been made that a duty is necessary to prevent injury being caused during the investigation:

dumping duty has been imposed on any article to prevent injury or threat of an injury to the domestic industry of a third country exporting the like articles to India;

c. the Central Government may not levy -

i. any countervailing duty u/s 9, at any time, upon receipt of satisfactory voluntary undertakings from the Government of the exporting country or territory agreeing to eliminate or limit the subsidy or take other measures concerning its effect, or the exporter agreeing to revise the price of the article and if the Central Government is satisfied that the injurious effect of the subsidy is eliminated thereby;

ii. any anti-dumping duty u/s 9A, at any time, upon receipt of satisfactory voluntary undertaking from any exporter to revise its prices or to cease exports to the area in question at dumped price and if the Central Government is satisfied that the injurious effect of dumping is eliminated by such action.

2. The Central Government may, by notification in the Official Gazette, make rules for the purposes of this section, and without prejudice to the generality of the foregoing, such rules may provide for the manner in which any investigation may be made for the purposes of this section, the factors to which regard shall be at in any such investigation and for all matters connected with such investigation.

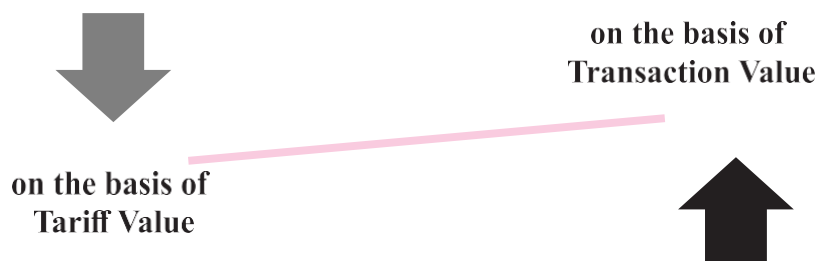
Apart from these, additional duty, countervailing duty or special additional duty is also applicable on certain goods. Generally, these duties are subsumed in the GST, however, these duties are still applicable in case of goods which are outside the purview of GST like alcoholic liquor for human consumption.

### **Export Duty [Second Schedule of the Customs Tariff Act, 1975]**

In general, no duty is payable on export. However, Government has imposed export duty on certain goods like leather goods, ferrous waste and scrap, snake skins, etc.

### 3. VALUATION RULES

The rate of customs duty leviable on imported or exported goods are either specific or ad valorem basis (i.e., as a percentage of the value of goods) or at times on specific cum ad valorem. In case of ad valorem duty, the valuation of the goods may be determined in any of the following manner:



#### **Valuation on the basis of Transaction Value [Sec. 14(1)]**

**1. Valuation of Imported Goods:** The value of the imported goods shall be the transaction value of such goods, that is to say,

- the price actually paid or payable for the goods;
- when sold for export to India;
- for delivery at the time and place of importation;
- where the buyer and seller of the goods are not related; and
- price is the sole consideration for the sale

subject to such other conditions as may be specified in the rules<sup>7</sup> made in this behalf.

#### **Taxpoint**

- Such transaction value in the case of imported goods shall include, in addition to the price as aforesaid, any amount paid or payable for costs and services, including
  - commissions and brokerage (excluding buying commission);
  - engineering, design work;
  - royalties and licence fees;
  - costs of transportation to the place of importation;
  - insurance;
  - loading, unloading and handling charges

to the extent and in the manner specified in the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007

**2. Valuation of Export Goods:** The value of the exported goods shall be the transaction value of such goods, that is to say,

- the price actually paid or payable for the goods;
- when sold for export from India;

- for delivery at the time and place of exportation;
- where the buyer and seller of the goods are not related; and
- price is the sole consideration for the sale

subject to such other conditions as may be specified in the rules<sup>8</sup> made in this behalf.

### Valuation on the basis of Tariff Value [Sec. 14(2)]

CBIC may fix tariff values for any class of imported or export goods (having regard to the trend of value of such or like goods) and where any such tariff values are fixed, the duty shall be chargeable with reference to such tariff value. At present, tariff value has been fixed in respect of import for crude palm oil, crude palmolein, crude soyabean oil, brass scrap, poppy seeds, etc.

### Date Relevant for Determination of Rate of Exchange

#### Rate of Exchange

The price shall be calculated with reference to the rate of exchange as in force on the date on which a bill of entry is presented u/s 46, or a shipping bill of export, as the case may be, is presented u/s 50.

Taxpoint:

- The price shall be calculated with reference to the rate of exchange as in force on the date

In case of Import	Date on which a bill of entry is presented u/s 46,
In case of export	Date on which a shipping bill of export is presented u/s 50.

- Rate of exchange means the rate of exchange:
  - determined by the Board (i.e., CBIC), or
  - ascertained in such manner as the Board may direct, for the conversion of Indian currency into foreign currency or foreign currency into Indian currency [Explanation to sec. 14]
- The rate of exchange is notified by (i) CBIC; (ii) RBI; and (iii) Foreign Exchange Dealers' Association of India. For the purpose of customs, rate notified by **CBIC** shall be considered. Selling Rate shall be considered for import and buying rate shall be considered for export.

**Example 5:**

Determine the rate of exchange for the purpose of computation of customs duty in the following cases:

Case	Date of Bill of entry / Shipping bill of export	Date of entry inward / outward	Exchange rate notified by CBIC (INR per USD)		Exchange Rate notified by RBI (INR per USD)	
			On the date given on col. (II)	On the date given on col. (III)	On the date given on col. (II)	On the date given on col. (III)
(I)	(II)	(III)	(IV)		(V)	
Import	20-10-2022	15-10-2022	62	63	60	61
Export	25-11-2022	25-11-2022	61	61	63	63

**Solution:**

Exchange rate notified by the CBIC on the date of presentation of bill of entry (in case of import) or shipping bill (in case of export) shall be considered, thus:

- In case of import, exchange rate of Rs.62 per USD shall be considered.
- In case of export, exchange rate of Rs.61 per USD shall be considered. Note that rate notified by RBI is irrelevant for computation of customs duty.

Customs Valuation (Determination of price of imported goods) Rules, 1988

Methods to be followed (in hierarchal order) for determination of price of imported goods

- Primary Method: Transaction value [Rule 3]
- Secondary Method
  1. Transaction value of identical goods [Rule 4]
  2. Transaction value of similar goods [Rule 5]
  3. Deductive value [Rule 7]
  4. Computed value [Rule 8]
  5. Residual method [Rule 9]

**Note:** On the request of importer, the order of application of rules 7 (i.e. Deductive value) and 8 (i.e. Computed value) shall be reversed.

**Transaction Value [Rule 3]**

Transaction value shall be accepted as price, provided following conditions are satisfied –

1. The sale is in the ordinary course of trade under fully competitive conditions;

2. There are no restriction as to the disposition or use of the goods by the buyer other than restrictions which –
  - a. are imposed or required by law or by public authorities in India; or
  - b. limit the geographical area in which the goods may be resold; or
  - c. do not substantially affect the value of the goods;
3. The sale or price is not subject to condition or consideration for which a value cannot be determined;
4. Any part of the proceeds of subsequent resale, disposal or use of the goods by the buyer will not be shared with the seller unless an appropriate adjustment is made;
5. The buyer and seller are not related.

**Meaning of related person:**

Person shall be deemed to be related if –

1. they are officers or directors of one another's businesses;
2. they are legally recognized partners in business;
3. they are employer and employee;
4. any person owns, controls or holds 5% or more of the voting right of both of them;
5. one of them controls the other;
6. both of them are controlled by a third person;
7. together they control a third person;
8. they are members of the same family.
  - a. Person also includes legal persons.
  - b. Persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other shall be deemed to be related for the purpose of these rules, if they fall within the criteria of this sub-rule.

**Transaction value can be accepted though sale is made to related buyer**

In the following cases, the transaction value shall be accepted even if the buyer and seller are related:

- a. the examination of the circumstances of the sale of the imported goods indicates that relationship did not influence the price.
- b. the importer demonstrates that the value of the goods being valued, closely approximates to one of the following values ascertained at or about the same time:
  - i. the transaction value of identical goods, or of similar goods, in sales to unrelated buyers in India;

- ii. the deductive value for identical goods or similar goods;
- iii. the computed value for identical goods or similar goods:

#### Note

- While comparing prices, due account shall be taken of difference in commercial levels, quantity levels and cost incurred by the seller in sales to an unrelated buyer. E.g. price of 1000 units are not comparable with the price of 100000 units.
- While determining value of identical or similar goods, substitute value shall not be taken.

#### Computation of transaction value of imported goods

The transaction value of imported goods shall be the price actually paid or payable for the goods when sold for export to India adjusted in accordance with the provisions of rule 10.

As per rule 10, while determining transaction value, following cost or value (being not included in the price) shall be added with the price actually paid or payable -

1. the following cost and services, to the extent they are incurred by the buyer –
  - a. Commission and brokerage, except buying commissions;
  - b. The cost of containers;
  - c. The cost of packing whether for labour or materials;
2. the appropriate value of the following goods and services supplied by the buyer free of charge or at reduced cost for use in the production and sale for export of imported goods –
  - a. materials, components, parts & similar items incorporated in the imported goods;
  - b. tools, dies, moulds & similar items used in the production of the imported goods;
  - c. materials consumed in the production of the imported goods;
  - d. engineering, development, art work, design work, plans and sketches undertaken elsewhere than in India and necessary for the production of the imported goods;
3. royalties and licence fees related to the imported goods that the buyer is required to pay as a condition of the sale of such goods;
4. the value of any part of proceeds of any subsequent resale, disposal or use of such goods accrues to the seller;
5. all other payments actually paid or payable by the buyer to the seller or by the buyer to the third party to satisfy an obligation of the seller.

Additions to the price actually paid or payable shall be made under this rule on the basis of objective and quantifiable data

### Price for delivery at the time and place of importation [Rule 10(2)]

The value of imported goods shall be the price for delivery at the time and place of importation.

Hence, it includes –

- a. The cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation;
- b. The cost of insurance to the place of importation

#### Note

- i. Where the above cost is not ascertained then following shall be added –

In case of	Amount to be added
Cost of transport	20% of free on board (FOB) value of goods
Cost of insurance	1.125% of FOB value of goods

- ii. Where goods are imported by **air**, then cost of transport (whether ascertained or not) shall be restricted to 20% of FOB value of goods.
- iii. FOB value = Cost of production + Profit of the manufacturer + Freight in foreign country + Local taxes + Loading charges + Export duty and cess.

In nutshell, valuation shall be determined as under:

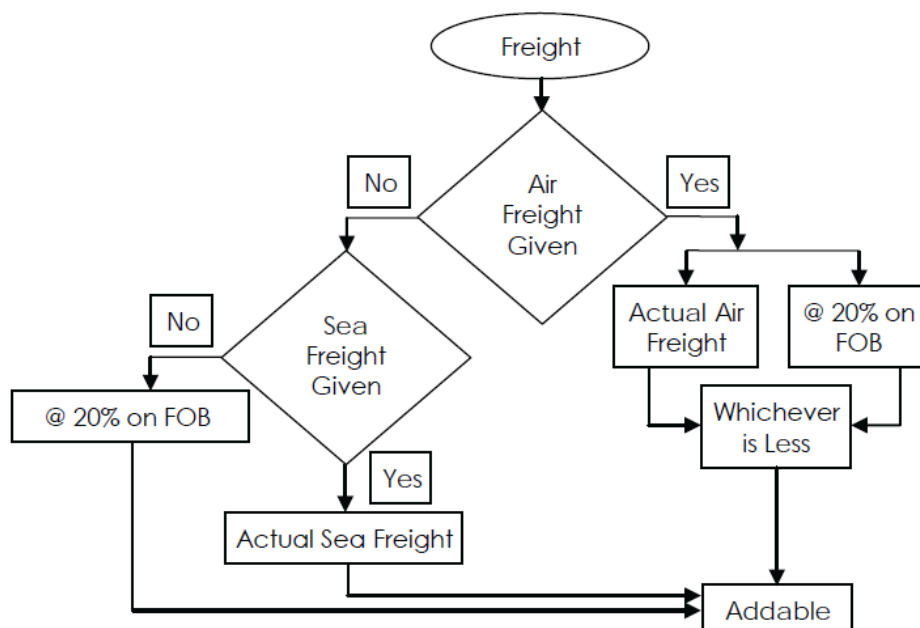
	Rs.
Value of material (ex-factory price)	xxx
Carriage / Freight / insurance upto the port of shipment in the exporter's country	xxx
Charges for loading on to the ship at the shipping port in the exporter's country	xxx
<b>Free on Board (FOB)</b>	xxx
Add: if not included above	xxx
➤ Commission and brokerage (except buying commission)	xxx
➤ Packing cost (except cost of durable and returnable packing)	xxx
➤ Cost of engineering, development and plan or sketches (undertaken outside India)	xxx
➤ Royalties and Licence Fee	xxx
➤ Value of subsequent re-sale if payable to foreign supplier	xxx
➤ Value of material supplied by the buyer free of cost	xxx
<b>FOB value as per Customs</b>	xxx
Actual Cost of freight (if not specified, then @ 20% of FOB value as per customs) [in case of air transport max. 20%]	xxx
Ship demurrage charges on chartered vessels, lighterage or barge charges	xxx
Actual Insurance charges (if not specified, then @ 1.125% of FOB value as per customs)	xxx
<b>Cost, Insurance and Freight (CIF) i.e., Assessable Value</b>	xxx



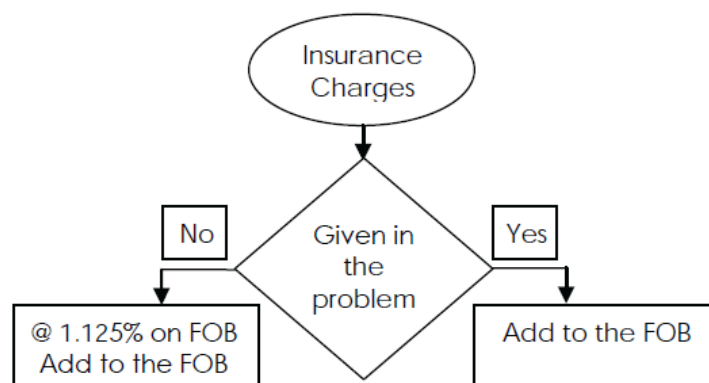
## Taxpoint

- **Place of importation** means the customs station, where the goods are brought for being cleared for home consumption or for being removed for deposit in a warehouse
- Unloading charges or landing charges at the place of importation shall not be considered.
- **Buying commission** means fees paid by an imported to his agent for the services of representing him abroad in the purchase of goods being valued.
- When ship is not brought upto jetty because deep draught at port or ports are busy or any other reason, in this case cargo shall be discharged at anchorage. Charges for bringing goods from outer anchorage to the jetty is called **barging / lighterage** charges.
- **Demurrage** charges payable to port trust authorities for delay in clearing goods are not to be added.
- However, following cost shall **not to be included**:
  - Duties and tax paid in India
  - Cost of erection charges in India
  - Cost of transport and insurance from port to factory of importer in India
  - Cost of development charges in connection with imported machinery
  - Port demurrage charges and unloading charges in India
  - Any other charges incurred after importation like post shipment charges unless such charges are pre- condition for importation (e.g. inspection).

## Freight Charges



## Insurance Charges



### Illustration 2:

Compute value of the imported goods for customs purpose with the following information –

Particulars	Case 1	Case 2	Case 3
Price actually payable to the seller	10,000	20,000	30,000
Cost of packing materials	1,000	Nil	500
Labour charges for packing	200	Nil	300
Price of material supplied to seller by buyer free of cost	1,000	500	2,000
Cost of transport	1,000	Unascertained	12,000
Insurance	Unascertained	Unascertained	500
Local transport in India	500	400	600
Mode of transport	Sea	Sea	Air

### Solution:

Computation of assessable value of goods for customs purpose

Particulars	Case 1	Case 2	Case 3
Price actually payable to the seller	10,000	20,000	30,000
Cost of packing materials	1,000	Nil	500
Labour charges for packing	200	Nil	300
Material supplied to seller by buyer free of cost	1,000	500	2,000
Free on Board Value [A]	12,200	20,500	32,800
Add:			
Cost of transport [B]	1,000	4,100	6,560
Insurance (1.125% of A) [C]	137	231	500
<b>Assessable value</b>	<b>13,337</b>	<b>24,831</b>	<b>39,860</b>

**Notes:**

1. When cost of transportation is not certain then 20% of FOB value shall be considered as cost of transport.
2. When goods are transported through airways then, cost of transportation shall be restricted to 20% of FOB value.

**Illustration 3:**

From the particulars given below, find out the assessable value of the imported goods under the Customs Act, 1962:

	Particulars	US\$
i.	Cost of the machine at the factory of the exporting country	20,000
ii.	Transport charges incurred by the exporter from his factory to the port for shipment	1,000
iii.	Handling charges paid for loading the machine in the ship	100
iv.	Buying commission paid by the importer	100
v.	Freight charges from exporting country to India	2,000
vi.	Exchange Rate to be considered 1\$ = Rs.65	

**Solution:**

Computation of assessable value of goods for customs purpose

	Particulars	Value (US \$)
i.	Cost of the machine at the factory of the exporting country	20,000.00
ii.	Transport charges incurred by the exporter from his factory to the port for shipment	1,000.00
iii.	Handling charges paid for loading the machine in the ship	100.00
	<b>FOB Value of Exporter</b>	<b>21,100.00</b>
iv.	Buying commission paid by the importer [Not includible]	-
v.	Cost of insurance [@ 1.125% of FOB]	237.38
vi.	Freight charges from exporting country to India	2,000.00
vii.	CIF Value/ Assessable value	23,337.38
	<b>Assessable value (in INR) [\$ 23,337.38 x Rs.65]</b>	<b>15,16,930.00</b>

#### Illustration 4:

XYZ Industries Ltd., has imported certain equipment from Japan at an FOB cost of 4,00,000 Yen (Japanese). The other expenses incurred by M/s. XYZ Industries in this connection are as follows:

- Freight from Japan to Indian Port 40,000 Yen
- Insurance paid to Insurer in India Rs.20,000
- Designing charges paid to Consultancy firm in Japan 60,000 Yen
- M/s. XYZ Industries had expended Rs.2,00,000 in India for certain development activities with respect to the imported equipment
- XYZ Industries had incurred road transport cost from Mumbai port to their factory in MP Rs.1,30,000
- The CBIC had notified exchange rate of 1 Yen = Rs.0.69. The inter bank rate was 1 Yen = Rs.0.70
- M/s XYZ Industries had effected payment to the Bank based on exchange rate 1 Yen = Rs.0.71
- The commission payable to the agent in India was 5% of FOB cost of the equipment in Indian Rupees.

#### Compute assessable value

#### Solution:

Computation of assessable value of goods for customs purpose

Particulars	Amount in Yen
Free on Board (FOB)	4,00,000
Designing charges	60,000
Development charges [as it is post shipment expenses]	—
Road transport charges [as it is post shipment expenses]	—
Commission [4,00,000 x 5%]	20,000
FOB value of the Customs	4,80,000
	<b>Amount in Rs.</b>
FOB value of the Customs [by using exchange rate of the CBIC] [4,80,000 x 0.69]	3,31,200
Insurance	10,000
Freight [40,000 x 0.69]	27,600
<b>Total CIF value/ Assessable Value</b>	<b>3,68,800</b>

**Illustration 5:**

How shall your answer differ, if the information regarding freight and insurance are not available.

**Solution:**

Computation of assessable value of goods for customs purpose

Particulars	Amount in Yen
Free on Board (FOB)	4,00,000
Designing charges	60,000
Development charges [as it is post shipment expenses]	—
Road transport charges [as it is post shipment expenses]	—
Commission [4,00,000 x 5%]	20,000
FOB value of the Customs	4,80,000
	<b>Amount in Rs.</b>
FOB value of the Customs [by using exchange rate of the CBIC] [4,80,000 x 0.69]	3,31,200
Insurance [Rs.3,31,200 x 1.125%]	3,726
Freight [Rs.3,31,200 x 20%]	66,240
<b>Total CIF value/ Assessable Value</b>	<b>4,01,166</b>

**Illustration 6:**

BSA and Company Ltd. have imported a machine from U.K. from the following particulars furnished by them, arrive at the assessable value for the purpose of customs duty payable:

i.	F.O.B. cost of the machine	10,000 U.K. Pounds
ii.	Freight (air)	3,000 U.K. Pounds
iii.	Engineering and design charges paid to a firm in U.K.	500 U.K. Pounds
iv.	License fee relating to imported goods payable by the buyer as a condition of sale	20% of F.O.B. Cost
v.	Materials and components supplied by the buyer free of cost valued	Rs.20,000
vi.	Insurance paid to the insurer in India	Rs.6,000
vii.	Buying commission paid by the buyer to his agent in U.K.	100 U.K. Pounds

**Other Particulars:**

- Inter-bank exchange rate as arrived at by the authorized dealer: Rs.72.50 per U.K. Pound.
- CBIC had notified for purpose of Section 14 of the Customs Act, 1944, exchange rate of Rs.70.25 per U.K. Pound.

c. Importer paid Rs.5,000 towards demurrage charges for delay in clearing the machine from the Airport.

**Solution:**

Computation of assessable value of goods for customs purpose

Particulars	UK Pounds
FOB Value	10,000
Add: Engineering and Design charges (Paid in (UK)	500
Add: License fee (20% on 10,000 UKP)	2,000
	12,500
	<b>Value in Rs.</b>
Sub-total (12,500 UKP x Rs.70.25)	8,78,125
Add: Material supplied by the buyer freely	20,000
FOB Value as per customs	8,98,125
Add: Air freight (Rs.8,98,125 × 20%)	1,79,625
Add: Insurance	6,000
<b>CIF Value / Assessable value</b>	<b>10,83,750</b>

Buying commission shall not be considered.

**Illustration 7:**

X Ltd. imported goods from Switzerland 400 units @ \$ 110. Following further information is also needs to be considered:

- i. Freight (Vessel) – \$ 5000
- ii. Demurrage charges paid to port authority – \$ 1000
- iii. Insurance – \$ 50
- iv. Royalty for use of Patent – \$ 1,000
- v. Royalty as a condition of Sale – \$ 20,000

Assuming exchange rate is Rs.70.00. Compute assessable value

**Solution:**

Computation of Assessable Value

Particulars	Amount
Purchase Value	\$ 44,000
Royalty for use of Patent	\$ 1,000
Royalty as a condition of Sale	\$ 20,000

<b>FOB Value</b>	\$ 65,000
Add: Freight	\$ 5,000
Add: Insurance Charges	\$ 50
<b>Assessable Value</b>	<b>\$ 70,050</b>
Assessable Value in INR [ $\$ 70,050 \times \text{Rs.}70$ ]	Rs.49,03,500

**Note**

- a. Demurrage charges payable to port trust authorities for delay in clearing goods are not to be added
- b. Royalties and license fees relating to imported goods that buyer is required to pay, directly or indirectly, as a condition of sale of goods being valued are required to be added

**Illustration 8:**

**C Ltd, an importer, has imported a machine from USA at FOB Cost of \$ 10000.**

- i. Freight from port in USA to Indian port was \$ 700.
- ii. Insurance was paid to insurer in India Rs.6,000.
- iii. Design and development charges of \$ 2000 were paid to a consultancy firm in USA.
- iv. The importer also spent an amount of Rs.50,000 in India for development work connected with the machinery.
- v. Rs.10,000 were spent in transporting the machinery from India port to the factory of Importer
- vi. Rate of exchange as announced by RBI was :  $\text{Rs.}74.70 = 1 \text{ US } \$$
- vii. Rate of exchange as announced by CBIC:  $\text{Rs.}75.60 = 1 \text{ US } \$$ .
- viii. Rate which bank recovered the amount from importer:  $\text{Rs.}75.30 = 1 \text{ US } \$$
- ix. Foreign exporters have an agent in India. Commission is payable to the agent in Indian Rupees @ 5% of FOB price.

**Find the assessable value**

**Solution:**

Computation of Assessable Value

<b>Particulars</b>	<b>Amount</b>
FOB Value	\$ 10,000
Add: Design and Development Charges	\$ 2,000
Add: Ocean Freight	\$ 700
<b>Total</b>	<b>\$ 12,700</b>
In INR [ $\text{US } \$ 12,700 \times \text{Rs.}75.60$ ]	Rs.9,60,120

Add: Insurance	Rs.6,000
Add: Commission [500 US \$ x Rs.75.60]	Rs.27,800
<b>Assessable Value (Rounded off)</b>	<b>Rs.10,03,920</b>

**Note:** Design and development work in India and transport cost incurred in India shall not be considered for ascertaining assessable value.

#### **Transaction value of identical goods [Rule 4]**

The value of imported goods shall be the transaction value of identical goods sold for export to India and imported at or about the **same time** as the goods being valued.

#### **Taxpoint**

1. Identical goods means imported goods –
  - a. which are **same in all respects**, including physical characteristics, quality and reputation as the goods being valued except for minor differences in appearance that do not affect the value of goods;
  - b. produced in the country in which the goods being valued were produced; and
  - c. produced by the same person who produced the goods or where no such goods are available, then goods produced by a different manufacturer.

However, identical goods do not include goods where engineering, development, art work, design work, plan or sketch was done by the buyer in India free of charge or at a reduced cost.

2. Such identical goods shall be sold at the same commercial and quantity level. Where no such sale is found, the transaction value of identical goods sold at a different commercial level or in different quantity or both shall be used with certain adjustment.
3. Where more than one transaction value of identical goods is found, then the lowest of such value shall be used for determining the value of imported goods.

#### **Transaction value of similar goods [Rule 5]**

The value of imported goods shall be the transaction value of similar goods sold for export to India and imported at or about the same time as the goods being valued.

#### **Notes**

1. Similar goods means imported goods –
  - a. which although not alike in all respect, have like characteristics and like component materials which enable them to perform the same function. Such goods shall be commercially interchangeable with the goods being valued having regard to the quality, reputation and



the existence of trade-mark.

- b. produced in the country in which the goods being valued were produced; and
- c. produced by the same person who produced the goods or where no such goods are available, then goods produced by a different manufacturer.

However, similar goods do not include goods where engineering, development, art work, design work, plan or sketch was done by the buyer in India free of charge or at a reduced cost.

- 2. Such similar goods shall be sold at the same commercial and quantity level. Where no such sale is found, the transaction value of similar goods sold at a different commercial level or in different quantity or both shall be used with certain adjustment.
- 3. Where more than one transaction value of similar goods is found, then the lowest of such value shall be used for determining the value of imported goods.

### **Determination of value where value cannot be determined under rules 3, 4 and 5 [Rule 6]**

If the value of imported goods cannot be determined under the provisions of rules 3, 4 and 5, the value shall be determined under the provisions of rule 7 or, when the value cannot be determined under that rule, under rule 8.

However, at the request of the importer, and with the approval of the proper officer, the order of application of rules 7 and 8 shall be reversed.

### **Deductive Value [Rule 7]**

Where the goods being valued or identical or similar imported goods are sold in India at or about the time of determination of value, then the value of imported goods shall be based on the unit price at which such goods are sold in the **greatest aggregate quantity** to the *unrelated* person in India as reduced by -

- a. the commission usually paid or payable or the additions usually made for profits and general expenses for sales in India;
- b. the cost of transport and insurance and other cost incurred within India;
- c. the customs duty and other taxes payable in India by reason of importation or sale of the goods.

### **Notes**

- 1. Where such goods are not sold at or about the same time of importation of the goods being valued, then the value of imported goods shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in India at the earliest date after importation but before the expiry of 90 days after such importation.

2. Where such goods are sold in India after further processing, then the value shall be based on the unit price at which the imported goods after processing are sold in the greatest aggregate quantity to unrelated person in India as reduced by processing and other cost (as referred above) incurred in India.

### Provision illustrated

Following are the sale details of product X (being 12000 units imported from Japan on 1-1-2023), you are required to compute assessable value of product X for customs duty by applying deductive method –

Date of Sale	Quantity Sold (in units)	Price per unit
01-1-2023	1000	Rs.100
10-1-2023	2000	Rs.98
19-1-2023	500	Rs.101
27-2-2023	1500	Rs.100
03-3-2023	1000	Rs.98
13-3-2023	1500	Rs.99
30-3-2023	1000	Rs.98
07-5-2023	2000	Rs.100

Assume the expenditure incurred in India (including profit) is Rs.18 per unit. Duty is charged on such article @ 25% (including SWS) ad valorem.

### Solution

Quantity sold at different prices are summarized below –

Price per unit	Quantity sold
Rs.100	1000 + 1500 = 2500 units
Rs.98	2000 + 1000 + 1000 = 4000 units
Rs.101	500 units
Rs.99	1500 units

**Note:** Sale made on 7/5/2023 is not considered as it is made after 90 days from importation thereof. The greatest number of units sold at a particular price is 4000 units, therefore, the unit price in the greatest aggregate quantity is Rs.98.

Computation of assessable value :

Assessable value + Customs duty = Unit sale price as computed above - Expenditure incurred in India

Assessable value + 25% of Assessable value = Rs.98 – Rs.18

125% of Assessable value = Rs.80 Assessable value = Rs.64 per unit

Assessable value of 12000 units = Rs.7,68,000 Duty on above = Rs.1,92,000

### Computed value [Rule 8]

The value of imported goods shall consist of –

- a. The cost or value of materials and fabrication or other processing employed in producing the imported goods;
- b. An amount for general expenses and profit made by producers in the country of exportation for export to India;
- c. The cost of transport, insurance, etc. as referred in rule 10(2).

This method is normally possible when the importer in India and foreign exporter are closely associated and the foreign exporter is willing to give necessary costing.	
Cost of Materials and General expenses for producing the imported goods	xx
Add: profit of the exporter	xx
Add: all expenditure as per Rule 10	xx
<b>Assessable Value</b>	<b>xx</b>

### Residual Method [Rule 9]

Where the value of imported goods shall not be determined as per any preceding rules, then the value shall be determined using -

- reasonable means consistent with the principles;
- general provisions of these rules; and
- data available in India.

#### Taxpoint:

- However, the value so determined **shall not exceed** the price at which such or like goods are ordinarily sold or offered for sale for delivery at the time and place of importation in the course of international trade, when the seller or buyer has no interest in the business of other and price is the sole consideration for the sale or offer for sale.
- Further, no value shall be determined on the following basis –
  - a. The selling price in India of the goods produced in India;
  - b. A system, which provides acceptance of value being highest of two alternative values;

- c. The price of the goods on domestic markets of the country of exportation;
- d. The cost of production (other than computed value) for identical or similar goods;
- e. The price of the goods for export to a country other than India;
- f. Minimum customs values;
- g. Arbitrary or fictitious values

### Cost and Services [Rule 10]

Already we discussed in Rule 3

However, following are to be noted:

Where the FOB value of the goods is not ascertainable but the sum of FOB value of the goods and insurance cost is ascertainable	the transport cost shall be 20% of <b>such sum</b>
Where the FOB value of the goods is not ascertainable but the sum of FOB of the goods and the transport cost is ascertainable	the insurance cost shall be 1.125% of <b>such sum</b>

#### Taxpoint:

- Where CIF value is given but transport cost is not available, then transportation cost would be:

$$\text{Cost of transport} = \text{CIF Value} \times 20/120$$

- ⊙ Where CIF value is given but insurance cost is not available, then transportation cost would be:

$$\text{Cost of insurance} = \text{CIF Value} \times 1.125/101.125$$

#### Other points

#### Declaration by the importer [Rule 11]

The importer or his agent shall furnish –

- a. A declaration disclosing full and accurate details relating to the value of imported goods; &
- b. Any other statement, information or documents including an invoice of the manufacturer or producer of the imported goods (where the goods are exported by a person other than the manufacturer or producer) as considered necessary by the proper officer for determination of the value of imported goods.

#### Notes

1. Declaration by importer, inter alia, includes –
  - Relationship between buyer and seller;
  - The basis of the declared value;
  - Conditions and restriction attached with sale;
  - Costs not included in the invoice.
2. The provision of the Customs Act, 1962 relating to confiscation, penalty and prosecution shall apply to the cases where wrong statement, information, documents or declaration are furnished under these rules.

### **Rejection of declared value [Rule 12]**

When the proper officer has reason to doubt the truth or accuracy of the value declared in relation to any imported goods, he may ask the importer of such goods to furnish further information including documents or other evidence.

Where even after receiving such further information or in the absence of a response from such importer, the proper officer has reasonable doubt about the truth or accuracy of the value so declared, then it shall be deemed that the value of such imported goods cannot be determined under transaction value.

At the request of an importer, the proper officer shall intimate the importer in writing the grounds for doubting the truth and accuracy of the value declared by such importer and provide a reasonable opportunity of being heard before taking a final decision.

#### **Taxpoint**

- This rule by itself does not provide a method for determination of value, it provides a mechanism and procedure for rejection of declared value in cases where there is reasonable doubt that the declared value does not represent the transaction value; where the declared value is rejected, the value shall be determined by proceeding sequentially in accordance with rules 4 to 9.
- The declared value shall be accepted where the proper officer is satisfied about the truth and accuracy of the declared value after the said enquiry in consultation with the importers.
- The proper officer shall have the powers to raise doubts on the truth or accuracy of the declared value based on certain reasons which may include -
  - a. the significantly higher value at which identical or similar goods imported at or about the same time in comparable quantities in a comparable commercial transaction were assessed;
  - b. the sale involves an abnormal discount or abnormal reduction from the ordinary competitive price;
  - c. the sale involves special discounts limited to exclusive agents;
  - d. the misdeclaration of goods in parameters such as description, quality, quantity, country of origin, year of manufacture or production;
  - e. the non declaration of parameters such as brand, grade, specifications that have relevance to value;
  - f. the fraudulent or manipulated documents.

## **Interpretative notes [Rule 13]**

The interpretative notes specified in the schedule to these rules shall apply for the interpretation of these rules.

### **Interpretative Notes**

#### **General Note**

#### **Use of generally accepted accounting principles**

#### **Notes to rules**

#### **Note to rule 3**

#### **Rule 3(2)(a) (iii)**

Among restrictions which would not render a price actually paid or payable unacceptable are restrictions which do not substantially affect the value of the goods. An example of such restrictions would be the case where a seller requires a buyer of automobiles not to sell or exhibit them prior to a fixed date which represents the beginning of a model year.

#### **Rule 3(2)(b)**

If the sale or price is subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued, the transaction value shall not be acceptable for customs purposes. Some examples of this include-

- a. The seller establishes the price of the imported goods on condition that the buyer will also buy other goods in specified quantities;
- b. the price of the imported goods is dependent upon the price or prices at which the buyer of the imported goods sells other goods to the seller of the imported goods;
- c. the price is established on the basis of a form of payment extraneous to the imported goods, such as where the imported goods are semifinished goods which have been provided by the seller on condition that he will receive a specified quantity of the finished goods.

However, conditions or considerations relating to the production or marketing of the imported goods shall not result in rejection of the transaction value. For example, the fact that the buyer furnishes the seller with engineering and plans undertaken in India shall not result in rejection of the transaction value for the purposes of rule 3. Likewise, if the buyer undertakes on his own account, even though by agreement with the seller, activities relating to the marketing of the imported goods, the value of these activities is not part of the value of imported goods nor shall such activities result in rejection of the transaction value.

### **Rule 3(3)**

1. Rule 3(3)(a) and rule 3(3)(b) provide different means of establishing the acceptability of a transaction value.
2. Rule 3(3)(a) provides that where the buyer and the seller are related, the circumstances surrounding the sale shall be examined and the transaction value shall be accepted as the value of imported goods provided that the relationship did not influence the price. It is not intended that there should be an examination of the circumstances in all cases where the buyer and the seller are related. Such examination will only be required where there are doubts about the acceptability of the price. Where the proper officer of customs has no doubts about the acceptability of the price, it should be accepted without requesting further information from the importer. For example, the proper officer of customs may have previously examined the relationship, or he may already have detailed information concerning the buyer and the seller, and may already be satisfied from such examination or information that the relationship did not influence the price.
3. Where the proper officer of customs is unable to accept the transaction value without further inquiry, he should give the importer an opportunity to supply such further detailed information as may be necessary to enable him to examine the circumstances surrounding the sale. In this context, the proper officer of customs should be prepared to examine relevant aspects of the transaction, including the way in which the buyer and seller organize their commercial relations and the way in which the price in question was arrived at, in order to determine whether the relationship influenced the price. Where it can be shown that the buyer and seller, although related under the provisions of rule 2(2), buy from and sell to each other as if they were not related, this would demonstrate that the price had not been influenced by the relationship. As an example of this, if the price had been settled in a manner consistent with the normal pricing practices of the industry in question or with the way the seller settles prices for sales to buyers who are not related to him, this would demonstrate that the price had not been influenced by the relationship. As a further example, where it is shown that the price is adequate to ensure recovery of all costs plus a profit which is representative of the firm's overall profit realized over a representative period of time (e.g. on an annual basis) in sales of goods of the same class or kind, this would demonstrate that the price had not been influenced.
4. Rule 3(3)(b) provides an opportunity for the importer to demonstrate that the transaction value closely approximates to a "test" value previously accepted by the proper officer of customs and is therefore acceptable under the provisions of rule 3. Where a test under rule 3(3)(b) is met, it is

not necessary to examine the question of influence under rule 3(3)(a). If the proper officer of customs has already sufficient information to be satisfied, without further detailed inquiries, that one of the tests provided in rule 3(3)(b) has been met, there is no reason for him to require the importer to demonstrate that the test can be met. In rule 3(3)(b) the term “unrelated buyers” means buyers who are not related to the seller in any particular case.

#### **Notes to rule 4**

1. In applying rule 4, the proper officer of customs shall, wherever possible, use a sale of identical goods at the same commercial level and in substantially the same quantities as the goods being valued. Where no such sale is found, a sale of identical goods that takes place under any one of the following three conditions may be used:
  - a. a sale at the same commercial level but in different quantities; or
  - b. a sale at a different commercial level but in substantially the same quantities; or
  - c. a sale at a different commercial level and in different quantities.
2. Having found a sale under any one of these three conditions adjustments will then be made, as the case may be, for :
  - a. quantity factors only;
  - b. commercial level factors only; or
  - c. both commercial level and quantity factors.
3. For the purposes of rule 4, the transaction value of identical imported goods means a value, adjusted as provided for in rule 4(1)(b) and (c) and rule 4(2) which has already been accepted under rule 3.
4. A condition for adjustment because of different commercial levels or different quantities is that such adjustment, whether it leads to an increase or a decrease in the value, be made only on the basis of demonstrated evidence that clearly establishes the reasonableness and accuracy of the adjustment, e.g. valid price lists containing prices referring to different levels or different quantities. As an example of this, if the imported goods being valued consist of a shipment of 10 units and the only identical imported goods for which a transaction value exists involved a sale of 500 units, and it is recognized that the seller grants quantity discounts, the required adjustment may be accomplished by resorting to the seller’s price list and using that price applicable to a sale of 10 units. This does not require that a sale had to have been made in quantities of 10 as long as the price list has been established as being bona fide through sales at other quantities. In the absence of such an objective measure, however, the determination of a value under the provisions of rule 4 is not appropriate.



### Note to rule 5

1. In applying rule 5, the proper officer of customs shall, wherever possible, use a sale of similar goods at the same commercial level and in substantially the same quantities as the goods being valued. For the purpose of rule 5, the transaction value of similar imported goods means the value of imported goods, adjusted as provided for in rule 5(2) which has already been accepted under rule 3.
2. All other provisions contained in note to rule 4 shall mutatis mutandis also apply in respect of similar goods.

### Note to rule 7

1. The term "unit/price at which goods are sold in the greatest aggregate quantity" means the price at which the greatest number of units is sold in sales to persons who are not related to the persons from whom they buy such goods at the first commercial level after importation at which such sales take place.
2. As an example of this, goods are sold from a price list which grants favorable unit prices for purchases made in larger quantities.

Sale quantity	Unit price	Number of sales	Total quantity sold at each price
1-10 units	100	10 sales of 5 units, 5 sales of 3 units	65
11-25 units	95	5 sales of 11 units	55
Over 25 units	90	1 sale of 30 units, 1 sale of 50 units	80

The greatest number of units sold at a price is 80, therefore, the unit price in the greatest aggregate quantity is 90.

3. As another example of this, two sales occur. In the first sale 500 units are sold at a price of 95 currency units each. In the second sale 400 units are sold at a price of 90 currency units each. In this example, the greatest number of units sold at a particular price is 500, therefore, the unit price in the greatest aggregate quantity is 95.
4. A third example would be the following situation where various quantities are sold at various prices.

#### a. Sales

Sale quantity	Unit price
40 units	100
30 units	90

15 units	100
50 units	95
25 units	105
35 units	90
5 units	100

**b. Totals**

Total quantity sold	Unit price
65	90
50	95
60	100
25	105

In this example, the greatest number of units sold at a particular price is 65, therefore, the unit price in the greatest aggregate quantity is 90.

5. Any sale in India, as described in paragraph 1 above to a person who supplies directly or indirectly free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods any of the elements specified in rule 10(l)(b), should not be taken into account in establishing the unit price for the purposes of rule 7.
6. It should be noted that “profit and general expenses” referred to in rule 7(1) should be taken as a whole. The figure for the purposes of this deduction should be determined on the basis of information supplied by or on behalf of the importer unless his figures are inconsistent with those obtaining in sales in India, of imported goods of the same class or kind. Where the importer’s figures are inconsistent with such figures, the amount for profit and general expenses may be based upon relevant information other than that supplied by or on behalf of the importer.
7. The “general expenses” include the direct and indirect costs of marketing the goods in question.
8. Local taxes payable by reason of the sale of the goods for which a deduction is not made under the provisions of rule 7(l)(iii) shall be deducted under the provisions of rule 7(l)(i).
9. In determining either the commissions or the usual profits and general expenses under the provisions of rule 7(1), the question whether certain goods are “of the same class or kind” as other goods must be determined on a case-by-case basis by reference to the circumstances involved. Sales in India, of the narrowest group or range of imported goods of the same class or kind, which includes the goods being valued, for which the necessary information can be provided, should be examined. For the purposes of rule 7 goods of the same class or kind” includes goods imported from the same country as the goods being valued as well as goods imported from other countries.

### Note to rule 8

1. As a general rule, value of imported goods is determined under these rules on the basis of information readily available in India. In order to determine a computed value, however, it may be necessary to examine the costs of producing the goods being valued and other information which has to be obtained from outside India. Furthermore, in most cases, the producer of the goods will be outside the jurisdiction of the proper officer. The use of the computed value method will generally be limited to those cases where the buyer and seller are related, and the producer is prepared to supply to the proper officer the necessary costings and to provide facilities for any subsequent verification which may be necessary.
2. The “cost or value” referred to in clause (a) of rule 8 is to be determined on the basis of information relating to the production of the goods being valued supplied by or on behalf of the producer. It is to be based upon the commercial accounts of the producer, provided that such accounts are consistent with the generally accepted accounting principles applied in the country where the goods are produced.
3. The “cost or value” shall include the cost of elements specified in clauses (1)(a)(ii) and (1)(a)(iii) of rule 10.
  - It shall also include the value, apportioned as appropriate under the provisions of the relevant note to rule 10 , of any element specified in rule 10(l)(b) which has been supplied directly or indirectly by the buyer for use in connection with the production of the imported goods.
  - The value of the elements specified in rule 10(l) (b)(iv) which are undertaken in India shall be included only to the extent that such elements are charged to the producer.
  - It is to be understood that no cost or value of the elements referred to in this paragraph shall be counted twice in determining the computed value.
4. The “amount for profit and general expenses” referred to in clause(b) of rule 8 is to be determined on the basis of information supplied by or on behalf of the producer unless the producer’s figures are inconsistent with those usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to India.
5. It should be noted in this context that the “amount for profit and general expenses” has to be taken as a whole. It follows that if, in any particular case, producer’s profit figure is low and his general expenses are high, the producer’s profit and general expenses taken together may nevertheless be consistent with that usually reflected in sales of goods of the same class or kind.

Such a situation might occur, for example, if a product were being launched in India and the producer accepted a nil or low profit to offset high general expenses associated with the launch. Where the producer can demonstrate a low profit on his sales of the imported goods because of particular commercial circumstances, his actual profit figures should be taken into account provided that he has valid commercial reasons to justify them and his pricing policy reflects usual pricing policies in the branch of industry concerned. Such a situation might occur for example, where producers have been forced to lower prices temporarily because of an unforeseeable drop in demand, or where they sell goods to complement a range of goods being produced in India and accept a low profit to maintain competitiveness. Where the producer's own figures for profit and general expenses are not consistent with those usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to India, the amount for profit and general expenses may be based upon relevant information other than that supplied by or on behalf of the producer of the goods.

6. The "general expenses" referred to in clause (b) of rule 8 covers the direct and indirect costs of producing and selling the goods for export which are not included under clause (a) of rule 8.
7. Whether certain goods are "of the same class or kind" as other goods must be determined on a case-by-case basis with reference to the circumstances involved. In determining the usual profits and general expenses under the provisions of rule 8, sales for export to India of the narrowest group or range of goods, which includes the goods being valued, for which the necessary information can be provided, should be examined. For the purposes of rule 8 "goods of the same class or kind" must be from the same country as the goods being valued.

#### **Note to rule 9**

1. Value of imported goods determined under the provisions of rule 9 should to the greatest extent possible, be based on previously determined customs values.
2. The methods of valuation to be employed under rule 9 may be those laid down in rules 3 to 8, inclusive, but a reasonable flexibility in the application of such methods would be in conformity with the aims and provisions of rule 9.
3. Some examples of reasonable flexibility are as follows:
  - a. **Identical goods.** - The requirement that the identical goods should be imported at or about the same time as the goods being valued could be flexibly interpreted; identical imported goods produced in a country other than the country of exportation of the goods being

valued could be the basis for customs valuation; customs values of identical imported goods already determined under the provisions of rules 7 and 8 could be used.

- b. **Similar goods.** - The requirement that the similar goods should be imported at or about the same time as the goods being valued could be flexibly interpreted; similar imported goods produced in a country other than the country of exportation of the goods being valued could be the basis for customs valuation; customs values of similar imported goods already determined under the provisions of rules 7 and 8 could be used.
- c. **Deductive method.** - The requirement that the goods shall have been sold in the “condition as imported” in rule 7(1) could be flexibly interpreted; the ninety days requirement could be administered flexibly.

#### **Note to rule 10**

In rule 10(l)(a)(i), the term “buying commissions” means fees paid by an importer to his agent for the service of representing him abroad in the purchase of the goods being valued.

#### **Rule 10(l)(b)(ii)**

1. There are two factors involved in the apportionment of the elements specified in rule 10(l)(b)(ii) to the imported goods - the value of the element itself and the way in which that value is to be apportioned to the imported goods. The apportionment of these elements should be made in a reasonable manner appropriate to the circumstances and in accordance with generally accepted accounting principles.
2. Concerning the value of the element, if the importer acquires the element from a seller not related to him at a given cost, the value of the element is that cost. If the element was produced by the importer or by a person related to him, its value would be the cost of producing it. If the element had been previously used by the importer, regardless of whether it had been acquired or produced by such importer, the original cost of acquisition or production would have to be adjusted downward to reflect its use in order to arrive at the value of the element.
  - i. Once a value has been determined for the element it is necessary to apportion that value to the imported goods. Various possibilities exist. For example, the value might be apportioned to the first shipment if the importer wishes to pay duty on the entire value at one time. As another example, the importer may request that the value be apportioned over the number of units produced up to the time of the first shipment. As a further example, he may request that the value be apportioned over the entire anticipated production where contracts or firm commitments exist for that production. The method of apportionment used will depend

upon the documentation provided by the importer.

- ii. As an illustration of the above, an importer provides the producer with a mould to be used in the production of the imported goods and contracts with him to buy 10000 units. By the time of arrival of the first shipment of 1000 units, the producer has already produced 4,000 units. The importer may request the proper officer of customs to apportion the value of the mould over 1,000 units, 4,000 units or 10,000 units.

#### **Rule 10(l)(b)(iv)**

1. Additions for the elements specified in rule 10(l)(b)(iv) should be based on objective and quantifiable data. In order to minimize the burden for both the importer and proper officer of customs in determining the values to be added, data readily available in the buyer's commercial record system should be used in so far as possible.
2. For those elements supplied by the buyer which were purchased or leased by the buyer, the addition would be the cost of the purchase or the lease. No addition shall be made for those elements available in the public domain, other than the cost of obtaining copies of them.
3. The case with which it may be possible to calculate the values to be added will depend on a particular firm's structure and management practice, as well as its accounting methods.
4. For example, it is possible that a firm which imports a variety of products from several countries maintains the records of its design center outside the country of importation in such a way as to show accurately the costs attributable to a given product. In such cases, a direct adjustment may appropriately be made under the provisions of rule 10.
5. In another case, a firm may carry the cost of the design center outside the country of importation as a general overhead expense without allocation to specific products. In this instance, an appropriate adjustment could be made under the provisions of rule 10 with respect to the imported goods by apportioning total design center costs over total production benefiting from the design center and adding such apportioned cost on a unit basis to imports.
6. Variations in the above circumstances will, of course, require different factors to be considered in determining the proper method of allocation.
7. In cases where the production of the element in question involves a number of countries and over a period of time, the adjustment should be limited to the value actually added to that element outside the country of importation.

### **Rule 10(I)(c)**

1. The royalties and license fees referred to in rule 10(I)(c) may include among other things, payments in respect to patents, trademarks and copyrights. However, the charges for the right to reproduce the imported goods in the country of importation shall not be added to the price actually paid or payable for the imported goods in determining the customs value.
2. Payments made by the buyer for the right to distribute or resell the imported goods shall not be added to the price actually paid or payable for the imported goods if such payments are not a condition of the sale for export to the country of importation of the imported goods.

### **Rule 10(3)**

Where objective and quantifiable data do not exist with regard to the additions required to be made under the provisions of rule 10, the transaction value cannot be determined under the provisions of rule 3. As an illustration of this, a royalty is paid on the basis of the price in a sale in the importing country of a liter of a particular product that was imported by the kilogram and made up into a solution after importation. If the royalty is based partially on the imported goods and partially on other factors, which have nothing to do with the imported goods (such as when the imported goods are mixed with domestic ingredients and are no longer separately identifiable, or when the royalty cannot be distinguished from special financial arrangements between the buyer and the seller), it would be inappropriate to attempt to make an addition for the royalty. However, if the amount of this royalty is based only on the imported goods and can be readily quantified, an addition to the price actually paid or payable can be made.

## **Valuation of Exported goods**

The value of export goods shall be deemed to be the price at which such or like goods are ordinarily sold or offered for sale for delivery at the time and place of exportation in the course of international trade.

The above price is taken into consideration only when following conditions are satisfied -

- a. The seller and the buyer have no interest in the business of each other;
- b. One of them has no interest in the business of other; and
- c. The price is the sole consideration for the sale or offer for sale.

### **Notes**

1. Price shall be calculated with reference to the rate of exchange as in force on the date on which a shipping bill or bill of export is presented. It is to be noted that rate determined by the Board shall be considered.

2. Generally, free on board value shall be considered as price for export. If the export sale contract is a CIF contract, then post exportation elements like insurance, freight are required to be adjusted.

### **Customs Valuation (Determination of Value of Export Goods) Rules, 2007**

#### **Rule 1: Short title, commencement and application:**

1. These rules may be called the Customs Valuation (Determination of Value of Export Goods) Rules, 2007.
2. They shall come into force on the 10th day of October, 2007
3. They shall apply to the export goods.

#### **Rule: Definitions**

1. Goods of like kind and quality means export goods which are identical or similar in physical characteristics, quality and reputation as the goods being valued, and perform the same functions or are commercially interchangeable with the goods being valued, produced by the same person or a different person; and
2. Transaction Value means the value of export goods within the meaning of sec. 14(1) of the Customs Act, 1962

#### **Rule 3: Determination of the method of valuation**

1. Subject to rule 8, the value of export goods shall be the transaction value.
2. The transaction value shall be accepted even where the buyer and seller are related, provided that the relationship has not influenced the price.
3. If the value cannot be determined under the provisions of sub-rule (1) and sub-rule (2), the value shall be determined by proceeding sequentially through rules 4 to 6.

#### **Rule 4: Determination of export value by comparison**

1. The value of the export goods shall be based on the transaction value of goods of like kind and quality exported at or about the same time to other buyers in the same destination country of importation or in its absence another destination country of importation adjusted in accordance with the provisions of sub-rule (2).
2. In determining the value of export goods under sub-rule (1), the proper officer shall make such adjustments as appear to him reasonable, taking into consideration the relevant factors, including-
  - i. difference in the dates of exportation,
  - ii. difference in commercial levels and quantity levels,
  - iii. Rule 5 difference in composition, quality and design between the goods to be assessed and the goods with which they are being compared,



- iv. difference in domestic freight and insurance charges depending on the place of exportation.

#### **Rule 5: Computed value method**

If the value cannot be determined under rule 4, it shall be based on a computed value, which shall include the following:-

1. cost of production, manufacture or processing of export goods;
2. charges, if any, for the design or brand;
3. an amount towards profit.

#### **Rule 6: Residual method**

1. Subject to the provisions of rule 3, where the value of the export goods cannot be determined under the provisions of rules 4 and 5, the value shall be determined using reasonable means consistent with the principles and general provisions of these rules provided that local market price of the export goods may not be the only basis for determining the value of export goods.

#### **Rule 7: Declaration by the exporter**

The exporter shall furnish a declaration relating to the value of export goods in the manner specified in this behalf.

#### **Rule 8: Rejection of declared value**

1. When the proper officer has reason to doubt the truth or accuracy of the value declared in relation to any export goods, he may ask the exporter of such goods to furnish further information including documents or other evidence and if, after receiving such further information, or in the absence of a response of such exporter, the proper officer still has reasonable doubt about the truth or accuracy of the value so declared, the transaction value shall be deemed to have not been determined in accordance with sub-rule (1) of rule 3.
2. At the request of an exporter, the proper officer shall intimate the exporter in writing the ground for doubting the truth or accuracy of the value declared in relation to the export goods by such exporter and provide a reasonable opportunity of being heard, before taking a final decision under sub-rule (1).

Explanation - (1) For the removal of doubts, it is hereby declared that-

- i. This rule by itself does not provide a method for determination of value, it provides a mechanism and procedure for rejection of declared value in cases where there is reasonable doubt that the declared value does not represent the transaction value; where the declared value is rejected, the value shall be determined by proceeding sequentially in accordance with rules 4 to 6.

- ii. The declared value shall be accepted where the proper officer is satisfied about the truth or accuracy of the declared value after the said inquiry in consultation with the exporter.
- iii. The proper officer shall have the powers to raise doubts on the declared value based on certain reasons which may include-
  - a. the significant variation in value at which goods of like kind and quality exported at or about the same time in comparable quantities in a comparable commercial transaction were assessed.
  - b. the significantly higher value compared to the market value of goods of like kind and quality at the time of export
  - c. the declaration of goods in parameters such as description, quality, quantity, year of manufacture or production.

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## 4. COMPUTATION OF ASSESSABLE VALUE AND DUTIES

### Date for determination of rate of duty and tariff valuation of imported goods [Sec. 15]

The rate of duty and tariff valuation (if any) applicable to any **imported goods** shall be rate and valuation in force –

Case	Rate and Tariff Value, if any, in force on
Goods entered for home consumption u/s 46	Date on which bill of entry is presented
Goods cleared from warehouse for home consumption	Date on which bill of entry for home consumption is presented
In any other case	Date on which duty is paid

### Taxpoint

1. Where a bill of entry has been presented before the date of -

➤ Entry inwards of the vessel	The bill of entry shall be deemed to have been presented on the date of such entry inwards
➤ Arrival of the aircraft or vehicle	The bill of entry shall be deemed to have been presented on the date of arrival of aircraft or vehicle
It is to be noted that for determining assessable value, rate of exchange in force on actual submission of bill of entry shall be taken.	

### Example:

If Bill of entry is presented on 10-10-2022 and the aircraft arrived on 20-10-2022, in this situation, relevant date for determination of rate of duty and tariff valuation (if any) is 20-10-2022. Though the bill of entry is presented on 10-10-2022 for procedural purpose, but for the purpose of determination of rate of duty and tariff valuation, bill of entry will be deemed to have been filed on 20-10-2022.

2. The provision of this section **shall not apply** to baggage and goods imported by post.
3. Further, Social welfare surcharge @ 10% of the basic customs duty is also applicable.
4. Moreover, integrated tax (IGST) is also payable at applicable rate on assessable value + basic duty + social welfare surcharge. Import is considered as inter-State supply under GST laws and liable for reverse charge.

**Illustration 1:**

Assessable value of an item imported is Rs. 2,00,000. Basic customs duty is 10%, integrated tax is 18%, and social welfare surcharge is 10% on duty. Compute the amount of total customs duty and integrated tax payable. Ignore GST Compensation Cess.

**Solution:**

Computation of customs duty

	Particulars	Rs.
1.	Assessable Value	2,00,000
2.	Basic customs duty @ 10%	20,000
3.	Add: Social Welfare surcharge @ 10% on Rs. 20,000	2,000
4.	Sub-total	2,22,000
5.	Integrated tax @ 18% of Rs. 2,22,000	39,960
6.	<b>Total customs duty and integrated tax payable [(2) + (3) + (5)]</b>	<b>61,960</b>

**Illustration 2:**

X & Co. imported some goods from USA for being used in manufacture of its final product. Determine the exchange rate to be considered for computation of import duty from the following information:

Date	Particulars	Rate of exchange for 1 US\$ notified	
		By CBIC	By RBI
10.10.22	Import general manifest was submitted by master of vessel	Rs. 64.20	Rs. 63.20
15.10.22	Entry Inwards was granted by the customs officer	Rs. 64.30	Rs. 65.30
22.10.22	X & Co. presented the Bill of Entry	Rs. 64.50	Rs. 62.50
31.10.22	Goods were allowed to be cleared from the customs port	Rs. 64.60	Rs. 63.60

**Solution:**

The relevant rate of exchange for the purpose of valuation of imported goods is the rate of exchange (being notified by CBIC) as in force on the date on which a bill of entry in relation to imported goods is presented, i.e. 1 US \$ = Rs.64.50. Further, rate of exchange notified by CBIC is relevant. Rate notified by RBI is not relevant.

Date for determination of rate of duty and tariff valuation of export goods [Sec. 16]

The rate of duty and tariff valuation (if any) applicable to any export goods shall be rate and valuation in force –

Case	Rate and Tariff Value, if any, in force on
When goods entered for export u/s 50	Date on which the proper officer makes an order permitting clearance and loading of the goods for exportation u/s 51
In any other case	Date on which duty is paid

**Note:** The provision of this section **shall not apply to baggage** and goods imported by post.

### Illustration 3:

**Malya Internationals Ltd., has imported a machinery by air from Germany. Bill of Entry is presented on 20.01.2023. However, entry inwards is granted on 25.01.2023. Relevant information of the transaction are provided hereunder:**

i.	CIF Value of Machine	5,500 USD
ii.	Air Freight Paid	1250 USD
iii.	Insurance Charges Paid	100 USD
iv.	Rate of Exchange on 20.01.2023	As per RBI 1 USD = Rs. 65.50 As per CBIC 1 USD = Rs. 66
v.	Rate of Exchange on 25.01.2023	As per RBI 1 USD = Rs. 66.50 As per CBIC 1 USD = Rs. 67
vi.	Basic Customs Duty Rate	10%
vii.	IGST Rate	18%

**Calculate the assessable value in INR for the purposes of levy of customs duty as well as total customs duty.**

### Solution:

Computation of assessable value

Particulars	Amount in \$
CIF Value	5,500
Less: Air Freight	1250
Less: Insurance	100
<b>FOB Value</b>	<b>4,150</b>
Add: Air Freight [Since actual air freight is more than 20% of FOB, 20% of FOB shall be considered (4150 x 20% = 830)]	830

Add: Insurance	100
<b>Assessable Value (in US \$)</b>	<b>5,080</b>
<b>Assessable Value in Rs.</b>	<b>3,35,280</b>

Computation of customs duty

Particulars	Details	Amount
Assessable Value	3,55,280	
Add: Basic Customs Duty @ 10%	35,528	35,528
Add: Social Welfare Surcharge @ 10% on BCD	3,553	3,553
Total [A]	3,94,361	
Add: IGST @ 18% [A x 18%]	70,985	70,985
<b>Total duty payable</b>		<b>4,33,442</b>

#### Illustration 4:

Compute the total duty and integrated tax payable under the Customs Law on an imported equipment based on the following information:

- Assessable value of the imported equipment US \$ 10,100
- Date of bill of entry is 25th April. Basic customs duty on this date is 10% and exchange rate notified by the Central Board of Indirect taxes and Customs is US \$ 1 = Rs. 65.
- Date of entry inwards is 21st April. Basic customs duty on this date is 20% and exchange rate notified by the Central Board of Indirect taxes and Customs is US \$ 1 = Rs. 70.
- Integrated tax: 18%
- Social Welfare surcharge 10%

#### Solution:

Computation of customs duty

Particulars	Rs.
Assessable value (\$ 10,100 x 65)	6,56,500
Add: Basic custom duty @ 10% [A]	65,650
Add: Social Welfare Surcharge @ 10% on Rs. 65,650 [B]	6,565
Value for computing IGST	7,28,715
Add: Integrated tax @ 18% [C]	1,31,169
<b>Total Customs duty and integrated tax payable [A + B + C]</b>	<b>2,03,384</b>

**Illustration 5:**

RPG Ltd. imported 125 units of minerals from High Seas for sale in India. Selling price is exclusive of duties and taxes. Freight from port to depot in India is Rs. 2,530 and insurance Rs. 310.

Sale quantity	Unit price (Rs. )
80	105
60	90
30	105
100	100
50	95
70	90
10	105

Basic Customs Duty - 12%. Assume there is no IGST applicable for the product.

You are required to calculate total customs duty as per Rule 7 of customs valuation (Determination of value of imported goods) Rules 20017.

**Solution:**

First of all, we are required to determine the price at which greatest quantity of the product is sold

Total quantity (Unit)	Unit price (Rs. )
130	90
50	95
100	100
120	105

The greatest number of units sold at a particular price is 130 units. Therefore, the unit price in the greatest aggregate quantity is Rs. 90.

Particulars	Rs.
Selling price (125 x Rs. 90)	1,1250
Less: Freight (post shipment)	(2,530)
Less: Insurance (Post shipment)	(310)
<b>Assessable value</b>	<b>8,410</b>
<b>Custom duty [(12% + 10% SWS of BCD) = 13.20%]</b>	<b>1,110</b>

**Illustration 6:**

From the undermentioned relating to import made on 12.10.2022 of product 'Minic' from New York, USA, to the Kochi Airport, by Mr. Prahalad, the importer:

FOB value of the product	\$ 10,000
Cost of transport	\$3,500
Insurance	\$ 1,000
Unloading charges at Kochi Airport	Rs. 24,800
Basic customs duty	10%
IGST	18%
Exchange rate notified by RBI	1\$ = Rs. 64.50
Exchange rate notified by CBIC	1\$ = Rs. 64

Ascertain the assessable value and total tax and duty payable by Mr. Prahalad.

**Solution:**

Computation of assessable value and customs duty

Particulars	Amount (\$)
FOB value of the product	10,000
Cost of transport [restricted to 20% of FOB]	2,000
Insurance (Actual) [if actual amount of insurance is known, the same is to be taken]	1,000
CIF Value	13,000
	<b>Amount (Rs.)</b>
<b>Assessable value (13,000 × 64)</b>	<b>8,32,000</b>
Basic customs duty at 10% [A]	83,200
Add: Social Welfare Surcharge @ 10% of custom duty [B]	8,320
Value for the purpose of levying integrated tax	9,23,520
Add: Integrated tax @ 18% [C]	1,66,234
<b>Total duty &amp; tax payable [A + B + C]</b>	<b>2,57,754</b>

ITC of Rs. 1,66,234/- is available against payment of IGST.



**Illustration 7:**

Compute the Assessable Value of a machine imported from Germany by RLI Ltd., under Customs Act, 1962. Also determine the duty liability of RLI Ltd.

Particulars	USD\$
FOB Value	30,000
Air Freight Paid	7,250
Insurance Cost	Not Known
Designing Charges incurred in India	Rs. 15,000
Indian Agent's Commission	Rs. 20,000
Transport Charges from port to factory in India	Rs. 15,000
Rate of duty	10%
IGST	18%
Rate of exchange notified by CBEC	Rs. 65 per USD

**Solution:**

Computation of assessable value and customs duty

Particulars	Amount
FOB Value	\$ 30,000.00
Add: Insurance @ 1.125% of FOB Value	\$ 337.50
Add: Air Freight (restricted to 20% of FOB)	\$ 6,000.00
	\$ 36,337.50
Value in INR @ Rs. 65	Rs. 23,61,938.00
Add: Local Agent's Commission	Rs. 20,000.00
<b>Assessable Value for Customs</b>	<b>Rs. 23,81,938.00</b>
Basic customs duty at 10% [A]	2,38,194.00
Add: Social Welfare Surcharge @ 10% of custom duty [B]	23,819.00
Value for the purpose of levying integrated tax	26,43,951.00
Add: Integrated tax @ 18% [C]	4,75,911.00
<b>Total duty &amp; tax payable [A + B + C]</b>	<b>7,37,924.00</b>

**Illustration 8:**

Informatics Ltd., imported a photography printer by air from Best Inc., of USA, as per following details.

Particulars	US \$
CIF Value	4,500
Air Freight Paid	1,000
Insurance Cost	250
Rate of exchange notified by CBEC	Rs. 64.50 per USD
Inter Bank Selling Rate	Rs. 65 per USD.
Basic Customs Duty	10% ad valorem.
IGST	18%

You are required to compute the Assessable Value and Import Duty payable by Informatics Ltd.

**Solution:**

Computation of assessable value and customs duty

Particulars	Amount in \$
CIF Value	4,500
Less: Air Freight	1,000
Less: Insurance	250
<b>FOB Value</b>	<b>3,250</b>
Add: Air Freight [Since actual air freight is more than 20% of FOB, 20% of FOB shall be considered (3,250 x 20% = 650)]	650
Add: Insurance	250
<b>Assessable Value (in US \$)</b>	<b>4,150</b>
<b>Assessable Value in Rs. [US \$ 4,150 x Rs. 64.50]</b>	<b>2,67,675</b>

Computation of customs duty

Particulars	Details	Amount
Assessable Value	2,67,675	
Add: Basic Customs Duty @ 10%	26,768	26,768
Add: Social Welfare Surcharge @ 10% on BCD	2,677	2,677
Total [A]	2,97,120	
Add: IGST @ 18% [A x 18%]	53,482	53,482
<b>Total duty payable</b>		<b>82,927</b>

**Illustration 9:**

R Ltd. has imported one machine from England. It has given the following particulars:

- Price of machine 8,000 UK Pounds
- Freight paid (air) 2,500 UK Pounds
- Design and development charges paid in UK 500 UK Pounds
- Commission payable to local agent of exporter @ 2% of price of machine, in Indian Rupees
- Date of bill of entry: 24th October (Rate BCD 10%; Exchange rate as notified by CBIC Rs. 100 per UK Pound)
- Date of arrival of aircraft: 20th October (Rate of BCD 15%; Exchange rate as notified by CBIC Rs. 97 per UK Pound)
- Integrated tax is 18%
- Insurance charges have been actually paid but details are not available. Compute the total customs duty and integrated tax payable

**Solution:**

Computation of assessable value and customs duty

Particular	Amount (UK P)
Price of machine	8,000
Add: Design and development charges	500
Total	8,500
	<b>Amount in Rs.</b>
Total in rupees @ Rs. 100 per pound	8,50,000
Add: Local agency commission [(2% of 8,000 UK pounds) × Rs. 100]	16,000
FOB value as per Customs	8,66,000
Add: Air freight (Rs. 8,66,000 × 20%)	1,73,200
Add: Insurance @ 1.125% of customs FOB	9,743
<b>CIF Value / Assessable value</b>	<b>10,48,943</b>
Add: Basic custom duty @ 10% [A]	1,04,894
Add: Social Welfare Surcharge @ 10% on Rs. 1,04,894 [B]	10,489
Value for computing IGST	11,64,326
Add: Integrated tax @ 18% [C]	2,09,579
<b>Total duty &amp; integrated tax payable [A + B + C]</b>	<b>3,24,962</b>

**Illustration 10:**

ABC Industries Ltd. of Mumbai imported one machine through vessel from Japan, in the month of November. The following particulars are made available for computation of customs duty:

S.N	Particulars	Amount in JPY (¥)
i.	Cost upto port of exportation incurred by exporter	6,00,000
ii.	Loading charges at port of exportation	25,000
iii.	Freight charges from port of export to port of import in India.	1,00,000
<b>Following additional amounts paid by ABC Industries Ltd:-</b>		
i.	Designing charges, necessary for the machine, paid to consultancy firm in Delhi	8,00,000
ii.	Commission paid (not buying commission) to the local agent of exporter	1,25,000
iii.	Actual landing charges paid at the place of importation.	15,000
iv.	Actual insurance charges paid to the place of importation is not ascertainable	
v.	Ligherage charges paid at the port of importation	20,000
<b>Other information</b>		
i.	Rate of basic customs duty	10%
ii.	Rate of social welfare surcharge	10%
iii.	Integrated tax	18%
iv.	Ignore GST compensation cess.	
v.	Rate of exchange to be taken 1 Japanese Yen (¥) =	Rs. 0.71

**Solution:**

Computation of assessable value and customs duty

	Amount in JPY (¥)
Cost upto port of exportation	6,00,000
Add: Loading charges at the port of exportation	25,000
Total in Japanese Yen	6,25,000
	In Rs.
Total in Indian rupees @ Rs. 0.71 per Japanese Yen	4,43,750
Add: Commission paid to local agent of exporter	1,25,000

FOB value as per customs	5,68,750
Add: Freight charges from port of export to port of import in India [1,00,000 JPY × 0.71 = Rs. 71,000]	71,000
Add: Lighterage charges paid by the importer at port of importation	20,000
Add: Insurance charges @ 1.125% of FOB [Rs. 5,68,750 × 1.125%]	6,398
<b>CIF value / Assessable Value</b>	<b>6,66,148</b>
Add: Basic customs duty @ 10% of Rs. 6,66,148	66,615
Add: Social welfare surcharge @ 10% of Rs. 66,615	6,662
Value for computing IGST	7,39,425
Add: Integrated tax @ 18% of Rs. 7,39,425	1,33,097
<b>Total custom duty and integrated tax payable [(A) +(B) + (C)]</b>	<b>2,06,374</b>

Solved Case 1:

A commodity is imported into India from a country covered by a notification issue by the Central Government u/s 9A of the Customs Tariff Act, 1975. Following particulars are made available:

- Assessable Value for levying Basic Customs Duty: Rs. 6,31,250
- Quantity imported: 250 kgs.
- Basic customs duty: 10%
- IGST: 18%

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US\$ 50 per kg (Exchange Rate is 1 USD = INR 70) and the landed value of the commodity as imported

State the amount payable on account of:

- a. Basic customs duty
- b. Anti-dumping duty
- c. IGST

**Solution:**

**Computation of Customs Duty, SWS, anti-dumping duty and IGST**

Particulars	Details	Rs.
Assessable Value		6,31,250
Basic Customs Duty @ 10% on Rs. 6,31,250 [A]		63,125
Add: SWS @ 10% [B]		6,313
Landed value of imported goods [C]		7,00,688
Rate of commodity as per Anti Dumping Notification per kg.	US\$ 50	

Quantity Imported	250 Kg	
Value as per notification (500 x 50)	US\$ 12,500	
Exchange rate 1US\$	Rs. 70	
Market Value in Rs. [D]	8,75,000	
Add: Anti-dumping Duty [E = D - C]		1,74,312
Value for levying IGST [F]		8,75,000
Add: IGST @ 18% of [F]		1,57,500
<b>Total Customs Duty Payable [A + B + E + F]</b>		<b>4,01,250</b>

### Multiple Choice Questions

- The limit of exclusive economic zone of India is\_ from the nearest point of the baseline
  - 200 nautical miles
  - 12 nautical miles
  - 24 nautical miles
  - None of the above
- Which of the following is a taxable event for imported goods?
  - Date on which the goods cross the customs barrier
  - Date of presentation of bill of entry
  - Date of entry into Indian territorial waters
  - Unloading of imported goods at the customs port
- Basic custom duty on imported goods is levied at the rates specified in the
  - First Schedule of the Customs Tariff Act, 1975
  - Second Schedule of the Customs Tariff Act, 1975
  - Customs Act
  - Customs Manual
- For the purpose of computing IGST on imported goods, one of the following shall not be included in the value for computation:
  - GST Compensation Cess
  - Social Welfare Surcharge
  - Anti-dumping diuty
  - None of the above
- Where the insurance amount is not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
  - 1

- b. 1.125
  - c. 1.5
  - d. None of the above
6. Where the transport charges is not available, for ascertaining the assessable value for customs duty, the percentage of FOB value to be taken is:
- a. 10%
  - b. 20%
  - c. 25%
  - d. None of the above
7. Transportation charges incurred by the importee for transporting goods from factory of the exporter to the port of exportation shall be included in the assessable value. Is this statement correct?
- a. Yes
  - b. No
  - c. Yes, if such charges has been paid in foreign currency
  - d. None of the above
8. As per Section 2(31) person in charge means
- a. Vessel - Master
  - b. Train - Conductor (or) Guard
  - c. Vehicle – Driver
  - d. All of the above
9. Goods which are same in all respects, including physical quantity is known as
- a. Identical Goods
  - b. Similar Goods
  - c. Alike Goods
  - d. None of the above
10. Buying commission shall be included in the assessable value. Is this statement correct?
- a. No
  - b. Yes
  - c. Yes, if buying commission is paid in foreign currency
  - d. None of the above

1.	a.	2.	a.	3.	a.	4.	a.	5.	b.
6.	b.	7.	a.	8.	d.	9.	a.	10.	a.

### State True or False

1. Entry No. 83 of the List I to the Schedule VII of the Constitution empowers the Union Government to legislate and collect duties on imports and exports
2. The Customs Act, 1962 extends to whole of India except in the state of Jammu and Kashmir
3. The exclusive economic zone of India is an area beyond and adjacent to the territorial waters, and the limit of such zone is 100 nautical miles from the baseline.
4. Coastal goods means goods, other than imported goods, transported in a vessel from one port in India to another
5. For the purpose of computing assessable value, insurance cost @ 1.125% of the FOB value shall always be taken
6. In case of air transport, transportation cost should be restricted to 20% of the FOB value, while computing assessable value
7. Rate of exchange provided by the CBIC shall be considered while computing assessable value for customs
8. On the request of importer, the order of application of valuation rules 7 (i.e. Deductive value) and 8 (i.e. Computed value) shall be reversed
9. Safeguard duty shall also be considered while computing social welfare surcharge
10. Margin of dumping means the positive difference between normal value and export price.

**[Answer: 1.True; 2. False; 3. False; 4. True; 5. False; 6. True; 7. True; 8. True; 9. False ; 10. True]**

### Fill in the blanks

1. Baggage includes unaccompanied baggage but does not include\_\_\_\_\_;
2. \_\_\_\_\_ means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting
3. Sec.\_\_\_\_\_of the Customs Act empowers the Government to grant exemption.
4. In order to protect the interests of any industry established in India, Central Government may impose on\_\_\_\_\_ any goods imported into India.
5. Anti-dumping duty shall be in force for\_\_\_\_\_(unless revoked earlier) from the date of its imposition
6. The value of the imported goods shall be the\_\_\_\_\_of such goods
7. For the purpose of customs, exchange rate notified by\_\_\_\_\_shall be considered
8. Buying commission shall\_(be included / not be included), while computing assessable value
9. Anti-dumping duty is levied as per sec.\_\_\_\_\_of the Customs Tariff Act, 1975.
10. Goods being derelict, wreck, jetsam and flotsam brought or coming into India shall be dealt with as if they were\_\_\_\_\_into India.



**Answers:**

1.	Motor;
2.	Stores ;
3.	Sec 25 ;
4.	Protective Duty ;
5.	5 yrs ;
6.	Transaction ;
7.	CBIC ;
8.	Not be included. ;
9.	9A;
10.	Imported

**Short Essay Type Questions**

1. State the provision relating to abatement of duty on damaged or deteriorated goods u/s 22.
2. Define Foreign-going vessel or aircraft.
3. Write a short note on Indian customs water.
4. What do you mean by anti-dumping duty?
5. Write a note on safeguard duty.
6. As per rule 10 of the Valuation Rules, certain items are required to be included in the assessable value. Mention any 5 such items.
7. Write a note on inclusion of freight charges in the assessable value.
8. What is identical goods?
9. What is similar goods?
10. While computing social welfare surcharge, some of the duties are not considered in the value, please mention those duties.

## Numerical Questions

**Comprehensive Numerical Problems**

1. System Ltd., imported a machine by air from Rest Inc., of USA, as per following details.

Particulars	US \$
CIF Value	9,000
Air Freight Paid	2,000
Insurance Cost	500
Rate of exchange notified by CBEC	Rs. 64.50 per USD

Inter Bank Selling Rate	Rs. 65 per USD.
Basic Customs Duty	10% ad valorem.
IGST	18%

You are required to compute the Assessable Value and Import Duty payable by System Ltd.

[Hints: Rs. 1,65,854]

### Unsolved Case

1. Ms. Pavitra, an importer has furnished the following information relating to goods imported by her in March, 2023:

- i. Goods cleared from the Chennai port on 22/03/2023.
- ii. Goods sent for warehousing by submitting bill of entry and other documents
- iii. FOB value of goods € (Euro) 20,000
- iv. Rate of exchange was 1 € = Rs. 70
- v. Rate of Customs Duty on this date was 12%
- vi. Goods were cleared from the warehouse for home consumption on 20/04/2023.
- vii. Rate of exchange on this date was 1 € = Rs. 71 and BCD was 10%.
- viii. IGST at 12% is applicable
- ix. Social Welfare surcharge may be taken at 10%

On the basis of aforesaid information, you are requested to answer for the following:

- a. What will be the transaction value on which IGST is payable?
- b. What will be the total Customs Duties payable by the importer?

[Hints: (a) Rs. 18,82,283; (b) Rs. 4,12,407]