

Customs ACT



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Customs duty

- **Definition:** Customs duty is a type of indirect tax levied on goods imported into India or exported out of India
- **Basis of determining the duty**
 - **Ad Valorem Duty** -When the duty is determined on the basis of the value of the goods it is referred to as ‘Ad Valorem Duty’
 - **Specific Duty** -When the duty is determined on the basis of the measurement of goods, it is called Specific Duty.
- **Main features of customs Duty**
 - **Levied on goods imported**-Customs Duty levied on Import of goods
 - **It is an indirect tax**- imposed by the central govt. on import
 - **Customs duties are not levied** on life-saving drugs, fertilizers and food grains
 - **Goods under Customs Act** –includes
 - Vessels, aircrafts and vehicles
 - Stores
 - Baggage
 - Currency and negotiable instruments
 - Any other type of movable property

SOURCES OF CUSTOM LAW

The study of Indian custom law is a combination of Basic Customs Act of 1962 and Customs Tariff Act of 1975, Notifications, circulars, trade notice and case laws

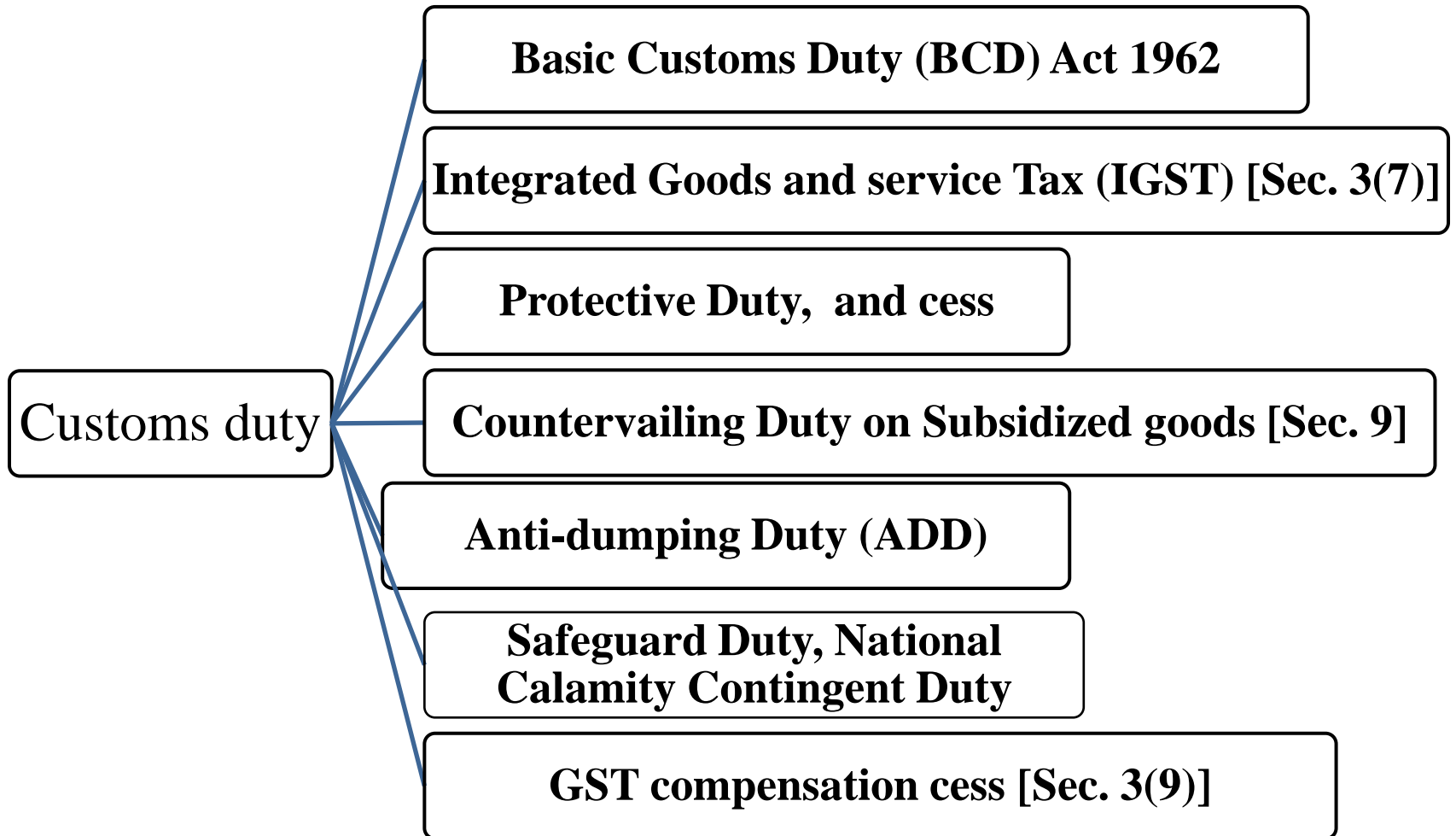
- **Basic Customs Act of 1962:** contains the provisions covering import and export duty imposed on import and export of the goods
- **Customs Tariff Act of 1975:** contains the provisions relating to various types of custom duties payable and gives the classification of imported and export goods
- **Export manifest regulations, 1976:** contains the provisions relating to a general declaration, a passenger manifest, a cargo manifest and a list of private property in the possession of the Captain of the aircraft and other members of the crew.
- **customs valuations rules of 2007:** contain provisions relating to Determination of Value of Export Goods
- **Baggage rules of, 1998 :**contains provisions relating to dutiable goods imported by a passenger or a member of crew in his baggage.
- **Goods and Services Tax :** Integrated Goods and Services Tax (IGST) Act is the source for deciding the levy of Integrated Tax

objectives of levying custom duty

- Restricting Imports for conserving foreign exchange
- Raising revenue for Central Government
- Regulate imports and exports
- Protect Indian industries from dumping
- Prevention of Smuggling.
- International passenger processing

Different types of custom

as per 1st and 2nd scheduled of the custom Tariff Act, 1975 as per sec -12 of custom Act and rate as per Tariff



different types of custom duty

- 1) **Basic Customs Duty (BCD):** This is *levied on imported items* that are part of Section 12 of the Customs Act, 1962. The tax rate is levied as per First Schedule to Customs Tariff Act, 1975. Basic Customs Duty is calculated on Assessable Value' of goods imported or exported
- 2) **Integrated Goods and Service Tax (IGST):** IGST is one form of GST which has subsumed various custom duties including countervailing Duty (CVD) , additional custom duty (ACD) and Special Additional Duty (SAD) w.e.f. 01. 07. 2017. IGST is imposed on/levied on goods imported into India from other country being a deemed interstate supplies. The rate of IGST should not be more than 40% on value of imported goods determined u/s 3(8) of Custom Tariff
- 3) **Protective Duty:** This is levied for the purpose of protecting indigenous businesses and domestic products against overseas imports. The rate is decided by the Tariff Commissioner.
- 4) **Anti-dumping Duty:** This is levied if a particular good is being imported is below fair market price.
- 5) **Safeguard Duty:** This is levied if the customs authorities feel that the exports of a particular good can damage the economy of the country.
- 6) **Countervailing duty on subsidised goods (CVD)** –is an *additional import duty imposed on imported products* (by the importing country) when such products enjoy benefits like export subsidies and tax concessions in the country of their origin (ie., where it is produced and exported)
- 7) **Special Additional Duties of Customs (SAD)**-SAD is levied due to the reason that imports are cheap compared to price charged by local manufacturer. Thus to ensure both the imports and local prices are equal special additional duty is levied

Import duty after GST

- **GST** is applicable on all imports into **India** in the form of levy of IGST. IGST is levied on *Value of the imported goods + Basics Customs Duty + Social Welfare Surcharge = Value based on which IGST is calculated*

Definitions...

- **Custom Act 1962.**-This duty is the main act which provide for levying and collection of duty, import or export, prohibition on importation and exportation of goods, penalties, offences etc
- **What are Dutiable goods under Customs Act-1962**-According to Section 2 (14) of the Customs Act, dutiable goods' are those goods which are chargeable to duty and on which duty has not been paid. Thus, goods remain 'dutiable' till they are not cleared from the port. however, once goods are assessed at nil rate of duty, they no longer remain dutiable goods
- **What is 'tariff value' under Customs Act**-Tariff value can be fixed by CBE&C (board) for any class if import goods or export goods. Govt. should consider trend of value of such or like goods which fixing tariff value
- **What is transaction value**-Transaction Value of imported goods shall be the price actually paid or payable for goods when sold for exports to India, adjusted in accordance with provisions of rule 9.
- **What is remission of duty**-Remission means waiver or cancellation of excise duty legally payable. Section 5 of the Act provides that Central Government can provide for remission of duty of excise payable on excisable goods, which due to any natural clause, are found to be deficient in quantity, by making rules in that behalf.

Definitions...

- **Define Entry**-In relation to goods means an entry made in a bill of entry, shipping bill of export and includes in the case of goods imported or to be exported by post the entry referred to in sec 82 or the entry made under the regulations made U/S 84.
- **Who is an exporter**-In relation to any goods, at any time between their entry for export and the time when they are exporter, includes any owner or any person holding himself out to be the exporter.
- **Who is an 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.
- **What is duty drawback**-Duty drawback is a kind of duty which is given back to the exporter of finished products if they are not able to avail any kind of refund of duty paid on inputs.
- **What do you mean by green channel**-Green Channel is the procedure for clearance of goods under this facility is following
 - Importer has to make a declaration in the declaration form at the time of filing of bill of entry.
 - The appraisement is done as per normal procedure except that there would be no physical examination of the goods only mark and number are to be checked

Definitions

- **BED** - Basic Excise Duty
- **BCD** - Basic Customs Duty
- **NCCD** - National Calamity Contingent Duty
- **SAHEC** - Secondary and Higher Education Cess
- **What are the exemptions of duty under Customs Act-**
 - Exemptions by Notification (Sec 25(1))
 - Exemption by special order (Adhoc exemption) (Sec 25(2))
 - Exemption for past general practice (Sec 28A)
 - Exemption to minor amounts of customs duty (Sec 25(6))

Basis of different methods of valuation for customs..

The Valuation Rules, 1988 based on WTO valuation Agreement, consists of rules providing six methods of valuation. These methods are explained as follows:

- 1) **Transaction value of imported goods:** the price actually paid or payable for the goods when imported to India, adjusted in accordance with provision of rule 9. As per rule 9, various additions like cost of containers, cost of packing, cost of materials, components etc. or services supplied by buyer; royalties payable etc. are includible, if these do not already form part of transaction value.
- 2) **Transaction value of identical goods:** ‘Identical goods’ (similar goods) are defined under rule 2(1)(C) as those goods which fulfil all the following conditions:
 - Goods should be same in all aspects except minor appearance
 - Goods should have been produced in the same country.
 - They should be produced by same manufacturer.

Rule 5 of Customs valuation Rules provide that if valuation on the basis of ‘transaction value’ is not possible, the ‘*Assessable Value*’ will be decided on basis of transaction value of identical goods imported to India

Basis of different methods of valuation for customs

- 3) **Transaction of similar goods:** If first and second method of valuation of transaction cannot be used, rule 6 provide for valuation on the basis of Transaction Value of similar goods
- 4) **Deductive Value:** Rule 7 of Customs Valuation Rules says that ' This method should be applied if transaction value of identical goods or similar goods is not available; but products are imported to India. *Assessable value* is calculated by reducing post importation costs and expenses, from this selling price. This is called deductive value. (deduction means arrive at by inference by making suitable additions, subtractions from a known price to arrive at required Customs Value')
- 5) **Computed Value for Customs:** If valuation is not possible by deductive method, rule 7A provides that ' if the importer requests the customs officer to approves, this method'. In this method, value is the sum of (a) cost of value of materials and fabrication or other processing employed in producing the imported goods (b) an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind, (c) The cost or value of all other expense under rule 9(2) i.e. transport, insurance, loading, unloading and handling charges
- 6) **Residual method:** It is also often termed as **fall back method**. This method is used in case where ' Assessable value' cannot be determined by any of the preceding methods. While deciding assessable value under this method, rules provides that valuation should be on the basis of data available in India

Computation of Transaction value..

In case of Imported Goods	Rs
<ul style="list-style-type: none"> ▪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 <p>(any one nomenclature may be used)</p>	or or or X
<p>Add: the following items it already not included</p> <ul style="list-style-type: none"> ➤Commission and brokerage, except buying Commission. ➤Cost of container, Cost of packing whether labour or materials. ➤Materials, components, tools, dies, moulds, and consumables used in production of imported goods, supplied by buyer directly or indirectly, free of charge or at reduced cost. ➤Engineering, development, art work, design work, plans and sketches undertaken elsewhere than in India and necessary for production of imported goods. ➤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. 	XX

<ul style="list-style-type: none"> ➤ Value of proceeds of subsequent resale, disposal or use of goods that accrues directly or indirectly to seller (i.e. to foreign exporter). ➤ All other payments made as condition of sale of goods being valued made directly or to third party to satisfy obligation of seller. ➤ Cost of transport up to place of importation. ➤ Actual cost Loading, unloading and handling charges associated with delivery of imported goods at place of importation [These are termed as landing charges and are to be taken as 1%]. ➤ Cost of insurance 	
<p>(Less) Exclusion form the transaction the following items must be deducted in case they are included in the ‘price</p> <ul style="list-style-type: none"> ➤ Charges for construction, erection, assembly, maintenance or technical assistance undertaken after importation of plant, machinery or equipment ➤ Cost of transport after importation ➤ Duties and taxes in India ➤ Other payments from buyer to seller that do not relate to imported goods are not part of the customs value. ➤ Demurrage charges payable to port trust authorities for delay in clearing goods are not to be added 	X
<p>After all the above inclusions and exclusions, the ‘Transaction Value’ is referred to as ‘FOB Value’ – i.e., ‘Free-on-Board’ Value</p>	X

customs duty is calculated on Assessable Value

	Rs
Free on Board Price (FOB Value is given) adjust the followings	XXX
Add: Freight Charges (see Note 1)	
Add: Cost of insurance (See Note 2)	XXX
CIF	<u>XXX</u>
Add: sales commission paid	XXX
ASSESSABLEVALUE	<u>XXX</u>
	XXX

➤ **Notes: (1) Cost of transport of the imported goods to the place of importation (freight charges)**

- It includes the ship demurrage charges on chartered vessels, lighter age or barge charges
- The actual cost of transport must be added.
- However, where the **goods are imported by air**, the actual cost of transportation or 20% of 'FOB Price', whichever is less must be added.
- Where the transport cost is not ascertainable, 20% of FOB Price must be added.

➤ **Notes: (2) Cost of insurance**

- The actual cost of insurance on goods till the place of importation must be added.
- Where the actual cost of insurance is not ascertainable, 1.125% of FOB price must be added.

Notes: (3) Loading, unloading and handling charges must be taken as 1% of CIF Price. But it has been removed from **2017, Hence it is not includable**

- The transaction value and assessable value must be expressed in INR (i.e., Indian Rupees).
- For determining the INR value of the imported goods, rate of exchange, notified by CBEC, prevalent to the date of filing bill of entry must be considered.

Computation of Customs duty Payable

Seq.	Description	Amount	Total Customs Duty
A	Assessable Value (Normally equals CIF value	XXX	
B	Basic Customs Duty	XXX	X
C	Social Welfare -Surcharge (10%x 'B')	xxx	X
H	Sub-Total for IGST (A+B+C)	xxx	
I	IGST on 'H'	Xxx	Xx
J	Total Customs Duty		XXX
K	Total Duty Rounded up		XXXX

Works out problems on Customs duty

Problem:1 Calculation of customs duty payable is as follows, if assessable value `50,000, BCD 15% and IGST rate taken as 18%.

Solution-1			
Seq.	Description	Amount Rs	Total Customs Duty
A	Assessable Value	50,000	
B	Basic Customs Duty (15%) (50000*.15)	7,500	7,500
C	Social Welfare Surcharge @ 10% of 7,500	750	750
H	Sub-total for IGST (A + B + C)	58250	
I	IGST – on H (58,250 x 18%)	10,485	10,485
J	Total Customs Duty		18,735
K	Total duty rounded to		18,735

- **Problem-2** Ms. Supra imported certain goods weighing 150kgs. With CIF value US \$ 5,000. Exchange rate was 1 US \$ = ` 70 on the date of presentation of bill of entry as on 15- 03-2020. Basic customs duty is chargeable @ 15% and Social Welfare Surcharge as applicable. As per Notification issued by the Government of India, anti-dumping duty has been imposed on these goods. The anti-dumping duty will be equal to difference between amount calculated @ US \$ 50 per kg. and 'landed value' of goods. Basic customs duty is @ 15% and IGST rate is 18%. You are required to compute custom duty and anti- dumping duty payable by Ms. Supra

Solution 2: Computation of Customs Duty

Calculation on CIF value: CIF value $(5,000 \times 70) = \text{₹ } 3,50,000$

Solution-1			
Seq.	Description	Amount Rs	Total Customs Duty
A	Assessable Value	3,50,000	
B	Basic Customs Duty (15%) $(350000 \times .15)$	52,500	52,500
C	Social Welfare Surcharge @ 10% of 52,500	5,250	5250
H	Sub-total for IGST (A + B + C)	4,07,750	
I	IGST – on H $(4,07,750 \times 18\%)$	73,395	73,395
J	Total Customs Duty		1,31,145
K	Total duty rounded to		1,31,145
Landed value = Assessable Value + Customs Duty = 3,50,000 + 1,31,145 = ₹ 4,81,145			
Value calculated @ USD 30 per Kg (rounded) $(5000/150) = 50 \times 150 \times 70 = \text{₹ } 5,25,000$ Hence, Anti-dumping duty = $5,25,000 - 4,81,145 = \text{₹ } 43,855$.			

Problem 3 ; From the following particulars determine the assessable value of the imported equipment, (Assumed that goods are imported on 29.02.2019)

- (a) FOB cost of equipment (Japanese Yen) – 5,00,000 Yen
- (b) Freight charges in Japanese Yen – 50,000 Yen
- (c) Charges for development connected to equipment paid in India – `1,60,000
- (d) Insurance charges paid in India for transportation from Japan ` 45,000
- (e) Commission payable to agent in India - ` 35,000
- (f) Exchange rate as per RBI is 1 Yen = ` 0.45. Exchange rate as per CBEC is 1 Yen = `0.50

Solution 3		
Details	Japanese Yen	Amount (Rs)
FOB Value of equipment	5,00,000	2,50,000
<i>Add: Freight charges</i>	50,000	25,000
<i>Add: Transit Insurance</i>		45,000
<i>Add: Selling Commission</i>		35,000
Total CIF Value		3,55,000
Assessable Value		3,55,000
<p>Note: Always take rate notify by CBEC (5000000 Yen* .5=250000) Charges like development connect to equipment paid in India paid by importer is not includable)</p>		

Problem 4; An importer imports some goods @ 10,000 US\$ on CIF basis, on 02.01.2019. Following dollar rate are available on the date of Presentation of bill of entry.

i. RBI floor rate: 59.37

ii. Interbank closing rate ` 59.38

iii. Rate notified by CBEC under section 14(3) (a) (1) of Customs Act 59.55

iv. Rate at which bank has realized the payment from ` 59.58

Find the Assessable Value for customs purpose

Solution 4		
Details	US\$	Amount (Rs)
CIF Price	10, 000	
CIF value of goods is ` (10,000 x 59.55)		5,95,500
Assessable Value		5,95,500
<p>Note: Always take rate notify by CBEC 1.125% Insurance is taken, if nothing is given about insurance in problem HSN = Harmonized System of Nomenclature MFN = Most Favoured Nation Exchange Rate notified by CBEC on the date of bill entry must be taken for calculation</p>		

Problem: 5 A consignment is imported by air on 2019. CIF price is 1000 US\$. Freight is 320 US\$. Insurance cost was \$ 35. Exchanges rates as follows RBI floor rate: 59.37, Interbank closing rate ` 59.38, Rate notified by CBEC under section 14(3) (a)(1) of customs act ` 59.55, Rate at which bank has realized the payment ` 59.58. **Find the Value for Customs purposes**

Solution: 5 Calculation of FOB		
CIF value <i>Less: Freight Charges</i> <i>Less: Insurance</i>	1000 US\$ (320) US\$ (35) US\$	
FOB value <i>Add: Freight charges 320 or (20% of FOB) (645*.2)WEL</i> <i>Add: Insurance available</i>	645 US\$ 129 US\$ 35 US\$	
CIF value CIF in ` (809 x 59.55)	809 US\$	RS 48,175.95
Custom Value		48,175.95
<p>* Note: (a) If goods are imported by air freight is restricted to 20% of FOB value or Actual amount of air freight available, whichever is less</p> <p>(b) CIF includes freight and insurance if we deduct Freight and insurance we get FOB.</p>		

Problem: 6 From the following particulars determine the assessable value

- (a) FOB cost of equipment (Japanese Yen) 2,00,000 Yen
- (b) Freight charges in Japanese Yen 20,000 Yen
- (c) Charges for development connected to equipment paid in India 60,000
- (d) Insurance charges paid in India for transportation from Japan ` 15,000
- (e) Commission payable to agent in India ` 25,000.
- (f) Exchange rate as per RBI is 1 Yen = 0.58, CBE & C 1 Yen = ` 0.60

Solution: 6 Calculation Assessable Value	Japanese (Yen)	Amount (Rs`)
FOB value of equipment	2,00,000	1,20,000
<i>Add: Freight Charges</i>	20,000	12,000
<i>Add: Insurance</i>		15,000
<i>Add: Selling commission</i>		25,000
Assessable Value		1,72,000

Note: 1. Any development charges, sketch, design, art work paid by Exporter or Manufacturer in foreign currency is includable.
 2. Any buyer or importer charges not includable.
 3. Insurance cost is includable which is paid by exporter for exporting goods
 4. Any commission which is paid by the exporter to his agent who is residing in any country is includable.

Problem: 7 Compute the assessable value for purpose of determination of custom duty from the following data:

- a) Machinery imported from USA by air (FOB price) US \$ 4,000
- b) Accessories compulsorily supplied along with the machinery US \$ 1,000
- c) Air freight US \$ 1,200, d) Insurance charges actual not available.
- e) Local agent's commission to be paid in Indian currency ` 9,300
- f) Transportation from Indian airport to factory ` 4,000.
- g) Exchange rate US\$ 1 = ` 70. Provide explanation where ever necessary

Solution: 7 Calculation of Assessable Value	US\$	Amount (Rs`)
FOB value of Imported goods-Machinery <i>Add: Accessories</i>	4,000 1,000	
FOB <i>Add: Freight (Air) 20% of FOB (5000*.2)</i> <i>Add: Insurance charges 1.125% (5,000 x 1.125%)</i>	5,000 1,000 56.25	
CIF CIF in ` (6,056.25 x 70) <i>Add: Local agent commission</i>	6,056.25	4,23,937.50 9,300.00
Assessable Value		4,33,237.50

Note: Accessories and spare parts and maintenance implements which are compulsorily supplied along with the machinery are chargeable at the same rate

Problem: 8 Compute the Assessable value for purpose of determination of custom duty from the following data:

- a) Value of Machine in UK pounds 32,000. FOB
- (b) Engineering and design charges paid – UK pounds 12,000
- (c) Freight paid (Air) – UK pounds 6000
- (d) Insurance – Not Known
- (e) The exchange rate announced by the Central Government is ` 78 per UK pound

Solution: 8 Calculation of Assessable Value	UK (Pounds)	Amount (Rs`)
FOB	32,000	
<i>Add: Engineering and design charge</i>	12,000	
<i>Add: Freight charge UK 6000 or (32000*.2=6400) WEL</i>	6,000	
<i>Add: Insurance charge @ 1.125 of FOB (32000*1.125%)</i>	360	
CIF value @ UK pound	50,360	
CIF value at INR (50360*78)		35,25,200
Assessable Value		35,25,200

Problem: 9 Techno Ltd. imported some goods from LMP Inc. of United States by air freight. You are required to compute the value for purposes of customs duty under the Customs Act, 1962 from the following particulars.

CIF value-US\$ 6,000, freight paid - US\$ 2,000, Insurance cost - US \$ 700. The bank had received payment from the importer at the exchange rate of US \$ 1 = 70.5 while the CBE & C notified exchange rate on the relevant date was US \$ 1 = ` 70. Make suitable assumptions where required

Solution: 9 Calculation of Value for customs duty	US\$	Amount (Rs`)
CIF value	6,000	
Less: Freight charges	(2,000)	
Less: Insurance	(700)	
<i>FOB</i>	3,300	
<i>Add: Freight charge US\$ 2000 or (3300*.2=660) WEL</i>	660	
<i>Add: Insurance charge Given</i>	700	
CIF value at US\$	4,660	
CIF value at INR (4660*70)		3,26,200
Customs Value		3,26,200

Problem: 10 Mr Bharath imports by air (cargo) from USA a machine along with relevant accessories and spares for the value US \$ 1,20,000 FOB. The others details are as follows:

(a) Commission to local agent in India ` 27,000

(b) Freight and Insurance from airport to factory godown ` 30,000

(c) Freight – US \$ 36,000 (US to India)

(d) Goods are insured, premium amount is not shown in invoice and not available

(e) At the request of Mr. Bharath, US \$ 6000 has been incurred as expenses for improving the design of the machine, but the same is not reflected in the invoice.

(f) Basic custom duty is 15%, CIF value @ 68 (50,360 x 68) and IGST –18%

(g) Exchange rate to be considered US \$ 1 = `72

Solution: 10 Calculation of Assessable value (AV)	US\$	Amount (Rs`)
<i>FOB</i>	1,20,000	
<i>Add: Freight charge US\$ 36,000 or (120000*.2) WEL</i>	24,000	
<i>Add: Insurance charge not Given (120000*1.125)</i>	1,350	
<i>Add: Improving the design charge paid by exporter</i>	6,000	
CIF value at US\$	1,51,350	
CIF value at INR (151350*72) rounded to		1,08,97,200
Add: commission to local agent		27,000
Assessable Value (AV)		1,09,24,200

Solution 10 : Computation of Customs Duty

Solution-10			
Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	1,09,24,200	
B	(BCD) Basic custom duty (1,09,24,200 *.15)	16,38,630	16,38,630
C	Social Welfare Surcharge @ 10% of 16,38,630	1,63,863	1,63,863
H	Sub-total for IGST (A + B + C)	1,27,26,693	
I	IGST – on H (1,27,26,693x 18%)		22,90,804.7
J	Total Customs Duty		40,93,297.7
K	Total duty rounded to		40,93,298
Landed value = AV + Customs Duty = 1,09,24,200 + 40,93,298= ` 1,50,17,498			

Problem: 11 Udaya Ltd., imports certain goods from USA, at Chennai port, at cost of \$ 1,00,000 FOB. The other details are as follows:

(a) Packing charges: \$ 22,000, (b) Sea freight to Indian port: \$ 28,000, (c) Transit insurance: \$ 10,000. (d) Design and development charges paid to a consultant in USA by importer: \$ 9,000, (e) Selling commission to be paid by the Indian importer: ` 5,000, (f). Rate of exchange announced by RBI: ` 59.5 per \$, (g) Rate of exchange notified by the Central Board of Excise and Customs: ` 60 per \$. Rate of basic custom duty: 15% and IGST 18%. Compute the assessable value of the imported goods and the basic customs duty payable

Solution: 11 Calculation of Assessable value (AV)	US\$	Amount (Rs`)
<i>FOB</i>	1,00,000	
<i>Add: Packing charges</i>	22,000	
<i>Add: Sea freight</i>	28,000	
<i>Add: Insurance</i>	10,000	
<i>Add: Design and development charges paid US</i>	9,000	
<i>Add: Selling Commission paid to US (5,000/60)</i>	83.33	
CIF value at US\$	1,69,083.33	
CIF value at INR (1,69,083.33*60)		1,01,45,000
Assessable Value (AV)		1,01,45,000

Solution 11 : Computation of Customs Duty

Solution-11			
Seq .	Description	Amount Rs	Total Customs Duty
A	Assessable Value	1,01,45,000	
B	(BCD) Basic custom duty (1,01,45,000 *.15)	15,21,750	15,21,750
C	Social Welfare Surcharge @ 10% of 15,21,750	1,52,175	1,52,175
H	Sub-total for IGST (A + B + C)	1,18,18,925	
I	IGST – on H (1,18,18,925x 18%)		21,27,406.5
J	Total Customs Duty		38,01,331.5
K	Total duty rounded to		38,01,332
Landed value = AV + Customs Duty = 1,01,45,000 + 38,01,332= ` 1,39,46,332			

Problem: 12 The following information is furnished by Mr. Kiran on 8th April 2019 in respect of imported from USA: **FOB value \$ 20,000**, Exchange rate \$ 1 = ₹ 60, Air freight \$ 4,500, Insurance charges not known, Landing charges ₹ 1,000, Basic customs duty 15%, Calculate the total customs duty payable by Mr. Kiran, If IGST is 18%.

Solution: 12 Calculation of Assessable value (AV)	US\$	Amount (Rs`)
<i>FOB</i>	20,000	
<i>Add: Freight charge US\$ 4500 or (20000*.2) WEL</i>	4,000	
<i>Add: Insurance charge not known (20000*1.125)</i>	225	
CIF value at US\$	24,225	
CIF value at INR (24,225*60)		14,53,500
Assessable Value (AV)		14,53,500
Note: Landing charges paid in India by the importer ,hence Any importer charges not includable		

Solution 12 : Computation of Customs Duty

Solution-12			
Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	14,53,500	
B	(BCD) Basic custom duty (14,53,500 *.15)	2,18,025	2,18,025
C	Social Welfare Surcharge @ 10% of 2,18,025	21,802.5	21,802.5
H	Sub-total for IGST (A + B + C)	16,93,327.5	
I	IGST – on H (16,93,327.5 x 18%)		3,04,800
J	Total Customs Duty		5,44,628
K	Total duty rounded to		5,44,628
Landed value = AV + Customs Duty = 14,53,500 + 5,44,628= ` 19,98,128			

Problem: 13 A consignment is imported by air. CIF price is 2,000 Euro. Air freight is 550 Euro and insurance cost is Euro 50. Exchange rate announced by CBE & C as per customs notification is 1 Euro = ` 54.15. Basic customs duty payable is 10%. Excise duty on similar goods produced in India is 16%. Social Welfare Surcharge @ 10% is applicable. Find value for customs purpose and total customs duty payable

Solution: 13 Calculation of Assessable value (AV)	Euro	Amount (Rs`)
CIF value	2,000	
Less: Freight charges	550	
Less: Insurance	50	
<i>FOB</i>	1,400	
<i>Add: Freight charge US\$ 550 or (1400*.2) WEL</i>	280	
<i>Add: Insurance charge known</i>	50	
CIF value at euro	1,730	
CIF value at INR (1730*54.15)		93,679
Assessable Value (AV)		93,679

Solution 13 : Computation of Customs Duty

Solution-13			
Seq .	Description	Amount Rs	Total Customs Duty
A	Assessable Value	93,679	
B	(BCD) Basic custom duty (93,679 *.10)	9,367	9,367
C	Social Welfare Surcharge @ 10% of 9,367	936.7	936.7
H	Sub-total for IGST (A + B + C)	1,03,982.7	
I	IGST – on H (1,03,982.7 x 18%)		18,716.8
J	Total Customs Duty		29,020.58
K	Total duty rounded to		29,021

Problem: 14 A' imports by air from USA a gear cutting machine complete with accessories and spares. The value US \$ F.O.B. 20,000 other relevant information:

a) At the request of the importer, US \$ 1,000 have been incurred for improving the design, etc. of machine, but is not reflected in the invoice, but will be paid by the party,

b) Freight - US \$ 6,000,

c) Goods are insured but premium is not shown/available in invoice,

d) Commission to be paid to local agent in India ` 4,500,

e) Freight and insurance from airport to factory is ` 4,500,

f) Exchange rate is US \$ 1 = ` 72,

g) Duties of customs: basic - 15%, Social Welfare Surcharge @ 10% on duty applicable

Compute: (i) Assessable value

(ii) Customs duty.

Solution: 14 Calculation of Assessable value (AV)	US\$	Amount (Rs`)
<i>FOB</i>	20,000	
<i>Add: Freight charge US\$ 6000 or (20000*.2=4000) WEL</i>	4,000	
<i>Add: Insurance charge not known (20000*1.125%)</i>	225	
<i>Add: Design and Development charges paid in USA</i>	1,000	
CIF value at US\$	25,225	
CIF value at INR (25225*72)		18,16,200
Add: Commission paid to local agent		4,500
Assessable Value (AV)		18,20,700
Note: Freight and insurance paid in India after the goods import is not includable		

Solution 14 : Computation of Customs Duty

Solution-14			
Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	18,20,700	
B	(BCD) Basic custom duty (18,20,700 *.15)	2,73,105	2,73,105
C	Social Welfare Surcharge @ 10% of 2,73,105	27,310	27,310
H	Sub-total for IGST (A + B + C)	21,21,115	
I	IGST – on H (21,21,115 x 18%)		3,81,800
J	Total Customs Duty		6,82,215.7
K	Total duty rounded to		6,82,216
	Landed value=AV+TCD (18,20,700 +6,82,216)=25,02,916		

Problem: 15 Compute the assessable value and custom duty payable from the following information:

(a) FOB value of machine - 8,000 UK Pounds

(b) Freight paid (air) - 2,500 UK pounds

(c) Design and development charges paid in UK- 500 UK Pounds

(d) Commission payable to local agent @ 2% of FOB in Indian rupee

(e) Date of bill of entry- 24-10-2018 (Rate BCD 15%, Exchange rate as notified by CBE & ` 68 per UK Pound)

(f) Date of entry inward- 20-10-2018 (Rate of BCD 10%, exchange rate as notified by CBE & C ` 70 per UK Pound)

(g) Insurance charges actually paid but details not available

Solution: 15 Calculation of Assessable value (AV)	UK Pound	Amount (Rs`)
<i>FOB</i>	8,000	(8000*68)=544000
<i>Add: Freight charge UKP 2500 or (8000*.2=1600) WEL</i>	1,600	
<i>Add: Insurance charge not available (8000*1.125%)</i>	90	
<i>Add: Design and Development charges paid in UK</i>	500	
CIF value at US\$	10,190	
CIF value at INR (10190*68)		6,92,920
Add: Commission paid to local agent (544000*.02)		10,880
Assessable Value (AV)		7,03,800

Note: exchange rate notified by CBES on the date of Bill of entry should be taken

Solution 15 : Computation of Customs Duty

Solution-15			
Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	7,03,800	
B	(BCD) Basic custom duty (7,03,800 *.15)	1,05,570	1,05,570
C	Social Welfare Surcharge @ 10% of 1,05,570	10,557	10,557
H	Sub-total for IGST (A + B + C)	8,19,927	
I	IGST – on H (8,19,927 x 18%)		1,47,586.8
J	Total Customs Duty		2,72,106.8
K	Total duty rounded to		2,72,107
	Landed value=AV+TCD (7,03,800 +2,72,107)=9,57,907		

Problem 16 : Compute the duty payable under the Customs Act, 1962 for an imported equipment based on the following information: Assessable value of the imported equipment US\$ 10,100. Date of Bill of Entry 25.4.2019. Basic customs duty on this date 15% and exchange rate notified by the Central Board of Excise and Customs US\$ 1 = ` 65. Date of Entry inwards 21.4.2019. Basic customs duty on this date 16% and exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ` 50. Social Welfare Surcharge @ 10% in terms of the Finance Act, 2018. Make suitable assumptions where required and show the relevant workings & round off your answer to the nearest Rupee

Solution-16 Computation of Customs Duty			
Seq .	Description	Amount Rs	Total Customs Duty
A	Assessable Value (10,100 x 65)	6,56,500	
B	(BCD) Basic custom duty (6,56,500*.15)	98,475	98,475
C	Social Welfare Surcharge @ 10% of 98,475	9,847	9,847
H	Sub-total for IGST (A + B + C)	7,64,822.5	
I	IGST – on H (7,64,822.5 x 18%) (not given assumed as 18%)		1,37,668
J	Total Customs Duty		2,45,990
K	Total duty rounded to		2,45,990
Note: different dates are given, date of entry notified exchange rate should be taken			

Problem: 17 From the following data, you are required to compute the customs duty payable by Sukbhir & Co.

(a) FOB value of textile machine 1,00,000 Euro

(b) Air freight 26,000 Euro

(c) Expenses incurred by seller for improving the design, at buyer -importer's request - 4,000 Euro

(d) Transit Insurance - 2,000 Euro

(e) Exchange rate 1 Euro = ` 80

(f) Basic duty 15%

(g) The price offered to the importer is a special discounted price. The importer has been specifically directed not to disclose this price to any buyer in India. Seller's normal selling price is 1,20,000 Euro.

Solution: 17 Calculation of Assessable value (AV)	Euro	Amount (Rs`)
<i>FOB</i>	1,00,000	
<i>Add: Freight charge euro 26000 or (100000*.2=20000) WEL</i>	20,000	
<i>Add: Insurance charge available</i>	2,000	
<i>Add: Design and Development charges paid by exporter</i>	4,000	
CIF value at euro	1,26,000	
CIF value at INR (12600*80)		1,00,80,000
Assessable Value (AV)		1,00,80,000

Solution 17 : Computation of Customs Duty

Solution-17			
Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	1,00,80,000	
B	(BCD) Basic custom duty (1,00,80,000 x of 15%)	15,12,000	15,12,000
C	Social Welfare Surcharge @ 10% of 15,12,000	1,51,200	1,51,200
H	Sub-total for IGST (A + B + C)	1,17,43,200	
I	IGST – on H (1,17,43,200 x 18%)		21,13,776
J	Total Customs Duty		37,76,976
K	Total duty rounded to		37,76,976

Problem 18

M/s. Premium Industries Ltd., has imported a machine from Japan at an FOB cost of 1,00,000 yen (Japanese). The other expenses incurred were as follows:

- (i) Freight from Japan to Indian port 10,000 yen;
- (ii) Insurance paid to insurer in India ` 5,000;
- (iii) Designing charges paid to consultancy firm in Japan 15,000 yen;
- (iv) M/s Premium Industries Ltd. spent ` 50,000 in India for development work connected with the machine;
- (v) Transportation cost from Indian port to factory ` 15,000;
- (vi) central government has announced exchange rate prevailing in the market was 1 yen = ` 0.40 by notification under section 14(3). However the exchange rate prevailing in the market was 1 yen = ` 0.4052
- (vii) M/s Premium Industries Ltd. made payment to the bank based on exchange rate of 1 yen = ` 0.4150,
- (viii) The commission payable to the agent in India was @ 5% of FOB price in Indian rupees. The rate is BCD @ 15%.

Find the customs duty and other duties payable.

Solution-18 Computation of Assessable value	Yen	Amt. (Rs)
FOB	1,00,000	
<i>Add: Freight from Japan to Indian port</i>	10,000	
<i>Add: Designing charges paid in Japan</i>	15,000	
CIF in Yen	1,25,000	
CIF in Rs (125000*.40)		50,000
Add: Insurance paid to insurer in India		5,000
<i>Add: Commission (1,00,000 YEN x ` 0.40x 5%)</i>		2,000
Assessable Value		57,000

Note: Freight charge 20% FOB or actual FOB WEL and Insurance 1.125% on FOB is not applicable port means of transit (if it applicable only air transit)

Solution-18 Computation of Customs Duty

Seq	Description	Amount Rs	Total CD
A	Assessable Value	57,000	
B	(BCD) Basic custom duty (57,000*.15)	8,550	8,550
C	Social Welfare Surcharge @ 10% of 8550	855	855
H	Sub-total for IGST (A + B + C)	66,405	
I	IGST – on H (66,405 x 18%) (not given assumed as 18%)		11,952.9
J	Total Customs Duty		21,357.9
K	Total duty rounded to		21,358

Problem: 19 A person makes an unauthorised import of 3000 pieces of Ophthalmic Rough Blanks. CIF priced @ \$ 1 per piece by air from USA (tariff heading 70.1510). The consignment is liable to be confiscated. Import is adjudicated (AC gives to the party and opinion to pay fine in lieu of confiscation. It is proposed to impose fine equal to 70% of margin of profit. The market price is ` 100/piece of ophthalmic rough blanks. The basic customs duty 10%. Educational cess has applicable. Exchange rate \$ 1 = ` 7%.

Compute amount of fine.

Total payment to be paid by the party to clear the consignment.

What is the maximum amount of fine that can be imposed in this case.

Solution: 17 Calculation of Assessable value (AV)	US\$	Amount (Rs`)
CIF value at (3000*1\$)	3,000	
CIF value at INR (3000*71) (70.1510 rounded 71)		2,13,000
Assessable Value (AV)		2,13,000

Solution-19 Computation of Customs Duty

Seq	Description	Amount Rs	Total Customs Duty
A	Assessable Value	2,13,000	
B	(BCD) Basic custom duty ((213000×10%)	21,300	21,300
C	Social Welfare Surcharge (21300×10%)	2,130	2,130
H	Sub-total for IGST (A + B + C)	2,36,430	
I	IGST – on H (2,36,430 x 18%)		42557.4
J	Total Customs Duty		65987.4
K	Total duty rounded to		65990

Calculation of anti dumping duty.

- (a) Total Cost of import (LV) = 2,13,000 + 65,990 = **2,78,990**
- (b) The market value is ` 100 per piece = 3000×100 = 3,00,000
- (c) Margin of profit = 3,00,000 – 2,78,990 = 21,010
- (d) Fine 70% of margin of profit = 21010×70% = 14,707
- (e) Total amount payable = 65990 + 14707=**80697**