

CUSTOM DUTY

DIRECT TAX

The incidence and impact of same person is called Direct Tax. Eg: Income Tax.

INDIRECT TAX

The incidence and impact of different person is called Indirect Tax. Eg: GST.

CBEC : Central Board of Excise and Customs.

PAN : Permanent Account Number.

BCD : Basic Customs Duty.

SAD : Special Additional Duty.

Thursday

CUSTOM DUTY

(Custom Duty is levied on import of Goods into India & Export of Goods out of India) As per Ancient Customs, a merchant entering a kingdom with his Goods had to make a suitable gift to the king & seek his permission for trading his Goods in the kingdom. In the course of time the custom of presenting gifts was formalised into Custom duty.

FUNCTION OF CUSTOM DEPARTMENT

1. Collection of Revenue to the Govt of India by imposing duty on imports & exports.
2. Enforcement of various provisions of Customs Act governing imports & exports of cargo, baggage, postal articles, courier parcels.
3. Discharging of various agency functions.
4. Prevention of Smuggling.

5 TYPES OF CUSTOM DUTY IN INDIA

1. Basic Custom Duty (BCD)
2. Additional Customs Vailing Duty (CVD)
3. Special Additional Duty (SAD)
4. Education Cess.
5. Safeguard Duty.
6. Anti Dumping Duty.
7. National Calamity Contingent Duty (NCCD)

IMPORTANT TERMS AND DEFINITIONS

• GOODS

It includes Vessels, Aircraft & Vehicles, Baggage, Currency, Vegetables, Instruments any other kind of moveable Property.

• IMPORTER

Relation to any Goods @ any Time b/w their importation and that Time in they are cleared for the home Consumption and include any owner or any person holding himself as importer.

• EXPORTER

EXPORTER means any Goods @ any Time b/w their Entry of Exports & that Time in their Exported include any owner or any person holding himself as exporter.

• CUSTOMS AREA

It means any Custom board, Custom Airport or Land, Custom Stations where imported Goods are permitted to be unloaded or Goods are Exported.

• TERRITORIAL WATER

It is extended upto 12 nautical mile inside sea from
broadens line in coast of India.

1 nautical mile = 1.853 km.

• CUSTOMS ACT 1962

The duty is the main act which provides for levying & collection of duty in import & export procedure, prohibition on importation & exportation of goods, Penalties, offences etc.

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TYPES

1. BASIC CUSTOM DUTY

All goods imported into India are chargeable to a duty under Custom Act 1962. The rates of this duty are indicated in the 1st Schedule of the Custom Tariff act 1975. This duty is calculated on the assessable value @ the applicable rates.

2. ADDITIONAL COUNTER VAILING DUTY

If an article which is produced in India is imported then additional Custom Duty will be levied on it. This duty will be equal to the Excise duty levied on that article in India.

3. SPECIAL ADDITIONAL DUTY

This duty is in addition to any of other duty imposed under Customs act. All provision of customs act & the rules including those relating to drawback, Re-fund & Exemption will apply to this duty.

4. EDUCATION CESS

It is imposed on imported goods @ 2+1% of the

aggregated duty

5. SAFEGUARD DUTY

If central Govt is satisfied that the Goods are being imported in large quantities & under such condition that they are causing serious injury to domestic industries. Then it may levy the safeguard duty.

6. ANTI DUMPING DUTY

Large Manu^{re} from abroad may export Goods @ very low prices compare to prices in his domestic Mkt. Such Dumping may be with intention to cripple domestic industry or to dispose of their excess stock. It is called Dumping. In order to avoid such dumping central Govt can impose Anti Dumping Duty.

7. NATIONAL CALAMITY CONTINGENT DUTY (NCCD)

It is imposed on Pan Masala, Chewing Tobacco & Cigarettes. There are diff rates of duty for Goods imported.

FORMAT FOR COMPUTATION OF ASSESSABLE VALUE

Particulars	Amt	Amt
Free On Board (FOB)		xxx
(+) Freight Charges (Actual freight in case of sea)		
In case of Air	Actual xxx	
	20% on FOB xxx	xxx
Insurance (1.195% on FOB) if Insurance not given		xxx
Inclusions	xxx	xxx
ASSESSABLE VALUE →		xxx

Inclusion List

1. Primary & Secondary Packing.
2. Design & Development charges paid outside India.
(Design & Development charges paid within India ignored)
3. Local Agent Commission.
4. Consultancy charges relating to manufacturing paid outside India.
5. Pre-inspection Delivery charges.
6. Royalty & Licensing fees.
7. Ship Demerged charges or Barge charges.

1. Calculate Assessable Value from the following data for the purpose of customs.

- FOB 1000 Dollars (\$)
- Air freight 250\$
- Insurance not ascertainable
- Royalty charges 100\$
- Agent Commission 26,200
- Packing charges (Primary & Secondary) 50\$
- Pre-inspection Delivery charges 20\$
- Design & Development charges paid in India 100\$
- Design & Development charges outside in India 80\$
- Exchange Rate Notified by CBEC 1\$ = 70Rs
- Exchange Rate Notified by RBI 1\$ = 79Rs

Computation of Assessable Value (1\$ = 70Rs)

Particulars	(\$)	(₹)
Free on Board (FOB)	1000	70,000
Freight charges (Air) Actual 250\$ (1000 × 20%) 20% of FOB 200\$	200\$	14,000
Insurance (1000 × 1.25%)	11.25	787.5
(+) Inclusion		

Royalty charges	100	7000
Agent Comm ⁿ	88.54	6200
Packing charges	50	3500
Pre-inspection	20	1400
Design & Development o/s India	20	5600
	1549.29	108427.5
(+) Landing charges	-	-
ASSESSABLE VALUE →	1549.29	108427.5

NOTE: Design & Development charges paid inside India should be ignored.

Q. Calculate the Assessable Value for the purpose of Customs.

- FOB (machine) 10,000 \$
- Accessories supplied along with machine 8000 \$
- Freight 150 \$ (if not mention it is done through o/c)
- Insurance 700 \$
- Royalty & Licensing fee 500 \$
- Agent Commission 36,000 Rs.
- Primary & Secondary Packing 250 \$
- Design & Development charges paid outside India 150 \$
- " " " " within India 50,000 ^(ignored)
- Inspection charges before delivery of Goods 50 \$

The Exchange rate notified by RBI 75 Rs per \$

Inter banking closing rate on the date of payment

73 Rs per \$

The Exchange rate notified by CBEC 72 Rs per \$