

CUSTOM ACT

UNIT – IV

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INTRODUCTION

- Customs duty is a kind of indirect tax which is levied on goods of international trade. Duties levied in relation to imported goods are referred to as import duty and duties levied on the export goods are called export duty.
- Custom Duty is a duty or tax, which is levied by the Central Government on import of Goods into, and export of goods from India
- Also referred to in “Kautilya’s Arthashastra” as “Shulka”
- The government uses this duty to raise its revenues, safeguard domestic industries, and regulate movement of goods.
- Custom duty in India is defined under the Customs Act, 1962, and all matters related to it fall under the Central Board of Excise & Customs (CBEC).




INTRODUCTION

- The rate of Customs duty varies depending on where the goods were made and what they were made of;
- The basic structure of import and export tariffs in India include:
 1. Basics Customs Duty
 2. Additional Duty
 3. Special additional duty
 4. Education assessment or cess
 5. Other state level taxes
- . While revenue is a paramount consideration, Customs duties may also be levied to protect the domestic industry from foreign competition.



DEFINITIONS

- In this Act, unless the context otherwise requires,
 - "**adjudicating authority**" means any authority competent to pass any order or decision under this Act, but does not include the ³ [Board, Commissioner (Appeals)] or Appellate Tribunal;]
 - "aircraft" has the same meaning as in the Aircraft Act, 1934 (22 of 1934);]
 - "**Appellate Tribunal**" means the Customs, Excise and ⁴ [Service Tax] Appellate Tribunal constituted under section 129;]
 - "**assessment**" includes provisional assessment, self-assessment, re-assessment and any assessment in which the duty assessed is nil;]
 - "**baggage**" includes unaccompanied baggage but does not include motor vehicles;
 - "**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;]
 - "**bill of entry**" means a bill of entry referred to in section 46;
 - "**bill of export**" means a bill of export referred to in section 50;
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DEFINITIONS

- "**Board**" means the ⁷ [Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963)];
- "**coastal goods**" means goods, other than imported goods, transported in a vessel from one port in India to another;
- "**Commissioner (Appeals)**" means a person appointed to be a Commissioner of Customs (Appeals) under sub-section (1) of section 4;]
- [Principal Commissioner of Customs or Commissioner of Customs], except for the purposes of Chapter XV, includes an Additional Commissioner of Customs;]
- "**conveyance**" includes a vessel, an aircraft and a vehicle;
- "**customs airport**" means any airport appointed under clause (a) of section 7 to be a customs airport ¹¹[and includes a place appointed under clause (aa) of that section to be an air freight station];
- "**customs area**" means the area of a customs station ¹²[or a warehouse] and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities;



DEFINITIONS

- "**customs port**" means any port appointed under clause (a) of section 7 to be a customs port ¹³[, and includes a place appointed under clause (aa) of that section to be an inland container depot];
- "**customs station**" means any customs port, ¹⁴[customs airport, international courier terminal, foreign post office] or land customs station;
- "dutiable goods" means any goods which are chargeable to duty and on which duty has not been paid;
- "**duty**" means a duty of customs livable under this Act;
- "**entry**" in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes ¹⁵[* * *] the entry made under the regulations made under section 84;
- "**examination**", in relation to any goods, includes measurement and weighment thereof;
- "**export**", with its grammatical variations and cognate expressions, means taking out of India to a place outside India;
- "**export goods**" means any goods which are to be taken out of India to a place outside India;
- "**exporter**", in relation to any goods at any time between their entry for export and the time when they are exported, includes ¹⁶[any owner, beneficial owner] or any person holding himself out to be the exporter;



DEFINITIONS

- **"goods"** includes -
 - (a) vessels, aircrafts and vehicles;
 - (b) stores;
 - (c) baggage;
 - (d) currency and negotiable instruments; and
 - (e) any other kind of movable property;
- **"import"**, with its grammatical variations and cognate expressions, means bringing into India from a place outside India;
- **"import manifest"** or "import report" means the manifest or report required to be delivered under section 30;
- **"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;
- **"importer"**, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes ¹⁹[any owner, beneficial owner] or any person holding himself out to be the importer;
- **"India"** includes the territorial waters of India;
- There are also various other definitions but same is not considered above.



VALUATIONS UNDER CUSTOMS

S. No.	+ -	Particulars	Amount	Amount
A		Value of Material (Ex Factory)	xxx	
	+	Carriage, Freight and Insurance up to port of shipment in the exporters country	xxx	
	+	Carriage for loading n the ship at the shipping port in the exporter country	xxx	
		Free on Board (FOB)		xxx
B	+	Expenses if not included in the above transaction	xxx	
		Commission and Brokerage (Except buying Commission)	xxx	
		Cost of Packing (Except Durable and returnable Packing)	xxx	
		License Fees and Royalties	xxx	
		Cost of Engineering (Undertaken over wide India)	Xxx	
		Value of Material supplied by buyer free of cost	xxx	
		Value of subsequent re-sale if payable to foreign supplier	xxx	
		Barging and Ship demurrage charges	xxx	
		Free on Board FOB (10 2(1))		xxx

VALUATIONS UNDER CUSTOMS

S. No.	+ -	Particulars	Amount	Amount
C		Expenses (If not Specified) Rule 10 (2)		
		1. Cost of Freight (If not specified @ 20% of FOB value as per customs Rule as above)	Xxx	
		2. Insurance (If not specified @ 1.125% of FOB value as per customs Rule as above)	Xxx	
		Cost Insurance and Freight (Rule 10(2) (CIF) i.e. Assessable Value		xxx

Assessable Value of Imported Goods = FOB+Insurance+Freight+1% on CIF



OTHER TERMS

- **Transaction Value of Imported Goods:** In the Rule (3) of Customs Valuation Rules 1988, the **value** of any imported goods is said as the **Transaction value**. The term **Transaction value** means the sale price or the actual price of the goods which is for selling purposes. This is the primary method.
- **Transaction Value of Export Goods:** The **transaction value** means the **value of export goods** within the meaning of Sec. 14(1) of the Act (as discussed in the first Para). The **transaction value** shall be accepted even where the buyer and seller are related, provided that the relationship has not been influenced the price.
- **FOB Value :** FOB means Freight On Board or Free On Board. If terms of delivery of a transaction is on FOB means, the cost of movement of goods on board of Airlines or on board of ship is borne by the seller. Rest of all expenses to arrive the goods at buyer's premise has to be met by the buyer.
- **CIF Value:** The **CIF value** and Assessable **value** are the same. **CIF** (Cost, Insurance, Freight) **value** is the total **value** of “Invoice **value** + Insurance + Freight + Ex-work charges (If any)”. Note:- The above calculation is for **FOB & Ex-Work shipments**