

# Custom Duty

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# Introduction

**Definition:** ‘Customs Duty’ refers to the tax imposed on the goods when they are transported across the international borders. The objective behind levying customs duty is to safeguard each nation’s economy, jobs, environment, residents, etc., by regulating the movement of goods, especially prohibited and restrictive goods, in and out of any country. Customs Duty is a tax imposed on imports and exports of goods.

# Types of Custom Duties

Customs duties are charged almost universally on every good which are imported into a country. These are divided into:

- Basic Customs Duty (BCD)
- Countervailing Duty (CVD)
- Additional Customs Duty or Special CVD
- Protective Duty,
- Anti-dumping Duty
- Education Cess on Custom Duty

**Basic customs duty:** Basic customs duty is a type of duty or tax imposed under the Customs Act, 1962. The basic customs duty varies for different items and the Central government has the power to reduce or exempt any goods from the charges.

**Countervailing duty (CVD):** Countervailing Duty is also known as the additional duty. It is equal to the excise duty imposed on a product manufactured or produced in India. It is implemented under Section 3 (1) of the Indian Custom Tariff Act.

**Special CVD:** In order to equalise imports with local taxes which are imposed from time to time, a special countervailing duty is imposed on imported goods.

**Anti-Dumping duty:** Often companies in developed countries sell their goods at a lower rate in developing countries. This may be done to dispose off their excess goods or to damage the domestic economy. Hence, every government imposes an anti-dumping duty to ensure that the product being sold is not below the normal rate.

**Protective duties:** Whenever the Central government feels the need to protect the interests of Indian industry, it imposes protective customs duty at recommended rates as per Section 6 of Customs Tariff Act, 1975.

**GST Compensation Cess:** 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. In the GST regime, IGST will be levied on imports by virtue of sub - section (9) of Section 3 of the Customs Tariff Act, 1975.

# Merits of Custom Duty


- ❖ Earning Revenue to the government
- ❖ Protection to Domestic Industry
- ❖ Reducing deficit in balance of trade
- ❖ Control Smuggling
- ❖ Reducing Exports
- ❖ Saving Foreign Currency

# Demerits of Custom Duty


- ❖ Causes Inflation
- ❖ Increase black money and corruption
- ❖ Absence of quality goods
- ❖ Complex Procedure

# Reasons for Prohibition of Importation and Exportation of Goods

- The maintenance of the security of india;
- The maintenance of public order and standards of decency or morality;
- The prevention of smuggling;
- The prevention of shortage of goods of any description;
- The conservation of foreign exchange and the safeguarding of balance of payments;
- The prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
- The prevention of surplus of any agricultural product or the product of fisheries;
- The maintenance of standards for the classification, grading or marketing of goods in international trade;
- The establishment of any industry;

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- The prevention of serious injury to domestic production of goods of any description;
  - The protection of human, animal or plant life or health;
  - The protection of national treasures of artistic, historic or archaeological value;
  - The conservation of exhaustible natural resources;
  - The protection of patents, trade marks and copyrights;
  - The prevention of deceptive practices;
  - The carrying on of foreign trade in any goods by the state, or by a corporation owned or controlled by the state to the exclusion, complete or partial, of citizens of india;
  - The fulfilment of obligations under the charter of the united nations for the maintenance of international peace and security;



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- The implementation of any treaty, agreement or convention with any country;
  - The compliance of imported goods with any laws which are applicable to similar goods produced or manufactured in india;
  - The prevention of dissemination of documents containing any matter which is likely to prejudicially affect friendly relations with any foreign state or is derogatory to national prestige;
  - The prevention of the contravention of any law for the time being in force; and
  - Any other purpose conducive to the interests of the general public.

# LIST Of GOODS PROHIBITED TO EXPORT AND IMPORT

## I. Goods that are prohibited to export:

- 1.Arms, ammunition, explosive materials, military techniques equipment and effects.
- 2.Antiquities.
3. Drug of all kinds.
4. Toxic chemicals.
5. Wood logs, timber, preliminarily processed wood of all kinds, rattan materials.
6. Wild animals and precious and rare animals and plants.

## II. Goods that are prohibited to import.

1. Arms, ammunition, explosive materials, military techniques equipment and effects.
- 2 .Drug of all kinds.
3. Toxic chemicals.
4. Reactionary and depraved cultural products.
5. fireworks and children's toy that detrimentally influence personality education, social order and safety.
6. Cigarettes ( except personal quantitative luggage).
- 7.Used consumer goods ( including tailoring products, textile articles , automobile with fewer than 12 seats, two wheel and three - wheel vehicles with motor engine or without motor engine, electrical and electronic house hold appliances), except mobile p roperty and personal quantitative luggage. Some goods that may cause environmental damages and other disadvantages ( such as second hand spare parts, used tires, wastes, disposable materials etc.) are also classified as one that prohibited to import.
8. Automobiles and other self-moving vehicles with reverse - steering wheel (including detached components and spare parts) except some special types of vehicles and self moving transportation means subject to limited circulation.

## Statement Showing Computation of Assessable value for Imported Goods `

Value of Material (at ex-factory price)	XXXX
Carriage/freight/insurance up to the port (sea/air) of shipment in the exporter's country	XXXX
Charges for loading on to the ship at the shipping port in the exporter's country	XXXX
Free on Board (FOB)	XXXX

<b>Add:</b> If not included in the above [Rule 10(1)]	XXXX
Commission and brokerage (except buying commissions)	XXXX
Packing cost (except cost of durable and returnable packing)	XXXX
Cost of engineering, development and plan or sketches (Undertaken outside India)	XXXX
Royalties and license fee	XXXX
Value of subsequent re-sale if payable to foreign supplier	XXXX
Value of material supplied by the buyer free of cost	XXXX
FOB value as per the Customs	XXXX
Cost of freight if not specified @ 20% of FOB value as per Customs [Rule 10(2)]	XXXX
Ship demurrage charges on chartered vessels [Rule 10(2)]	XXXX
Lighterage or barge charges [Rule 10(2)]	XXXX
Insurance if not specified @1.125% of FOB value as per Customs [Rule 10(2)]	XXXX
<b>Cost, Insurance and Freight (CIF)/Assessable Value</b>	<b>XXXX</b>



Thank You