

## CUSTOMS DUTY- FINAL BCOM

### Import Valuation Rules (IVR 2007): -

**Inclusions in Customs Value:** - Rule 10 of the customs valuation (Imported goods) Rules, 2007 provides for various additions to be made to the price actually paid or payable for the imported goods to arrive at the transactional value which is the Assessable Value.

- 1) **Commission and brokerage**, except buying commission is includible in AV. Buying commission means fee paid by importer to his agent for the service of representing him abroad, in purchase of goods being valued. Commission paid to the local agent of the exporter is includible in AV. Service charges paid to canalizing agents have to be included in AV.
- 2) **The cost of containers**, which are treated as being one for customs purposes with the goods in question, is to be included in AV. However durable and reusable containers are not to be added to FOB price provided the importer agrees to re-export the same within six months.
- 3) **Cost of packing**, both labour and materials should be included in AV.
- 4) **Value of goods and services** supplied by buyer free of cost or at reduced cost for use in connection with production and export of goods is to be included in AV. The goods and services may be:
  - a) Materials, components, parts and similar items incorporated in the imported goods.
  - b) Tools, dies, moulds, and similar items used in production of imported goods.
  - c) Consumables used in production of imported goods.
  - d) Engineering, development, artwork, design work, and sketches undertaken by buyer which is necessary for production of imported goods is includible, **only if such work is undertaken outside India.**
- 5) **Royalty and license fee** paid by the buyer separately in relation to imported goods are includible in AV. Royalty may include payment in respect of patents, trademarks or copyrights. However, the following two charges shall not be included in AV:
  - a) **Charges for the right to reproduce the goods in India.**
  - b) **Charges for right to distribute or resale the imported goods.**
- 6) If any part of proceeds of subsequent re-sale of imported goods is payable to seller, its value should be included in AV.
- 7) All other payments made by the buyer to the seller or to a third party as a condition of sale should be included in AV.

8) Cost of transport of the imported goods from exporting country to place of importation is to be included in AV. In other words, CIF value is the basis for valuation.

If cost of transport is not ascertainable, it will be taken as 20% of FOB value of goods. Where the goods are imported by air, freight charges to be included in AV will be the actual freight charges paid or 20% of FOB price whichever is less.

However, where the FOB Value of goods is not ascertainable but the sum of FOB Value of the goods and the insurance cost is ascertainable; the cost of transport shall be 20% of such sum.

In case of goods imported by sea, stuffed in a container for clearance at an inland container depot or container freight station, the cost of freight for movement of container from the port of entry to the inland container depot or container freight station should not be included.

9) Insurance charges on goods are to be included in AV. If the insurance cost is not ascertainable. It will be calculated at 1.125% of FOB value of goods. However, where FOB Value of the goods is not ascertainable but the sum of FOB and the cost of transport are ascertainable, the insurance cost shall be 1.125% of such sum.

10) Landing charges: notification No. 91/2017- customs dated 26 September, 2017 has amended the customs valuation rules 2007, where in the value of imported goods has been amended to include the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation. Hence, from 26-09- 2017, separate landing charges is not applicable to arrive at the AV.

**Exclusions from Assessable Value:**

Note to rule 3 provides that following charges shall be excluded while computing AV:

- 1) Charges for construction, assembly, maintenance or technical assistance undertaken after importation of plant, machinery or equipment.
- 2) Cost of transport after importation.
- 3) Duties and taxes in India.
- 4) Other payments from buyer to seller that do not relate to imported goods.
- 5) Interest on deferred payment, if shown separately in the invoice.
- 6) Dividends and other payments from the buyer to the seller that do not relate to imported goods.

**Rate of exchange for valuation of goods: -**

Section 14 provides that valuation of goods should be done at the rate of exchange determined by central board of indirect taxes and customs (CBIC) prevailing on the date of presentation of **Bill of Entry** in case of imported goods and on the date of presentation of shipping bill or bill of export in case of export goods.

**Date for determination of rate of duty and tariff valuation of Imported goods: -**

- 1) Import by Aircraft: - The date of filing of Bill of Entry or the date of arrival of aircraft whichever is later.
- 2) Import by Vessel: - The date of filing of Bill of Entry or the date of Entry Inwards to the vessel whichever is later.

Computation of Assessable Value

|   |      |
|---|------|
| Price of the goods                                    | XXXX |
| (+) Inclusions: - Commission to the agent of exporter | XXXX |
| Cost of packing                                       | XXXX |
| Royalty and license                                   | XXXX |
| Material supplied by buyer free of cost               | XXXX |
| FOB Value (Free on board value)                       | XXXX |
| (+) Transport cost (20% of FOB)                       | XXXX |
| Insurance (1.125% of FOB)                             | XXXX |
| CIF Value (Cost+ Insurance+ Fright)                   | XXXX |
| Assessable Value in Indian ₹                          | XXXX |

Format for determination of Customs duty

|   |       |       |
|---|-------|-------|
| Assessable Value                                  | Xxx   |       |
| Add: BCD on AV                                    | Xxxx  | Xxxx  |
| Add: NCCD (if any) on (AV+BCD)                    | xxxx  | Xxxx  |
| Add: CVD (if any) on (AV+BCD+NCCD)                | Xxxx  | Xxxx  |
| Sub Total (A)                                     | Xxxx  | Xxxxx |
| Add: Social welfare surcharge @10% (BCD+NCCD+CVD) | Xxx   | Xxxx  |
| Add: Safe guard duty on AV                        | Xxxx  | Xxxx  |
| Protective duties on AV                           | Xxxx  | Xxxx  |
| Anti-dumping duty on AV                           | Xxxxx | Xxxx  |
| Sub Total (B)                                     | XXX   | XXX   |
| Add: IGST on subTotal (B)                         | Xxxx  | Xxxx  |
| Add : GST Compensation cess on sub Total (B)      | Xxxx  | Xxxx  |
| Total customs duty payable                        |       | XXXX  |
| Cost of import (AV+ TCDP)                         |       | XXXX  |

## Computation of customs duty

1.

| Particulars  | Amount    | Amount    |
|--|-----------|-----------|
| Assessable value   |           | 5,00,000  |
| BCD @10% on AV 5,00,000 @10%   | 50,000    |           |
| SWS@10% on BCD 50,000@10%  | 5,000     |           |
| IGST@18% on AV+BCD+SWS<br>(5,00,000+50,000+5000)5,55,000@18%                     | 99,900    |           |
| Total customs duty   | 1,54,900  | 1,54,900  |
| Total cost (AV+TCD)  |           | 6,54,900  |
| 2. Assessable value  |           | 33,00,000 |
| BCD@10% on AV 33,00,000@10%  | 3,30,000  |           |
| SWS@10% on<br>BCD@10%3,30,000@10%  | 33,000    |           |
| Anti-dumping duty@10% on AV<br>33,00,000@10%                                     | 3,30,000  |           |
| IGST@18%<br>(AV+BCD+SWS+ADD)33,00,000+3,30,000+33,000+3,30,000)<br>39,93,000@18% | 7,18,740  |           |
| TCD  | 14,11,740 | 14,11,740 |
| 3. Assessable Value  |           | 10,00,000 |
| BCD @10% on AV   | 1,00,000  |           |
| SWS@10% on BCD   | 10,000    |           |
| Safe guard duty @15% on AV   | 1,50,000  |           |

|  |          |           |
|--|----------|-----------|
| IGST@12% (AV+BCD+SWS+SGD)                  | 1,51,200 |           |
| GST Compensation cess@28% (AV+BCD+SWS+SGD) | 3,52,800 |           |
| Total customs duty                         | 7,64,000 | 7,64,000  |
| 4. Assessable value                        |          | 5,00,000  |
| BCD@10% on AV                              | 50,000   |           |
| SWS@10% BCD                                | 5000     |           |
| Anti-dumping duty 1000 x 100 Rs            | 1,00,000 |           |
| IGST@18% (AV+BCD+SWS+ADD)                  | 1,17,900 |           |
| Total customs duty                         | 2,72,900 | 2,72,900  |
| Cost of import (AV+ TCD)                   |          | 7,72,900  |
| 5. Assessable value                        |          | 10,00,000 |
| BCD@10% on AV                              | 1,00,000 |           |
| SWS@10% on BCD                             | 10,000   |           |
| Safeguard duty @25% on AV                  | 2,50,000 |           |
| Anti-dumping duty 10,000kg x Rs 10         | 1,00,000 |           |
| IGST@12% (AV+BCD+SWS+SD+ADD)               | 1,75,200 |           |
| Total customs duty                         | 6,35,200 | 6,35,200  |
| Cost of import (AV+TCD)                    |          | 16,35,200 |
| 6. Assessable value                        |          | 20,00,000 |
| BCD@10% on AV                              | 2,00,000 |           |

|  |           |           |
|--|-----------|-----------|
| SWS@10% on BCD                                       | 20,000    |           |
| Safeguard duty @20% on AV                            | 4,00,000  |           |
| IGST@18% (AV+BCD+SWS+SGD)                            | 4,71,600  |           |
| Total customs duty                                   | 10,91,600 | 10,91,600 |
| Cost of import (AV+TCD)                              |           | 30,91,600 |
| 7. Assessable value                                  |           | 10,000    |
| <u>BCD@37.5%</u> On AV                               | 3750      |           |
| NCCD@1% on AV+BCD                                    | 138       |           |
| <u>CVD@12.5%</u> on AV+BCD+NCCD                      | 1736      |           |
| SWS@10% on BCD+NCCD+CVD                              | 562       |           |
| IGST@28% on AV+BCD+NCCD+CVD+SWS                      | 4532      |           |
| GST compensation cess @60% on AV+BCD+SWS+NCCD+CVD    | 9712      |           |
| Total customs duty                                   | 20430     | 20,430    |
| 8. Assessable Value                                  |           | 2,50,000  |
| BCD@30% on AV  | 75,000    |           |
| NCCD@10% AV+BCD                                      | 32,500    |           |
| CVD@12% on AV+BCD+NCCD                               | 42,900    |           |
| SWS@10% on BCD+NCCD+CVD                              | 15,040    |           |
| Anti-dumping duty@15% on AV                          | 37,500    |           |
| IGST@28% on AV+BCD+NCCD+CVD+SWS+ADD                  | 1,26,823  |           |
| GST compensation cess@60% on AV+BCD+NCCD+CVD+SWS+ADD | 2,71,764  |           |
| Total customs duty                                   | 6,01,527  | 6,01,527  |
| Cost of import (AV+TCD)                              |           | 8,51,527  |
|  |           |           |

09. Computation of assessable value and customs duty.

Exchange rate 1\$= ₹ 65.

| Particulars                               | \$        | ₹         |
|---|-----------|-----------|
| Cost of machine                           | 40,000    | 26,00,000 |
| (+) packing charges                       | 500       | 32,500    |
| Commission to broker @5% on cost          | 2,000     | 1,30,000  |
| Design and development charges            | 4,000     | 2,60,000  |
| Technical fees                            | 5,000     | 3,25,000  |
| Material supplied by importer             | -         | 1,50,000  |
| FOB Value                                 |           | 34,97,500 |
| + Sea freight                             | 4,000     | 2,60,000  |
| Insurance                                 | 3,000     | 1,95,000  |
| CIF Value (cost+ insurance freight)       |           | 39,52,500 |
| Assessable value                          |           | 39,52,500 |
| <u>BCD@12.5%</u> on AV                    | 4,94,062  |           |
| SWS@10% on BCD                            | 49,406    |           |
| Safeguard duty @10% on AV                 | 3,95,250  |           |
| IGST@12%<br>(AV+BCD+SWS+SGD)              | 5,86,946  |           |
| Compensation cess@25%<br>(AV+BCD+SWS+SGD) | 12,22,805 |           |
| Total customs duty                        | 27,48,469 | 27,48,469 |
| Cost of import (AV+ TCD)                  |           | 67,00,969 |
| 10. Exchange rate 1EURO= ₹ 74.            |           |           |
|   | EURO      | ₹         |
| Cost of machine                           | 25,000    | 18,50,000 |
| (+) goods supplied by importer            | -         | 1,00,000  |
| Design and development charges            | 5,000     | 3,70,000  |
| Packing charges                           | 500       | 37,000    |

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| FOB Value                             |           | 23,57,000 |
| (+) transportation charges            | 1,000     | 74,000    |
| Insurance                             | 500       | 37,000    |
| CIF Value                             |           | 24,68,000 |
| Assessable value                      |           | 24,68,000 |
| <u>BCD@12.5%</u> on AV                | 3,08,500  |           |
| SWS@10% on BCD                        | 30,850    |           |
| IGST@28% (AV+BCD+SWS)                 | 7,86,058  |           |
| Compensation cess@20%<br>(AV+BCD+SWS) | 5,61,470  |           |
| Total customs duty                    | 16,86,878 | 16,86,878 |
| Cost of import (AV+TCD)               |           | 41,54,878 |
| 11. Exchange rate 1 euro= ₹ 82        | EURO      | ₹         |
| Cost of machine                       | 10,000    | 8,20,000  |
| (+) cost of container                 | 200       | 16,400    |
| Technology transfer                   | 1,000     | 82,000    |
| FOB Value                             | 11,200    | 9,18,400  |
| (+) sea freight                       | 1,500     | 1,23,000  |
| Insurance                             | -         | 10,000    |
| CIF Value                             | -         | 10,51,400 |
| Assessable value                      | -         | 10,51,400 |
| BCD@10% on AV                         | 1,05,140  |           |
| SWS@10% on BCD                        | 10,514    |           |
| IGST@28% (AV+BCD+SWS)                 | 3,26,775  |           |
| Total customs duty                    | 4,42,429  | 4,42,429  |
| Cost of import (AV+TCD)               |           | 14,93,829 |
| 12. Exchange rate 1 USD= ₹ 65         | USD       | ₹         |
| Cost of machine                       | 40,000    | 26,00,000 |
| (+) cost of spare parts               | 300       | 19,500    |
| Packing charges                       | 250       | 16,250    |
| License charges                       | 5000      | 3,25,000  |
| Commission to agent                   | 400       | 26,000    |



|  |          |           |
|--|----------|-----------|
| FOB Value  | 45,950   | 29,86,750 |
| (+) Air freight 600 USD or 20%<br>FOB 45,950 USD X 20% 9190<br>USD | 600      | 39,000    |
| Insurance  |          | 40,000    |
| CIF Value  |          | 30,65,750 |
| Assessable value   |          | 30,65,750 |
| BCD@10% on AV  | 3,06,575 |           |
| SWS@10% on BCD   | 30,658   |           |
| IGST@18% (AV+BCD+SWS)  | 6,12,537 |           |
| Total customs duty   | 9,49,770 | 9,49,770  |
| Cost of import (AV+TCD)  |          | 40,15,520 |
|  |          |           |

### Computation of Assessable value and customs duty

|  |          |          |
|--|----------|----------|
| 13. Exchange rate 1USD = ₹ 64  | Compute  |          |
|  | rs       |          |
| Particulars  | \$       | ₹        |
| Price of computer 10 x 500\$   | 5,000    | 3,20,000 |
| (+) packing charges 10 x \$10  | 100      | 6,400    |
| Commission paid  | 175      | 11,200   |
| FOB Value  | 5,275    | 3,37,600 |
| (+) transportation cost 500\$ or 20%<br>FOB WHICHEVER IS LESS 1055\$<br>Or 500\$ | 500      | 32,000   |
| Insurance  | 500      | 32,000   |
| CIF Value  | 6,275    | 4,01,600 |
| Assessable value   | 6,275    | 4,01,600 |
| <u>BCD@12.5%</u> on AV   | 50,200   |          |
| SWS@10% on BCD   | 5,020    |          |
| IGST@18% (AV+BCD+SWS)  | 82,228   |          |
| Total customs duty   | 1,37,448 | 1,37,448 |

|  |          |             |
|--|----------|-------------|
| Cost of import (AV+TCD)                    |          | 5,39,048    |
| Exchange rate 1 euro= ₹ 74 PRINTER         | Euro     | ₹           |
| Price of the printer                       | 5,000    | 3,70,000    |
| (+) packing charges                        | 100      | 7,400       |
| Commission                                 | 125      | 9,250       |
| FOB Value                                  | 5,225    | 3,86,650    |
| (+) transportation                         | 250      | 18,500      |
| Insurance                                  | 150      | 11,100      |
| CIF Value                                  | 5,625    | 4,16,250    |
| Assessable value                           | 5,625    | 4,16,250    |
| <u>BCD@12.5%</u> on AV                     | 52,031   |             |
| SWS @10% on BCD                            | 5,203    |             |
| IGST@18% (AV+BCD+SWS)                      | 85,227   |             |
| Total customs duty                         | 1,42,461 | 1,42,461    |
| Cost of import (AV+TCD)                    |          | 5,58,711    |
| 14 Exchange rate 1\$= 43.55                | \$       | ₹           |
| CIF Value                                  | 10,000   | 4,35,500    |
| (-) freight 3200\$                         |          |             |
| Insurance 350\$                            | 3550     | 1,54,602.50 |
| FOB Value                                  | 6,450    | 2,80,897.50 |
| (+)Freight 3200 \$ or 20% of FOB<br>1290\$ | 1290     | 56,179.50   |
| Insurance                                  | 350      | 15,242.50   |
| CIF Value                                  | 8090     | 3,52,320    |
| AV   | 8090     | 3,52,320    |
| 15.exchange rate 1\$= ₹ 64                 | \$       | ₹           |
| Cost of machine                            | 10,000   | 6,40,000    |
| (+) cost of material supplied              | 1,000    | 64,000      |
| Design and dev incurred outside<br>india   | 500      | 32,000      |

|  |          |          |
|--|----------|----------|
| Cost of material and labour                      | 50       | 3,200    |
| Cost of transport upto exporter port             | 30       | 1,920    |
| FOB Value  | 11,580   | 7,41,120 |
| (+) commission @2% on FOB                        |          | 14,822   |
| Freight  | 200      | 12,800   |
| Insurance  | 50       | 3,200    |
| CIF Value  |          | 7,71,942 |
| Assessable value                                 |          | 7,71,942 |
| BCD@15% on AV                                    | 1,15,791 |          |
| SWS@10% on BCD                                   | 11,579   |          |
| IGST@12% (AV+BCD+SWS)                            | 1,07,917 |          |
| Compensation cess@20%<br>(AV+BCD+SWS)            | 1,79,862 |          |
| Total customs duty                               | 4,15,149 | 4,15,149 |
| Cost of import (AV+TCD)                          |          | 11,87,09 |
| 16. Exchange rate= 1\$= ₹ 60                     | \$       | ₹        |
| Cost of the goods                                | 2,000    | 1,20,000 |
| (+) design and dev exp incurred<br>outside India | 200      | 12,000   |
| Royalty paid                                     | 50       | 3,000    |
| Primary and secondary packing                    | 50       | 3,000    |
| Labour charges for packing                       | 30       | 1,800    |
| Further design cost at importer<br>request       | 20       | 1,200    |
| FOB Value  | 2350     | 1,41,000 |
| (+) commission @2% FOB                           |          | 2,820    |
| Fright 20% on FOB                                |          | 28,200   |
| Insurance 1.125% on FOB                          |          | 1586     |
| CIF Value  |          | 1,73,606 |

|   |          |               |
|---|----------|---------------|
| Assessable value  |          | 1,73,606      |
| BCD@15% on AV   | 26,041   |               |
| NCCD@1% on AV+BCD   | 1,996    |               |
| CVD@12% (AV+BCD+NCCD)                                       | 24,197   |               |
| SWS@10% (BCD+NCCD+CVD)                                      | 5223     |               |
| Safeguard duty @15% on AV                                   | 26,041   |               |
| Ant-dumping duty @25% on AV                                 | 43,402   |               |
| IGST@28%(<br>AV+BCD+NCCD+CVD+SWS+SGD<br>+ADD)               | 84,142   |               |
| Compensation cess @40%<br>(AV+BCD+NCCD+CVD+SWS+SGD<br>+ADD) | 1,20,202 |               |
| Total customs duty  | 3,31,244 | 3,31,244      |
| Cost of import (AV+TCD)                                     |          | 5,04,850      |
| 17. FOB Value   |          | 1,00,000      |
| (+) transport cost  | 20,000   |               |
| Insurance 1.125% of fob                                     | 1,125    | 21,125        |
| CIF Value   |          | 1,21,125      |
| AV  |          | 1,21,125      |
| BCD@10% on AV   | 12,113   |               |
| SWS@10% on BCD  | 1211     |               |
| CVD on subsidized goods                                     | 30,000   |               |
| IGST@18% (AV+BCD+SWS+CVD)                                   | 29,601   |               |
| TCD   | 72,925   | 72,925        |
| Cost of import (AV+TCD)                                     |          | 1,94,050      |
| 18. Exchange rate 1\$= ₹50                                  | \$       | ₹             |
| Cost of imported goods                                      | 20,000   | 10,00,00<br>0 |
| (+) packing charges   | 3,000    | 1,50,000      |
| Design and dev  | 500      | 25,000        |
| Commission paid   | -        | 10,000        |

|  |           |           |
|--|-----------|-----------|
| Transportation cost from exporter factory to port                    | 200       | 10,000    |
| Goods supplied by importer   |           | 1,00,000  |
| FOB Value  |           | 12,95,000 |
| Freight $6000\$ \times 50 = 3,00,000$ or 20% of fob 2,59,000 is less |           | 2,59,000  |
| Insurance 1.125% of fob  |           | 14,569    |
| CIF Value  |           | 15,68,569 |
| AV   |           | 15,68,569 |
| BCD@10% on AV  | 1,56,857  |           |
| CVD@16% on (AV+BCD)  | 2,76,068  |           |
| SWS@10% (BCD+CVD)  | 43,293    |           |
| Safeguard duty @30% on AV  | 4,70,571  |           |
| Anti-dumping duty @40% on AV   | 6,27,428  |           |
| IGST@28%<br>(AV+BCD+CVD+SWS+SGD+ADD)                                 | 8,79,980  |           |
| Compensation cess@30%<br>(AV+BCD+CVD+SWS+SGD+ADD)                    | 9,42,836  |           |
| Customs duty   | 33,97,033 | 33,97,033 |
| Cost of Import(AV+TCD)   |           | 49,65,602 |
| 19. Exchange rate 1\$= ₹ 67  | \$        | ₹         |
| Price of computer  | 50,000    | 33,50,000 |
| (+) packing charges  | 5,000     | 3,35,000  |
| Commission   | 500       | 33,500    |
| Royalty to IBM Japan   | 2,000     | 1,34,000  |

|   |          |           |
|---|----------|-----------|
| Design and development outside India                      | 3,000    | 2,01,000  |
| FOB Value   |          | 40,53,500 |
| (+) transportation 20% of FOB                             |          | 8,10,700  |
| Insurance 1.125% of FOB                                   |          | 45,602    |
| CIF Value   |          | 49,09,802 |
| AV of goods   |          | 49,09,802 |
| 21. Exchange rate 1\$= ₹ 60                               | \$       | ₹         |
| Cost of machine   | 20,000   | 12,00,000 |
| (+) transport charges from factory of exporter to port    | 800      | 48,000    |
| Handling charges paid for loading the machine in the ship | 50       | 3,000     |
| Loading , unloading and handling charges (1100-100)       | 1000     | 60,000    |
| FOB Value   | 21,850   | 13,11,000 |
| (+) lighterage charges                                    | 300      | 18,000    |
| Ship demurrage charges                                    | 300      | 18,000    |
| Transportation cost                                       | 4,000    | 2,40,000  |
| Insurance @1.125% of fob<br>13,11,000                     |          | 14,749    |
| CIF Value   |          | 16,01,749 |
| AV of goods   |          | 16,01,749 |
| BCD@10% on AV   | 1,60,175 |           |
| SWS@10% on BCD  | 16,018   |           |

|                                       |          |           |
|---------------------------------------|----------|-----------|
| IGST@12% (AV+BCD+SWS)                 | 2,13,353 |           |
| Compensation cess@10%<br>(AV+BCD+SWS) | 1,77,794 |           |
| Total customs duty                    | 5,67,340 | 5,67,340  |
| Cost of import (AV+TCD)               |          | 21,69,089 |