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MASTER QUESTIONS

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(RANK-WALI PREPARATION)

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About this File

This file contains a curated set of all major practical questions from the Customs chapter, covering full exam scope including valuation, baggage, duty computation, and special cases.

It is designed for quick revision and last-minute practice. However, it is strongly advisable to also refer to your main compiler once for:

- ***Full theory questions***
- ***Better conceptual clarity***
- ***ICAI exam-style presentation***

Also, the complete video explanation of this file is available on our YouTube channel — CA Mayank Trivedi

Make sure to watch it for better retention and strategic understanding!

CHAPTER 1 – VALUATION & ASSESSMENT

Master Q1. – Ex factory Case 1

MT Ltd., an Indian importer, imported a machine. You are required to compute the following for both cases: (a) Assessable Value (b) Total Customs Duty Payable

Particulars	Amount
Cost of the machine at the factory of exporter (USA)	US $ 8,800
Transport charges from the factory of exporter to the port for shipment	US $ 1,500
Handling charges paid for loading the machine in the ship	US $ 250
Freight charges from USA to Indian port	US $ 1,000
Buying commission paid by MT Ltd.	US $ 432
Commission paid to local agent of exporter in India	Rs. 1,25,000
Lighterage charges paid at Indian port of importation	Rs. 20,000
Designing charges paid to a consultancy firm in New Delhi	Rs. 8,00,000
Ship demurrage charges paid on chartered vessel	Rs. 40,000
Date of Bill of Entry filed by MT Ltd.	02.09.2024
Date of Entry Inwards of the vessel	01.09.2024
Exchange rate notified by CBIC on 02.09.2024	₹ 68 per USD
Exchange rate notified by CBIC on 01.09.2024	₹ 64 per USD
Exchange rate notified by RBI on 02.09.2024	₹ 69 per USD
Exchange rate notified by RBI on 01.09.2024	₹ 74 per USD
Basic Customs Duty rate on 02.09.2024	10%
Basic Customs Duty rate on 01.09.2024	14%
IGST rate u/s 3(7) of Customs Tariff Act	12%
Social Welfare Surcharge	10% of BCD

ANSWER:-

Master Q1. – Ex factory Case 2

MT Ltd. imported a machine from the U.K. by air. The following details are provided: You are required to compute Assessable Value

Particulars	Amount
Contract price of the machine	₹ 1,00,000
Revised price as per renegotiation	₹ 2,00,000
Final price agreed and paid	₹ 1,50,000
Freight from factory to airport in U.K.	₹ 20,000
Loading & handling at U.K. airport	₹ 5,000
Air freight from U.K. to India	₹ 3,00,000
Engineering & design charges paid to U.K. firm	£ 500
License fee payable as condition of sale	20% of machine price
Material & components supplied free of cost by MT Ltd. in India	₹ 20,000
Insurance paid in India	₹ 6,000
Buying commission paid to agent in U.K.	£ 100
Commission paid to local agent of exporter	₹ 1,000
Demurrage paid at Indian airport	₹ 30,000
Vendor inspection charges (not required under contract)	₹ 8,000
Freight from Indian airport to Inland Container Depot	₹ 60,000
Exchange Rate notified by CBIC	₹ 100 per £

ANSWER:-

Question No. 3. ***Rule 4***

A consignment of 800 metric tons of edible oil Malaysian origins was imported by a charitable organization in India for free distribution to below poverty line citizens in a backward area under the scheme designed by the Food and Agriculture Organization. This being a special transaction, a nominal price of US dollar 10 metric tons was charged for the consignment to cover the freight and insurance charges. The customs house found out that at or about the time of importation of this gift consignment there were following imports of edible oil of Malaysian origin:

Quantity imported in metric tons	Unit price in US $ (CIF)
20	260
100	220
500	200
900	175
400	180
780	160

The rate of exchange on the relevant date was 1 US $ = ₹ 60 and the rate of basic custom duty was 10% ad valorem. There is no countervailing duty or special additional duty. Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 was appropriate assumptions and explanations where required. (RTP Nov 2011)

ANSWER:-

Quantity (MT)	Unit Price (USD)	Considered?	Reason
20	260	✗	Not substantially same quantity
100	220	✗	Not substantially same quantity
500	200	☑	Included
900	175	☑	Included
400	180	☑	Included
780	160	☑	Included

AV = 800 MT × $160 × ₹60 = ₹ 76,80,000
Basic Customs Duty (10%) = ₹ 7,68,000
Social Welfare Surcharge @10% of BCD = ₹ 76,800
Total Customs Duty = ₹ 8,44,800

Question No. 4. ***Computation of export duty :***

Compute export duty from the following data:

(i) FOB price of goods: US $ 1,00,000.

(ii) Shipping bill presented electronically on 26-02-20XX.

(iii) Proper officer passed order permitting clearance and loading of goods for export on 04-03-20XX.

(iv) Rate of exchange and rate of export duty are as under:

	Rate of Exchange	Rate of Export Duty
On 26-02-20XX	**1 US $ = ₹ 68**	**10%**
On 04-03-20XX	**1 US $ = ₹ 70**	**8%**

(v) Rate of exchange is notified for export by Central Board of Indirect Taxes.

(Make suitable assumptions wherever required and show the workings.) (Nov. 2013)

ANSWER:-

Computation of export duty is as under –

FOB price of goods US $ 1,00,000	US $ 1,00,000
Rate of exchange and rate of export duty are as under [WN-l]	1 US $ = ₹ 68
FOB price of goods (In Indian Rupees)	68,00,000
Export duty rate [WN-2]	8%
Total Export duty payable (No SWS is leviable on export duty)	5,44,000

Working Notes:

1) As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange notified by the CBIC on the date of presentation of shipping bill of export. As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange notified by the CBIC on the date of presentation of shipping bill of export.
2) As per section 16(1) (a) of the Customs Act, 1962, in case of goods entered for export, the rate of duty prevalent on the date on which the proper officer makes an order permitting clearance and loading of the goods for exportation, is considered.

Question No. 4. ***Computation of safeguard duty :***

Determine the customs duty payable under the Customs Tariff Act, 1975 including the safeguard duty of 30% under section 8B of the said Act with the following details available on hand:

Assessable value of Sodium Nitrite imported from a developing country from 26th February, 20XX to 25th February, 20XX (both days inclusive) Rs. 30,00,000

- **Share of imports of Sodium Nitrite from the developing country against total imports of Sodium Nitrite to India 4%**
- **Basic custom duty 10%**
- **Integrated tax 12%**
- **Social welfare surcharge 10%**

Note: Ignore GST compensation cess. (MTP Oct '20) (SM)

ANSWER:-

Computation of customs duty and integrated tax payable thereon

Particular	Amount (Rs.)
Assessable value of sodium nitrite imported	30,00,000
Add: Basic custom duty @ 10% (Rs. 30,00,000 × 10%)	3,00,000
Safeguard duty @ 30% on Rs. 30,00,000 [Safeguard duty is imposable in the given	9,00,000

case since share of imports of sodium nitrite from the developing country is more than 3% of the total imports of sodium nitrite into India (Proviso to section 8B(1) of the Customs Tariff Act, 1975)]	
Social welfare surcharge @ 10% x Rs. 3,00,000	30,000
Total	42,30,000
Integrated tax (Rs. 42,30,000 × 12%) [Note]	5,07,600
Total customs duty payable (Rs. 3,00,000 + Rs. 9,00,000+ Rs. 30,000+ Rs. 5,07,600)	17,37,600

Question No. 5. ***Anti-dumping duty***

- **M/s. PCB Limited has imported printed circuit boards for sale in India from Country X, which are liable for anti-dumping duty. You are provided with the following details.**
- **Country X does not sell these goods in its Domestic market. However, it exports the same printed circuit at USD 200 per piece to another third country.**
- **The printed circuit board is sold in domestic Industry @ USD 175 per piece.**
- **PCB Limited has imported the printed circuit boards at USD 100 per piece.**
- **Landed value of the printed circuit boards is USD 125 per piece.**
- **Compute the Anti-dumping duty payable by M/s. PCB Limited for 1,000 pieces of printed circuit boards it has imported during the year assuming conversion rate @ ₹ 75 per USD. (Nov. 2020)**

ANSWER:-

Anti-dumping duty is lower of —

(i) Margin of dumping; or

(ii) Injury margin.

- Margin of dumping: In relation to an article, it means the difference between its export price and normal value.
- Export price: In relation to an article, means the price of an article exported from the exporting country or territory in this case it is US $ 100 per piece.
- Normal Value: Since there are no sales in domestic market in the country of exportation, normal value shall be Comparable representative price of the like article when exported from the exporting country or territory or an appropriate third country as determined in accordance with the rules made thereunder. In this case the normal value shall be US $ 200 per piece. Hence, margin of dumping is US $ 100 per piece i.e. [Normal value (US $ 200) - Export price (US$100)].
- Injury margin is the margin adequate to remove the injury to the domestic industry. It is the difference between the Fair Selling Price [Non-Injurious Price (NIP)] due to the Domestic Industry and the Landed Value of the dumped imports. In this case the injury margin is US $ 50 i.e., [Fair selling price (US $ 175) - Landed value (US $ 125)].
- Hence anti-dumping duty shall be lower of -
  (i) margin of dumping i.e. US $ 100 or
  (ii) injury margin i.e. US $ 50. The total amount of anti-dumping duty to be levied = 1000 x US $ 50 x ₹ 75 = ₹ 3,750,000.

Question No. 6. ***Interest in case of provisional assessment u/s 18***

Moris Lal has imported goods from Germany and is finally re-assessed u/s 18(2) of the Customs Act, 1962 for two such consignments. Particulars are as follows:

Date of provisional assessment	**12th December, 20XX**
Date of final re-assessment	**2nd February, 20XX**
Duty Demand for 1st consignment	**₹ 1,80,000**
Refund for the 2nd consignment	**₹ 4,20,000**
Date of refund made by the department	**28th April, 20XX**
Date of payment of duty demanded	**5th February, 20XX**

Determine the interest payable and receivable, if any, by Moris Lal on the final re-assessment of the two consignments, with suitable notes thereon. (May 2018)

ANSWER:-

- As per section 18(3) of the Customs Act, 1962, an importer is liable to pay interest at the rate of 15% p.a. (Notification No. 33/2016), on any amount payable consequent to the re-assessment order from the first day of the month in which the duty is provisionally assessed till the date of payment.
- Therefore, in the given case, Moris Lal is liable to pay following interest in respect of 1st consignment:
  = Rs. 1,80,000 × 15% × 67/365 = Rs. 4,956 (rounded off)
- If any amount refundable consequent to the re-assessment order is not refunded within 3 months from date of re-assessment of duty, interest is payable to importer on unrefunded amount at the specified rate till the date of refund of such amount in terms of section 18(4) of the Customs Act, 1962.
- Since in the given case, refund has been made (28.04.20XX) within 3 months from the date of re-assessment of duty (02.02.20XX), interest is not payable to Moris Lal on duty refunded in respect of 2nd consignment.

CHAPTER 2 – BAGGAGE

Master Q1.

Mrs. MT, a person of Indian origin, aged 25 years came to India from solo trip, after 1 year:

Item	**Value (₹)**
Personal effects	**₹ 70,000**
Used personal effects of Infant	**₹ 30,000**
Laptop	**₹ 65,000**
Travel souvenirs	**₹ 25,000**
3 liter wine	**₹ 15,000**
LCD T.V.	**₹ 40,000**
Jewellery (38 gms)	**₹ 1,10,000**

Item	Value (₹)
120 sticks of cigarettes (@ ₹100)	₹ 12,000
Firearm with 100 cartridges (@ ₹500 each)	₹ 1,00,000

ANSWER:-

Question No. 2. ***Rule 6***

Varun Goyal, an IT professional and a person of Indian origin, is residing in USA for the last 14 months. He wishes to bring a used microwave oven (costing approximately ₹ 1,85,500/- and weighing 15 kg) with him during his permanent return to India. He purchased the oven in USA 6 months before and he has been using that oven for his personal use in his kitchen. He is not aware of Indian customs rules.

Analyses and summarize the related legal provision of the Baggage Rules, 2016 and provide him with some advice in this regard. Relevant legal provisions should form part of your answer. (EXAM MAY-24)

ANSWER : -

- A person, who is engaged in a profession abroad shall, on return after a minimum stay of 1 year during the preceding 2 years, be allowed clearance free of duty, inter alia, personal and household articles, including specified articles upto an aggregate value of ₹ 2,00,000.
- One of such specified articles is Microwave oven. However, the Indian passenger should not have availed this concession in the preceding 3 years.
- Thus, Varun Goyal can bring Microwave oven duty free provided he had not availed this concession in the preceding 3 years.

CHAPTER 3 – CONCESSION UNDER CUSTOM

Question No. 1. ***Section 20***

Dhruvtaara Enterprises imported a machine from Japan in January for ₹ 48.75 lakh. However, the machine was exported back in June for repairs. The supplier had agreed to carry out the repairs as the machine was still in warranty period. The fair cost of the repairs would cost ₹ 8.90 lakh. Since repair process was expected to take a time of 6 months, Dhruvtaara Enterprises requested the supplier to provide it another machine so that it could carry out its operations without hindrance in the meantime. Acceding to the request, the supplier provided it with another machine which was imported in a vessel during October. The value of the new machine (FOB value) was ₹ 49.50 lakh. Freight charges incurred from load port to port of importation were ₹ 1.80 lakh. You are required to compute the assessable value and total duty payable on the replaced machine received by Dhruvtaara Enterprises.

Note – Rates of customs duty is 10% and IGST is 12%. Social Welfare Surcharge to be taken at 10%. Ignore GST compensation cess and agriculture infrastructure and development cess. (RTP May 22)

ANSWER:-

As per Notification No. 45/2017, duty payable on re-importation of goods which had been exported for repairs abroad is the duty of customs which would be leviable if the value of re- imported goods after repairs were made up of the fair cost of repairs carried out including cost of materials used in repairs (whether such costs are actually incurred or not), insurance and freight charges, both ways. However, following conditions need to be satisfied for availing this concession:

- goods must be re-imported within 3 years, extendable by further 2 years, after their exportation;
- exported goods and the re-imported goods must be the same;
- ownership of the goods should not change.

However, above special provisions relating to payment of concessional duty in case of re-importation of goods exported for repairs are not applicable in the given case as the goods exported for repairs and the re-imported goods are not the same. Therefore, full customs duty will be payable on the machine received as replacement.

Computation of assessable value and total duty payable

Particulars	Amount (₹)
Value of new machine (FOB)	49,50,000.00
Add: Freight charges	1,80,000.00
Insurance charges @ 1.125% of FOB [₹ 49,50,000 × 1.125%] [Insurance charges have been included @ 1.125% of FOB value since actual charges are not ascertainable]	55,687.50
Assessable Value	51,85,687.50
Add: Basic customs duty @ 10% of ₹ 51,85,687.50 (rounded off) (A)	5,18,569
Social welfare surcharge @ 10% of ₹ 5,18,569 (rounded off) (B)	51,857
Total	57,56,113.50

Add: Integrated tax @ 12% of ₹ 57,56,113.50 (rounded off) (C)	6,90,734
Total duty payable [(A) +(B) + (C)] (rounded off)	12,61,160

Question No. 2. ***Re-import of goods after repairs***

- **M/s. Great Year Ltd., imported a offset printing machine from Germany for ₹ 5.00 Crores and the bill of entry for home consumption was cleared in October, 20XX on payment of duty. However, due to certain technical glitches the said machine could not be started functioning and the said machine was sent-back to the supplier for repairs in November, 20XX. The manufacturer of machinery in Germany had made necessary repairs and had sent back the machine again to M/s. Great Year Ltd.**
- **Accordingly, M/s. Great Year Ltd. re-imported the machine without any re-manufacturing or re-processing in March 20XX. Since the machine was having manufacturer without charging any amount for the repairs. However, the fair cost of repairs carried out including cost of material consumed during repairs for ₹ 70 lakh, would have been ₹ 90 lakh. Actual insurance and freight charges incurred were ₹ 7.5 lakh each side from India to Germany and from Germany to India. Assume the rate of basic customs duty is 10% social welfare surcharge is 10% and integrated tax is 18%.**
- **You are required to Compute the amount of customs duty payable (if any) on re-importation of the machine. Make the necessary assumptions, if required. Also, provide the exemption, if any, with regard to re-importation of goods which had been exported for repairs abroad. (Jan. 2021) (RTP MAY 24)**

ANSWER:-

Where the goods were originally exported for repairs, the duty on re-importation is restricted to the fair cost of repairs including cost of materials used in repairs whether such costs are actually incurred or not, insurance and freight charges, both ways done abroad.

The above concession is given subject to the condition that:

(a) the re-importation is done within 3 years or 5 years if time is extended.

(b) the exported goods and re-imported goods must be the same.

(c) Ownership of the goods should not change.

Since all the conditions specified above are fulfilled in the given case, the customs duty payable on re-imported goods will be computed as under: (amount in ₹)

Value for the purposes of levy of customs duty [Fair cost of repairs]	90,00,000
Add: Insurance and freight charges both ways [₹ 7,50,000 + ₹ 7,50,000]	15,00,000
Assessable Value for purpose of levy of custom duty	1,05,00,000
Add: Basic customs duty @ 10% [A]	10,50,000
Add: Social welfare surcharge @ 10% of ₹ 10,50,000 [B]	1,05,000
Value for the levy of Integrated tax u/s 3(7)	1,16,55,000
Integrated tax u/s 3(7) @ 18% of ₹ 1,16,55,000 [c]	20,97,900
Customs duty and integrated tax payable |A] + [B] + [C]	32,52,900

Question No. 3.

Briefly explain the provisions of section 22 of the Customs Act, 1962 regarding abatement of duty as per customs law and calculate the amount of abatement in the following independent cases:

(i) Value of imported goods (other than warehoused) before damage is Rs. 4,00,000, duty payable on it Rs. 40,000 and value of goods after damage is Rs. 3,80,000. Goods were damaged after examination under section 17 but before actual clearance for home consumption.

(ii) Value of warehoused goods before damage is Rs. 5,00,000, duty payable on it is Rs. 50,000 and value of goods after damage is Rs. 2,40,000. Goods damaged before clearance for home consumption.

(iii) Value of warehoused goods before deterioration is Rs. 3,25,000, duty payable is Rs. 32,500 and value of goods after deterioration is Rs. 2,00,000. Goods deteriorated before clearance for home consumption.

ANSWER:-

(i) No abatement is allowed since damaged after examination u/s 17

(ii) Abatement allowed = 50,000 * (5,00,000 – 2,40,000) / 5,00,000)= Rs. 26,000

(iii) Since warehoused goods has been deteriorated so no abatement is allowed

CHAPTER 4 - WAREHOUSING

Question No. 1. ***Improper removal***

Niryaat Exporters imported some goods on 1st January. The goods were not meant for being used in an 100% EOU, STP unit, EHTP unit. The goods were cleared from the Mumbai port for warehousing on 8th January by presenting an 'into Bond' Bill of Entry. The assessable value of the goods was US $ 10,000. On 8th January, the exchange rate was ₹ 66 per US $ and the rate of basic customs duty was 15%. The order permitting the deposit of goods in warehouse for 4 months was issued under section 60 of the Customs Act, 1962 on 15th January. The goods were thereafter deposited in a warehouse at Pune and were cleared from Pune warehouse on 31st May. The rate of basic customs duty was 12% and exchange rate was ₹ 68.75 per 1 US $ on 31st May. IGST @ 10% is applicable on said goods . Further, the rate of basic customs duty was 12% and exchange rate was ₹ 67 per 1 US $ on 15th May. Ignore agriculture and infrastructure development cess. You are required to compute: (a) total customs duty payable and (b) interest, if any, payable. (RTP Nov 22)

ANSWER:-

Computation of import duty payable by Niryaat Exporters

Particulars	Amount (US $)
Assessable value	10,000
Value in Indian currency (US $ 10,000 x ₹ 66) [Note 1]	6,60,000
Customs duty @ 12% [Note 2]	79,200
Add: Social welfare surcharge @ 10% on ₹ 79,200	7,920
Total customs duty payable	87,120

Notes:

1) As per third proviso to section 14(1) of the Customs Act, 1962, assessable value has to be calculated with reference to the rate of exchange prevalent on the date on which the into bond bill of entry is presented for warehousing under section 46 of the Customs Act, 1962.
2) Goods which are not removed within the permissible period are deemed to be improperly removed in terms of section 72 of the Customs Act, 1962 on the day they should have been removed [Kesoram Rayon v. CC 1996 (86) ELT 464 (SC)]. The applicable rate of duty in such a case is the rate of duty prevalent on the last date on which the goods should have been removed.

Computation of interest payable by Niryaat Exporters

As per section 61 of the Customs Act, 1962, if goods (not meant for being used in an 100% EOU, STP unit, EHTP unit) remain in a warehouse beyond a period of 90 days from the date on which the order permitting deposit of goods in warehouse under section 60 of the Customs Act, 1962 is made, interest is payable [@ 15% p.a.], on the amount of duty payable at the time of clearance of the goods, for the period from the expiry of the said 90 days till the date of payment of duty on the warehoused goods.

Therefore, interest payable will be computed as under:

Period of 90 days commencing from the date of order made under 60 expires on	16th April
No. of days for which interest shall be payable [14 days of April + 31 days of May]	45 days
Interest payable = ₹ 87,120 × 15\100 x 45/365 (rounded off)	₹ 1,611