



Chapter 5

PILFERED GOODS & BENEFITS UNDER CUSTOMS

INDEX

Sr. No.	Descriptions	Pg. No.	Illust.
1	Sec 13:- Duty on Pilfered goods	20	2
2	Sec 22:- Abatement of duty on damaged or deteriorated goods	20	3
3	Sec 23:- Remission of duty on lost, destroyed or abandoned goods	21	1
4	Sec 24:- Power to make rules for denaturing or mutilation of goods	22	1
5	Sec 21:- Derlict, Jetsam, Flotsam & Wreck	22	1
6	Sec 20:- Re-Importation of goods	22	3
7	Sec 25:- Exemption from custom duty	22A	1
8	Combined Questions:-	22A	1
Total No. of Questions			13

S.No.	Description	Chap	Que. No.	No. Illus.
1	Study Mat	05.	Q. 01.01/ 02.03/ 03.05/06.08/ 06.09	5
2	Examination	05.	02.04.01	1
3	RTP & MTP	05.	Q. 02.04/05.08.01/ 07.10/08.11	4
4	Other	05.	Q.01.02/ 04.06/ 05.07/	3
Total No. of Illustrations				13

01. Sec 13:- Duty on Pilfered goods

MCQ 05.01.01.00

In which of the following cases, importer can claim pilferage and choose not to pay duty under section 13 of the Customs Act, 1962 provided the goods are not restored to the importer after pilferage?

- (i) Goods pilfered while on high seas
- (ii) Goods pilfered before unloading
- (iii) Goods pilfered after unloading but before order for home consumption given by proper officer
- (iv) Goods cleared for home consumption [Study Mat] [Ca Final MTP Series 2 - Nov 23]

- a. (i) and (ii)
- b. (i) and (iii)
- c. Only (ii)
- d. Only (iii)

[Hint:- Refer Sec 13]

MCQ 05.01.02.00

Mr. Maganlal imported crockeries from Korea on 10.04.20XX of ₹10 lakhs. The master of vessel filed import manifest on 12.04.20XX and entry inward granted on 13.04.20XX. Mr. Maganlal filed bill of entry for home consumption on 14.04.20XX when he found that goods of ₹2 lakhs were pilfered. The order of clearance for home consumption was granted on 15.04.20XX only for goods worth ₹8 lakhs. The duty rates on various dates are as below:

Date	Duty Rate
12.04.20XX	10%
13.04.20XX	12%
14.04.20XX	8%
15.04.20XX	12.5%

Answer the following questions on the basis of information given above:

- i. The importer is liable to pay duty on goods worth ₹
- a. ₹ 2 lakhs
 - b. ₹ 10 lakhs
 - c. ₹ 8 lakhs
 - d. ₹ 10 lakhs, if pilfered goods were restored by the custodian otherwise on 8 lakhs only

[Hint:- Refer Sec 13]

- ii. The rate of duty applicable on goods cleared for home consumption by Mr. Maganlal is:

- a. 10%
- b. 12%
- c. 8%
- d. 12.5%

[Hint:- Refer Sec 15(1)- Relevant date is later of date of presentation of Bill of entry or entry inward]

- iii. The liability to pay duty on pilfered goods if not restored to the importer is on:

- a. Mr. Maganlal
- b. Port Trust Authority
- c. Either a or b above
- d. Neither a nor b above

[Hint:- Refer Sec 45(3)]

- iv. The rate of duty applicable on pilfered goods is:

- a. 10%
- b. 12%
- c. 8%
- d. 12.5%

[Hint:- Relevant date to calculate duty payable on pilfered goods by custodian is date of filing of import general manifest or report]

- v. Calculate the import duty payable on pilfered goods

by the custodian or port trust authority.

- a. ₹ 1 lakhs
- b. ₹ 0.20 lakhs
- c. ₹ 0.80 lakhs
- d. ₹ 0.16 lakhs

[Hint:- ₹2 lakhs * 10%]

02. Sec 22:- Abatement of duty on damaged or deteriorated goods

MCQ 05.02.03.00

In which of the following cases, can an importer claim abatement of duty under section 22 of the Customs Act, 1962?

- (i) Goods pilfered during unloading
- (ii) Goods damaged by accident (due to negligence of the importer) after unloading but before examination for assessment by customs authorities
- (iii) Goods destroyed by accident while being removed from the warehouse after clearance for home consumption
- (iv) Goods damaged by accident (not due to negligence of the importer) after unloading but before examination for assessment by customs authorities

Choose the most appropriate option. [Study Mat]

- a. Only (iv)
- b. Only (iii)
- c. Both (i) and (iii)
- d. (i), (ii), (iii) and (iv)

Hint:- [Hint:- Refer Sec 22]

MCQ 05.02.03.01

John & John India Ltd. imported a consignment from U.S.A (by sea). The value of consignment was ₹ 7,50,000 and total duty payable was ₹ 1,50,000.

Company filed bill of entry for home consumption but before inspection and clearance for home consumption it found that the goods were damaged.

On filing a representation to the Customs Department, the proper officer refused the claim for abatement because goods were already unloaded. The proper officer is in agreement with the claim that the value of goods has come down to only ₹ 1,50,000.

Calculate the amount of total duty payable. [CA Final MTP II May 25] [CA Final MTP II Jan 26]

- (a) 1,50,000 (b) 30,000
(c) 1,00,000 (d) NIL

[Hint :- Section 22 of the Customs Act, 1962, duty shall be reduced in proportion to the reduction in value. Value dropped to 20%]

MCQ 05.02.04.00

Sapphire Enterprises imported some goods through vessel from USA in the month of April.

The value of goods imported was ₹ 6,50,000.

The date of entry inwards was 21st April (basic customs duty on said date was 10%).

Further, Sapphire Enterprises filed bill of entry for home consumption on 25th April (basic customs duty on said date was 20%). Applicable rate of integrated tax was 12% and social welfare surcharge was 10%. Ignore GST compensation cess & Agriculture Infrastructure & Development cess.

However, before inspection and clearance for home consumption, Sapphire Enterprises found that the goods had been damaged owing to negligence on part of proper officer of customs. The proper officer accepted that due to said damage, the value of the goods has come down to ₹ 4,00,000.

Compute the total customs duty payable in the given case. [CA Final RTP Nov 21] [CA Final MTP Mar 23] [CA Final MTP May 24] [CA Final MTP I Sept 25]

- a. ₹ 97,280 b. ₹ 2,38,160
c. ₹ 1,58,080 d. ₹ 1,46,560

Hint:-

PARTICULARS	₹
Basic Custom Duty (₹6,50,000 * 20%)	1,30,000
Social Welfare Surcharge (₹1,30,000 * 10%)	13,000
ACD 3(7) [(₹6,50,000 + ₹1,30,000 + ₹13,000) * 12%]	95,160
Total Duty	2,38,160
Duty payable u/s 22 (₹2,38,160 * ₹4,00,000 / ₹6,50,000)	1,46,560

MCQ 05.02.04.01

M/s Heart & Soul Private Limited imported a consignment of goods from France through sea. The value of said consignment was ₹ 800 lakh and total custom duty payable was ₹ 180 lakh. Company filed bill of entry for home consumption, but the goods got deteriorated after unloading and after examination in India but before clearance for home consumption. The value of the goods after deterioration comes down to ₹ 200 lakh and the same was agreed by the proper officer.

The amount of total custom duty payable at the time of

clearance of goods will be: [CA Final May 25 Exam]

[CA Final MTP I Jan 26]

- (a) ₹ 180 lakh (b) ₹ Nil
(c) ₹ 45 lakh (d) ₹ 135 lakh

[Hint:- Section 22 of Customs Act, 1962 – imported goods in this case got deteriorated after unloading & hence, not covered under this sec & thus, total duty is payable]

03. Sec 23:- Remission of duty on lost, destroyed or abandoned goods

MCQ 05.03.05.00

Which of the following statements is correct for destroyed goods under section 23 of the Customs Act, 1962? [Study Mat][CA Final RTP Nov 23]

- a. It is applicable in case of total loss of goods even if same can be recovered.
b. The provisions are not applicable if goods are destroyed at the warehouse.
c. The provisions are also applicable even if goods are destroyed at the warehouse.
d. The importer need not prove the loss to the proper officer.
e. The provisions of this section are also applicable if goods are lost due to pilferage at any time before clearance for home consumption.

[Hint:- Provisions apply before clearance for home consumption which can be from warehouse also]

04. Sec 24:- Power to make rules for denaturing or mutilation of goods

MCQ 05.04.06.00

On any denatured or mutilated goods, duty shall be chargeable at the rate:

- a. of original goods
- b. as if such goods are imported in denatured or mutilated form
- c. Separately notified by CG
- d. None of above

[Hint:- Refer Sec 24]

05. Sec 21:- Derlict, Jetsam, Flotsam & Wreck

MCQ 05.05.07.00

Mr. Arjun found an abandoned ship along with some goods in high seas. He brought that ship along with him while returning to India. The custom officer imposed duty on such ship as if they are imported into India but Mr. Arjun denies paying the duty on the ground that it was available freely in the high seas. State whether the contention of Mr. Arjun is correct in law

- a. Correct
- b. Incorrect

[Hint:- Refer Sec 21- these goods are dealt as if they are imported into India]

06. Sec 20:- Re-Importation of goods

MCQ 05.06.08.00

XYZ Ltd. sent certain goods abroad for repairs. XYZ Ltd. has been advised by their consultants that they will have to pay customs duty (i.e. basic customs duty, IGST & GST compensation cess) only on fair cost of repairs, cost of materials used in repairs (whether such costs are actually incurred or not), freight and insurance charges, both ways, on re-import of exported goods under Notification No. 45/2017 Cus dated 30.06.2017 provided they fulfil following conditions:

- i. The re-importation is done within 5 years from date of export or, if time is extended, within 7 years.
- ii. The exported and re-imported goods are same.
- iii. The ownership of goods should not have changed.

Which one of the above-mentioned conditions is/are correct?

Choose the most appropriate option. [Study mat, CA Final MTP I Nov 24, CA Final MTP May 25]

- a) (i), (ii) and (iii)
- b) (ii) and (iii)
- c) (i) and (iii)
- d) Only (ii)

[Hint:- Refer N/No. 45/2017]

MCQ 05.06.08.01

Lakshay imported a machine from China at ` 100 lakh in May, 2024 on payment of all duties of customs. The said machine was exported (sent back) to the supplier for repairs in August, 2024 and re-imported without any re-manufacturing or reprocessing in March, 2025 after repairs as per the terms of warranty. The repairs were carried out free of cost but 50% of the cost of

material was to be borne by Lakshay. Following details are available in relation to the repairs: [CA Final MTP

1 Jan 26]

Fair cost of repair (excluding cost of material)	₹ 4,00,000
Cost of material used in repairs	₹ 5,00,000
Actual insurance and freight paid towards send back to supplier	₹ 1,00,000
Actual insurance and freight paid toward re-importation	₹ 1,20,000

Value for the purpose of levy of customs duty for such repairs under section 20 of the Customs Act, 1962:

- a. ₹ 11,20,000
- b. ₹ 8,70,000/-
- c. ₹ 7,50,000/-
- d. ₹ 7,70,000/-

[Hint: - Refer N/No. 45/2017 for goods exported for repairs & re-import thereof: - Value = ₹4 lakhs + ₹5 lakhs + ₹ 1 lakh + ₹1.2 lakhs = ₹11.2 lakhs]

MCQ 05.06.09.00

ABC Ltd. exported certain goods last year. The buyer has sent back those goods since the same were under warranty and required repairs. Which of the following conditions are to be satisfied by ABC Ltd. to avail exemption on goods re-imported for repairs under Notification No. 158/95 Cus dated 14.11.1995?

- i. ABC Ltd., at the time of importation, executes a bond.
- ii. Goods must be re-exported within 6 months or 1 year (if time is extended) of the date of re-importation.

iii. In case goods are not repaired, new goods are to be sent by ABC Ltd. within 6 months.

Choose the most appropriate option. [Study Mat] [CA Final MTP Series II - May 24] [CA Final MTP I Sept 25]

- a) (i) and (iii) b) (i), (ii) and (iii)
- c) (ii) and (iii) d) (i) and (ii)

[Hint:- Refer N/No. 158/95 Cus dated 14.11.1995 (amended N/No. 60/2018)]

07. Sec 25:- Exemption from custom duty

MCQ 05.07.10.00

Which of the following statements are incorrect?

- i. Special exemption under section 25 of the Customs Act, 1962 is granted by issuing a notification.
- ii. General exemption under section 25 of the Customs Act, 1962 is granted by issuing an order.
- iii. Special exemption is required to be published in official gazette.
- iv. General exemption is not required to be published in official gazette.

Choose the most appropriate option. [Study Mat] [CA Final MTP Oct 21]

- a) (i) and (iii) b) (i), (ii), (iii) and (iv)
- c) (i) and (ii) d) (ii) and (iv)

[Hint:- Refer Sec 25]

08. Combined Questions:-

MCQ 05.08.11.00

Which of the following combinations is correct? [CA Final RTP Nov 19] [Study Mat]

Situation	Consequence
1. Goods Pilfered	1. Abatement of duty
2. Goods lots or destroyed	2.No liability pay customs duty
3. Goods damaged or deteriorated	3. Remission of duty

- a. 1 and 1, 2 and 2, 3 and 3
- b. 1 and 3, 2 and 1, 3 and 2
- c. 1 and 2, 2 and 3, 3 and 1
- d. 1 and 2, 2 and 1, 3 and 3

[Hint:- Refer Sec 13, 22 & 23]

Answer:-

05.01.01	d
05.01.02.01	d
05.01.02.02	c
05.01.02.03	b
05.01.02.04	d
05.01.02.05	b
05.02.03	a
05.02.03.01	b
05.02.04	d
05.02.04.01	a
05.03.05	c
05.04.06	b
05.05.07	b
05.06.08	a
05.06.08.01	a
05.06.09	d
05.07.10	b
05.08.11	c

