

One Concept One Question

4. VALUATION OF DUTIES

Format 1
Question 1

X Ltd imported goods from Y Inc. to India in a vessel.

PARTICULAR	AMOUNT
Cost of machinery.	10000 \$
Transport charges up from Exports factory to load port	500 \$
Handling charges at US port.	50 \$
Unloading charges at exporter's port.	50 \$
Freight charges from US port to INDIAN port.	1000 \$
Charges paid to canalizing agent.	1500 \$
Technical consultancy charges paid at the option of Xltd & was not a condition to sale	600 \$
Buying commission paid by X LTD.	50 \$
Charges for design & engineering work done in USA.	1500 \$
Charges for design work done in Mumbai.	3000 \$
Raw material supplied free of cost by X LTD to Y Inc.	300 \$
Installation charges to be paid by X LTD as a condition to sale.	100 \$
Commission payable to agent in India	500 \$
Literage charges.	150 \$
Ship demurrage.	200 \$
Barge charges.	100 \$
Unloading charges paid at Indian port.	50 \$
Transshipment charges from Indian port to ICD.	170 \$
Construction charges incurred at the factory.	230 \$
Dividends received from buyer to seller.	180 \$
Landing charges paid at place of import.	10 \$

Rate of Duty	Date of filing Bill of Entry (i.e., 8th May 2023)	Date of grant of Entry Inward (i.e., 19th May 2023)
BCD	10%	12%
IGST	18%	12%
GST Cess	10%	18%

Rate of Exchange: $1\$ = 80$ $1\$ = 90$

Insurance charges are unascertainable.

Question 2.

Compute the total customs duty and integrated tax payable under Customs law on an imported machine, based on the following information:

		US \$
(i)	Cost of the machine at the factory of the exporter	20,000
(ii)	Transport charges from the factory of exporter to the port for shipment	800
(iii)	Handling charges paid for loading the machine in the ship	50
(iv)	Freight charges from exporting country to India	5,000
(v)	Buying commission paid by the importer	100
		(₹)
(vi)	Lighterage charges paid by the importer at port of importation	12,000
(vii)	Freight incurred from port of entry to Inland Container depot	60,000
(viii)	Ship demurrage charges paid at port of importation	24,000
Date of Bill Entry	20th January (Rate BCD 20%; Exchange rate as notified by CBIC ₹ 70 per US \$)	
Date of entry inward	25th March (Rate of BCD 10%; Exchange rate as notified by CBIC ₹ 75 per US \$)	
Integrated tax	12%	

Note: Ignore GST Compensation Cess.

Answer

Computation of customs duty and integrated tax payable on the imported goods

Particulars	US \$
Cost of the machine at the factory	20,000
Transport charges up to port	800
Handling charges at the port	50
FOB	20,850
FOB value in Indian rupees @ ₹ 70/- per \$ [Note 1]	14,59,500
Freight charges up to India [US \$ 5,000 x ₹ 70]	3,50,000
Lighterage charges paid by the importer [Note 2]	12,000
Ship demurrage charges on chartered vessels [Note 2]	24,000
Insurance charges @ 1.125% of FOB [Note 3]	16,419.38
CIF	18,61,919.38
Add: Basic customs duty @ 10% [Note 4] [a]	1,86,192
Add: Social Welfare surcharge @ 10% [b]	18,619.20
Total	20,66,730.58
Add: Integrated tax @ 12% of ₹ 20,66,730.58 [c] [Note 5]	2,48,007.67
Total custom duty and integrated tax payable [(a) +(b) + (c)] rounded off	4,52,819

Notes:

- (1) Rate of exchange notified by CBIC on the date of presentation of bill of entry is considered [Explanation to section 14 of the Customs Act, 1962].
- (2) Cost of transport of the imported goods includes ship demurrage charges and lighterage charges [Explanation to Rule 10(2) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].
- (3) Insurance charges is included @ 1.125% of FOB value of goods [Third proviso to rule 10(2) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].
- (4) Rate of duty is the rate prevalent on the date of presentation of bill of entry or the rate prevalent on the date of entry inwards, whichever is later [Section 15 of the Customs Act, 1962].
- (5) Integrated tax is levied on the sum total of the assessable value of the imported goods, customs duties and applicable Social welfare surcharge.
- (6) Buying commission is not included in the assessable value [Rule 10(1)(a)(i) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].
- (7) Freight incurred from port of entry to Inland Container depot is not includible in assessable value [Rule 10(2)(a) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007].

Question 3.

ABC Industries Ltd. of Mumbai imported one machine through vessel from Japan, in the month of November.

The following particulars are made available:

S. No.	Particulars	Amount in Japanese Yen (¥)
(i)	Cost upto port of exportation incurred by exporter	6,00,000
(ii)	Loading charges at port of exportation	25,000
(iii)	Freight charges from port of export to port of import in India.	1,00,000

Following additional amounts paid by ABC Industries Ltd:-

S. No.	Particulars	Amount in Indian rupees (₹)
(i)	Designing charges, necessary for such machine, paid to consultancy firm in New Delhi	8,00,000
(ii)	Commission paid (not the buying commission) to local agent of exporter.	1,25,000
(iii)	Actual landing charges paid at the place of importation.	15,000
(iv)	Actual insurance charges paid to the place of importation are not ascertainable.	-
(v)	Lighterage charges paid at the port of importation	20,000

Other Information :

(i)	Rate of basic customs duty is 10%
(ii)	Rate of social welfare surcharge is 10%
(iii)	Integrated tax leviable under section 3(7) of Customs Tariff Act, 1975 is 12%.
(iv)	Ignore GST compensation cess.
(v)	Rate of exchange to be taken is 1 Japanese Yen (¥) = ₹ 0.71

Arrive at the total customs duty, including integrated tax payable under section 3(7) of the Customs Tariff Act, 1975 with appropriate working notes.

Answer

Computation of assessable value of the imported goods

	Japanese Yen
Cost upto port of exportation	6,00,000
Add: Loading charges at the port of exportation [Note-1]	25,000
Total in Japanese Yen	6,25,000
	₹
Total in Indian rupees @ ₹ 0.71 per Japanese Yen	4,43,750.00
Add: Commission paid to local agent of exporter [Note-3]	1,25,000.00
FOB value as per customs	5,68,750.00
Add: Freight charges from port of export to port of import in India [Note-1] [1,00,000 Japanese Yen × 0.71 = ₹ 71,000]	71,000.00
Add: Lighterage charges paid by the importer at port of importation [Note-1]	20,000
Add: Insurance charges @ 1.125% of FOB [₹ 5,68,750 × 1.125%] [Note-4]	6,398.43
CIF value	6,66,148.43
Assessable Value (rounded off)	6,66,148
Add: Basic customs duty @ 10% of ₹ 6,66,148 (rounded off) (A)	66,615
Add: Social welfare surcharge @ 10% of ₹ 66,615 (rounded off) (B)	6,662
Total	7,39,425
Add: Integrated tax @ 12% of ₹ 7,39,425 (rounded off) (C)	88,731
Total custom duty and integrated tax payable [(A) + (B) + (C)] (rounded off)	1,62,008

Notes:

- (1) The cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are includible in the assessable value [Rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (CVR)]. Further, explanation to rule 10(2), inter alia, clarifies that cost of transport of the imported goods includes lighterage charges.
- (2) Design and engineering work is includible in the assessable value only when the same is undertaken elsewhere than in India and necessary for the production of the imported

- goods [Rule 10(1) of the CVR].
- (3) Buying commission is not included in the assessable value [Rule 10(1) of the CVR]. Commission paid to local agent of exporter is includible in the assessable value since it is not buying commission.
 - (4) If insurance cost is not ascertainable, the same shall be added @ 1.125% of FOB value of the goods [Rule 10(2) of the CVR].
 - (5) Cost of insurance, transport, loading, unloading, handling charges associated with transshipment of imported goods to another customs station in India is not included in the assessable value [Rule 10(2) of the CVR].

Format 2

Question 4.

Product 'Z' was imported by Mr. X by air. The details of the import transaction are as follows:

Particulars	US \$
Price of 'Z' at exporter's factory	8,500
Freight from factory of the exporter to load airport (airport in the country of exporter)	250
Loading and handling charges at the load airport	250
Freight from load airport to the airport of importation in India	4,500
Insurance charges	2,000

Though the aircraft arrived on 22nd August, the bill of entry for home consumption was presented by Mr. X on 20th August.

The other details furnished by Mr. X are:

	20th August	22nd August
Rate of basic customs duty	20%	10%
Exchange rate notified by CBIC	₹ 70 per US\$	₹ 72 per US\$
Exchange rate prescribed by RBI	₹ 71 per US\$	₹ 72 per US\$
Integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975	18%	12%

Compute-

- (i) value of product 'Z' for the purpose of levying customs duty
- (ii) customs duty and tax payable

Answer

Computation of assessable value of product 'Z'

Particulars	Amount
Ex-factory price of the goods	8,500 US \$
Freight from factory of the exporter to load airport (airport in the country of exporter)	250 US \$
Loading and handling charges at the load airport	250 US \$
Freight from load airport to the airport of importation in India	4,500 US \$
Total cost of transport, loading and handling charges associated with the delivery of the imported goods to the place of importation	5,000 US \$

Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (restricted to 20% of FOB value) [Note 1]	1,800 US \$
Insurance (actual)	2,000 US \$
CIF for customs purpose	12,300 US \$
Value for customs purpose	12,300 US \$
Exchange rate as per CBIC [Note 2]	₹ 70 per US \$
	Amount (₹)
Assessable value (₹ 70 x 12,300 US \$)	8,61,000
Add: Basic customs duty @ 10% [Note 3]	86,100
Add: SWS @ 10%	8,610
Value for the purpose of levying integrated tax [Note 4]	9,55,710
Add: Integrated tax @ 12%	1,14,685.2
Total duty & tax payable (rounded off)	2,09,395

Notes:

- In the case of goods imported by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall not exceed 20% of the FOB value of the goods. [Fifth proviso to rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (CVR)].
FOB value in this case is the ex-factory price of the goods (8,500 US \$) plus the cost of transport from factory to load airport (250 US \$) plus loading and handling charges at the load airport (250 US \$) which is 9,000 US \$.
- Rate of exchange determined by CBIC is to be considered [Clause (a) of the explanation to section 14 of the Customs Act, 1962].
- Section 15 of the Customs Act, 1962 provides that rate of duty shall be the rate in force on the date of presentation of bill of entry or the rate in force on the date of arrival of aircraft, whichever is later.
- Integrated tax is levied on the sum total of the assessable value of the imported goods and customs duties [Section 3(8) of the Customs Tariff Act, 1962]. SWS leviable on integrated tax have been exempted.

Question 5.

(Nov'23)

Particulars	Amount
Cost of machine	5,90,000\$
Loading charges at port of exportation	50,000\$
Freight charges from exporter's factory to load post	4,000\$
Freight from load port to importer's port	unascertainable
Design charges paid to firm in Uganda	6,000\$
Royalty paid to vendor as a condition to sale	2,000\$
Ship demurrage paid at the port of importation	2,000\$

Insurance charges Rate of BCD-10%. IGST-12% 1\$ = Rs.100	4200\$
---	--------

Answer

Particulars	Amount
Cost of machine	5,90,000\$
+ Rule 10(1) Design charges paid to firm in Uganda	6,000\$
(+) Royalty paid to vendor as a condition to sale	4,000\$
Customs FOB	6.10L\$
(+) Rule 10(2)	6,000\$
COT (20% x $\frac{\text{C. FOB}}{5.90\$+50,000\$+4000\$+6000\$+2000\$+2000\$}$)	1,30,800\$
+ COI Insurance charges	4,200\$
CIF Value	7,45,000\$
+ BCD@10%	74,500\$
+ SWS@10%	7,450\$
+IGST@12%	99,234
Amt payable by Importer	9,26,184

Question 6.

(Nov'23)

Milly Ltd. imported a machinery from USA. The machine reaches Delhi Airport first and then from there, it is transshipped to Dehradun Airport.

From the following details furnished, compute the assessable value (up to nearest rupee) for the purpose of customs duty payment:

S. No.	Particulars	Amount
(i)	Price of the machine	US \$ 15,000
(ii)	Air freight	US \$ 4,000
(iii)	License fee relating to imported goods payable by the buyer as a condition of sale	15% of price of machine
(iv)	Drawing charges paid to an architect in India	₹ 25,000
(v)	Commission (not buying commission) paid by the buyer to agent of exporter in USA	US \$ 250

Other details for computing the assessable value are as under:

- (i) Insurance charges paid in India-Not ascertainable.
- (ii) Material supplied in USA by the buyer free of cost valued at ₹ 75,000.
- (iii) Importer paid transshipment charges from Delhi Airport to Dehradun Airport ₹ 1,00,000.
- (iv) Importer paid ₹ 20,000 towards demurrage charges for delay in transport of the machine from Delhi airport.
- (v) Exchange rate to be considered is ₹ 70 per US\$.

Note: Price of the machine (US \$ 15,000) given at serial number (i) of table above is excluding of any of the amounts given thereafter.

Working notes should form part of your answer.

Answer

Computation of assessable value

Particulars	Amount (\$)
Price of the machine	15,000
Add: License fee [Licence fee relating to imported goods is includible since it is payable by the buyer as a condition of sale.]	2,250
Add: Drawing charges [Not includible since undertaken in India.]	-
Add: Commission paid by buyer to agent of exporter [Includible since it is not buying commission]	250
Total	17,500
	Amount (₹)
Value in Indian currency [\$ 17,500 x ₹ 70]	12,25,000
Add: Material supplied by the buyer free of cost [Includible in the assessable value]	75,000
FOB value	13,00,000
Add: Air Freight [Restricted to 20% of FOB value since goods are imported by air.]	2,60,000
Add: Demurrage charges [Only ship demurrage charges on chartered vessels are includible in the cost of transport of the imported goods.]	-
Add: Insurance Charges [1.125% of FOB value since insurance charges are not ascertainable]	14,625
Add: Transshipment charges from Delhi Airport to Dehradun Airport [Since these charges are incurred within India, they are not includible in the assessable value]	-
Assessable value	15,74,625

Question 7.

Mr. Backpack imported second-hand goods from a UK supplier by air, which was contracted on CIF basis. However, there were changes in prices in the international market between the date of contract and actual importation. As a result of several negotiations, the parties agreed for a negotiated price payable as follows:

Particulars	Contract Price (₹)	Changed Price (₹)	Negotiated Price (₹)
CIF Value	5000	5800	5500
Air Freight	300	600	500
Insurance	500	650	600

Other details for computing assessable value and duty payable are tabled below:

Particulars		Amount
Vendor inspection charges (inspection carried out by foreign supplier on his own, not required under contract or for making the goods ready for shipment)		£ 600
Commission payable to local agent @ 1% of FOB in local currency		
Date of bill of entry	Basic customs duty	Exchange rate in ₹ (notified by CBIC)
18th February	10%	102
Date of arrival of aircraft	Basic custom duty	Exchange rate in ₹ (notified by CBIC)
15th February	15%	98

Inter-bank rate 1 UK Pound = ₹ 106

Compute the assessable value and calculate basic customs duty payable by Mr. Backpack.

Answer

Computation of custom duty payable

Particulars	Amount
CIF value (negotiated price) [Note-1]	5,500
Less: Air freight	500
Less: Insurance	600
FOB value	4,400
	₹
Exchange rate is ₹ 102 per £ [Note-2]	
FOB value in rupees (£4,400 × ₹ 102)	4,48,800
Add: Vendor inspection charges [Note-3]	Nil
Add: Commission payable to local agent [1% of FOB value] Note-4] = (₹ 4,48,800 × 1%)	4,488.00
FOB value as per Customs	4,53,288.00
Add: Freight [Note-5] (£500 × ₹ 102)	51,000
Add: Insurance [Note-6] (£600 × ₹ 102)	61,200
Assessable value	5,65,488.00
Add: Basic custom duty @ 10% [Note-7] - rounded off	56,548.80
Social Welfare Surcharge (10% of ₹ 56,548.80) [rounded off]	5,655.00
Customs duty payable [rounded off]	62,204.00

Notes:

- As per Section 14 of the Customs Act, 1962, the value of the imported goods is the transaction value, which means the price actually paid or payable for the goods. In this case, since the contract was re-negotiated and the importer paid the re-negotiated price, the transaction value would be such re-negotiated price and not the contract price.
- Rate of exchange notified by CBIC on the date of filing of bill of entry will be considered as per third proviso to section 14 of the Customs Act, 1962.
- Only the payments actually made as a condition of sale of the imported goods by the buyer to the seller are includible in the assessable value under rule 10(1)(e) of the

Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Charges of vendor inspection on the goods carried out by foreign supplier on his own and not required for making the goods ready for shipment, are not includible in the assessable value of the imported goods [Bombay Dyeing & Mfg. v. CC 1997 (90) ELT 276 (SC)].

4. Commission paid to local agent (since it is not buying commission) is includible in the assessable value on the presumption that local agent has been appointed by the exporter [Rule 10(1)(a)(i) of the Customs Valuation Rules].
5. Actual amount incurred towards freight will be considered since freight is not more than 20% of FOB value [Fifth proviso to rule 10(2) of Customs Valuation Rules].
6. Actual insurance charges paid are includible in the assessable value as per rule 10(2)(b) of the Customs Valuation Rules.
7. As per proviso to section 15 of the Customs Act, 1962, rate of duty will be the rate in force on the date of presentation of bill of entry or on the date of arrival of the aircraft, whichever is later.

Question 8

Determine the assessable value of imported goods in the following cases

Case I :

Particulars	US \$
FOB value	1,000
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges	10

Case II :

Particulars	US \$
FOB value plus insurance charges	1,010
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known

Case III :

Particulars	US \$
FOB value	1,000
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	60
Insurance charges	Not known

Case IV :

Particulars	US \$
FOB value	1,060
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation Insurance charges	Not known

Case V :

Particulars	US \$
FOB value	1,000
Air freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	250
Insurance charges	10

Answer

Rule 10(2) of the Customs (Determination of Value of Imported Goods) Rules, 2007 (CVR) has been substituted by a new sub-rule. The new sub-rule provides that for the purposes of Section 14(1) of the Customs Act, 1962 and these rules, the value of the imported goods shall be the value of such goods, and shall include -

- (a) The cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation;
- (b) The cost of insurance to the place of importation:

However, where, -

- The **FOB value** of the goods is **not ascertainable** but **the sum FOB value of the goods and the cost referred to in clause (a) is ascertainable**, the cost referred to in clause (b) shall be 1.125% of such sum.
- In the case of goods imported by air, where the cost referred to in clause (a) is ascertainable, such cost shall not exceed 20% of free on board value of the goods.
- In the case of goods imported by sea or air and transhipped to another customs station in India, the cost of insurance, transport, loading, unloading, handling charges associated with such transhipment shall be excluded.

Explanation: The cost of transport of the imported goods referred to in clause (a) includes the ship demurrage charges on chartered vessels, lighter age or barge charges.

Computation of assessable value:

Case I :

	(amount in US \$)
FOB value	1,000
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [20% of FOB value in terms of first proviso to rule 10(2) of CVR]	200
Cost of insurance [Including in terms of Rule 10(2)(b) of CVR]	10
Assessable value [CIF value]	1,210

Case II :

	(amount in US \$)
FOB value plus insurance charges	1,010
Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [20% of sum of FOB value of the goods and the cost of insurance in terms of second proviso to rule 10(2) of CVR]	202
Assessable value [CIF value]	1,212

Case III :

	(amount in US \$)
FOB value	1,000
Add: Cost of sea transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [Includible in terms of rule 10 (2) (a) of CVR]	60
Insurance [1.125% of sum of FOB value of the goods in terms of third proviso to rule 10 (2) of CVR]	11.25
Assessable value [CIF value]	1,072

Case IV :

	(amount in US \$)
FOB value plus sea freight and loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	1,060
Add: Insurance [1.125% of sum of FOB value of the goods and sea freight and loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation in terms of fourth proviso to rule 10(2) of CVR]	11.925
Assessable value [CIF value]	1,072

Case V :

	(amount in US \$)
FOB value	1,000
Add: Cost of air transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is restricted to 20% of FOB value when transport of goods is through air [fifth proviso to rule 10(2) of CVR]	200
Cost of insurance	10
Assessable value [CIF value]	1,210

Rule 4

Question 9.

A consignment of 800 metric tonnes of edible oil of Malaysian origin 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 Agricultural Organization. This being a special transaction, a nominal price of US\$ 10 per metric tonne 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:

S. No.	Quantity imported in metric tonnes	Unit price in US \$ (CIF)
1.	20	260
2.	100	220
3.	500	200
4.	900	175
5.	400	180
6.	780	160

The rate of exchange on the relevant date was 1 US \$ = ₹ 70 and the rate of basic customs duty was 10% ad valorem. Ignore Integrated tax and GST Compensation Cess. Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 with appropriate assumptions and explanations, where required.

Answer

Determination of transaction value of the subject goods:-

In the instant case, while determining the transaction value of the goods, following factors need consideration:-

1. In the given case, US \$10 per metric tonne has been paid only towards freight and insurance charges and no amount has been paid or payable towards the cost of goods. Thus, there is no transaction value for the subject goods. Consequently, we have to look for transaction value of identical goods under rule 4 of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 [Customs Valuation (DVIG) Rules, 2007].
2. Rule 4(1)(a) of the aforementioned rules provides that subject to the provisions of rule 3, the value of imported goods shall be the transaction value of identical goods sold for export to India and imported at or about the same time as the goods being valued. In the six imports given during the relevant time, the goods are identical in description and of the same country of origin.
3. Further, clause (b) of rule 4(1) of the said rules requires that the comparable import should be at the same commercial level and in substantially same quantity as the goods being valued. Since, nothing is known about the level of the transactions of the comparable consignments, it is assumed to be at the same commercial level.
4. As far as the quantities are concerned, the consignments of 20 and 100 metric tonnes cannot be considered to be of substantially the same quantity. Hence, remaining 4 consignments are left for our consideration.
5. However, the unit prices in these 4 consignments are different. Rule 4(3) of Customs Valuation (DVIG) Rules, 2007 stipulates that in applying rule 4 of the said rules, if more than one transaction value of identical goods is found, the lowest of such value shall be used to determine the value of imported goods. Accordingly, the unit price of the consignment under valuation would be US \$ 160 per metric tonne.

Computation of amount of duty payable

CIF value of 800 metric tonnes:

= 800 x 160 = US \$ 1,28,000

At the exchange rate of \$ 1 = ₹ 70

CIF Value (in Rupees)

= ₹ 89,60,000

Assessable Value

= ₹ 89,60,000

10% of Ad Valorem duty on ₹ 89,60,000

= ₹ 8,96,000

Add: Social Welfare Surcharge @ 10% (rounded off)

= ₹ 89,600

Total custom duty payable

= ₹ 9,85,600

Rule 7

Question 10.

Company imports 100 units of a specific product into India from its holding company in USA. The imported goods are sold in India to an unrelated buyer at a unit price of ₹5,500 per unit (including GST@10%) in the same condition as they were imported. The following additional information is available:

No identical and similar goods are imported in India

1. Commission and usual selling expenses in India: ₹200 per unit.
2. General expenses related to the sale: ₹100 per unit.
3. Transportation and insurance costs within India: ₹50 per unit.

You are required to calculate the deductive value per unit.

Answer

- Selling price in India = ₹5,000 per unit
- Commission and selling expenses = ₹200 per unit
- General expenses = ₹100 per unit
- Transportation costs = ₹50 per unit

Deductive Value = ₹5,000 - (₹200 + ₹100 + ₹50 + ₹500 + 500) = ₹4,650 per unit

Total Deductive Value = ₹4,650 × 100 = ₹4,65,000

Rule 8

Question 11

Mr. X imported certain goods from a related person Mr. Q of US and transaction value has been rejected. Rules 4 and 5 of the Import Valuation Rules are found inapplicable as no similar/identical goods are imported in India. Mr. X furnishes cost related data of imports and requests customs authorities to determine value accordingly as per rule 8. The relevant data are

1. Cost of materials incurred by Mr. Q \$ 2000
2. Fabrication charges incurred by Mr. Q \$ 1000
3. Other chargeable expenses incurred by Mr. Q \$ 400
4. Other indirect costs incurred by Mr. Q \$ 250
5. Freight from Mr. Q 's factory to US port \$ 250
6. Loading charges at US port \$ 100
7. Normal net profit margin of Mr. Q is 20% of FOB
8. Air freight from US port to Indian port \$ 1,500
9. Insurance from US port to Indian port \$ 50
10. Exchange rate ₹ 70 per \$

The customs authorities are of the opinion that since value as per rule 7 can be determined at ₹ 4,00,000, there is no need to apply rule 8.

Can the request of Mr. X be legally acceptable? If so, compute the assessable value under the Customs Act, 1962.

Answer

The value of the imported goods is determined under rule 8 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as Import Valuation Rules) if the same cannot be determined under the earlier rules. However, the order of application of rules 7 and 8 can be reversed at the request of the importer and with the approval of the proper officer.

Thus, request of Mr. X for determination of value under rule 8 is legally acceptable, if the same is also approved by the proper officer.

Assuming that the request of Mr. X has been approved by the proper officer, the assessable value of the imported goods under rule 8 will be the sum of-

- (a) the cost of materials and fabrication or other processing;
- (b) an amount for profit and general expenses
- (c) the cost or value of all other expenses under rule 10(2) of the said rules.

Computation of assessable value

Particulars	US \$
Cost of materials	2,000
Add: Fabrication charges	1,000
Other chargeable expenses	400
Other indirect costs	250
Cost of the goods at Mr. Q's factory	3,650
Add: Net profit margin @ 20% of FOB, i.e. 25% of total cost	1,000
Total cost till US port = Cost of the goods at factory + Freight from factory to US port and loading charges at US port = \$ 4,000 [\$ 3,650 + \$ 250 + \$ 100]	
FOB value = Total cost till port + profit = \$ 5,000 (\$ 4,000 + \$ 1,000)	
Add: Freight & loading/unloading charges [In case of import by air, the cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation are restricted to 20% of FOB value]	1,000
Insurance charges	50
Assessable value	5,700
Assessable value in Indian Rupees (Exchange rate - ₹ 70 per \$)	3,99,000

Question 12

Kaveri Enterprises imported some goods from Italy. On the basis of certain information obtained through computer printouts from the Customs House, Department alleged that during the period in question, large number of consignments of such goods were imported at a much higher price than the price declared by Kaveri Enterprises. Therefore, Department valued such goods on the basis of transaction value of identical goods as per rule 4 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 and demanded the differential duty along with penalty and interest from the Kaveri Enterprises. However, Department did not provide these printouts to Kaveri Enterprises.

Kaveri Enterprises contended that Department's demand was without any basis in law, without any legally admissible evidence and opposed to the principles of natural justice as the computer printouts which formed the basis of such demand had not been supplied to them. Resultantly, they had no means of knowing as to whether any imports of comparable nature were made at the relevant point of time.

You are required to examine the contention of Kaveri Enterprises, with the help of a decided case law, if any.

Answer

The facts of the given case are similar to the case of Gira Enterprises v. CCus. 2014 (307) ELT 209 (SC) decided by the Supreme Court. In the instant case, the Supreme Court observed that since Revenue did not supply the copy of the computer printout, which formed the basis of the conclusion that the appellants under-valued the imported goods, the appellants obviously could not and did not have any opportunity to demonstrate that the transactions relied upon by the Revenue were not comparable transactions.

The Supreme Court held that mere existence of alleged computer printout was not proof of existence of comparable imports. Even if assumed that such printout did exist and content thereof were true, such printout must have been supplied to the appellant and they should have been given reasonable opportunity to establish that the import transactions were not comparable.

In view of the above-mentioned judgment, contention of Kaveri Enterprises is correct.

Question 13

(Duty liability in case goods are imported in sets - Section 19) Mr. X imports a toy set (separately valued at Rs. 5,000) containing:

- (1) Two soft dolls (separately valued at Rs. 1,000 each),
- (2) Two racing cars (separately valued at Rs. 500 each), and
- (3) Four soft teddys (separately valued at Rs. 500 each).

Determine duty payable (Ignore SWS) in the following independent cases

- (a) The entire set is imported as a single pack and duty is levied at specific rate viz. Rs. 100 per soft doll, Rs. 50 per racing car, Rs. 75 per soft teddy.
- (b) The entire set is imported as a single pack at a single price of Rs. 5,000 (no separate values available) and duty is levied ad valorem. The rate of duty applicable is 10% for soft dolls, 7.5% for racing cars, 0% (Nil) for soft teddys.
- (c) The entire set is imported at a price of Rs. 5,000 and duty is levied ad valorem. The rate of duty applicable is 10% for soft dolls, 7.5% for racing cars, 0% (Nil) for soft teddys. The importer is able to show evidence of separate values.

Answer

The duty payable as per section 19 is as follows -

- (a) Since duty is leviable on the basis of quantity, the duty shall be calculated as under

	(Amount in Rs.)
(1) Two soft dolls (Applicable duty Rs. 100 per soft doll) (Rs. 100 x 2)	200
(2) Two racing cars (Applicable duty Rs. 50 per car) (Rs. 50 x 2)	100
(3) Four soft teddys (Applicable duty Rs. 75 per soft teddy) (Rs. 75 x 4)	300
Total duty payable	600

- (b) The entire set is imported as a single pack at a single price of Rs. 5,000 (no separate values available) and duty is levied ad valorem. Highest rate of duty shall be applicable on the entire set i.e. Rs. 5,000 x 10% = Rs. 500.

- (c) In case importer is able to show evidences of individual value of articles the duty shall be calculated as under (Rs.):

(1) Two soft dolls (separately valued at Rs. 1,000 each) (Applicable duty 10%) (Rs. 1000 x 2 x 10%)	200
(2) Two racing cars (separately valued at Rs. 500 each) (Applicable duty 7.5%) (Rs. 500x 2 x 7.5%)	75
(3) Four soft teddy's (Applicable duty NIL rate)	NIL
Total duty payable	275

Valuation of Export duty

Question 14

Godrej Ltd exports its consignment of soaps to Walmart Inc in USA in a vessel

Price of goods	= 10,000\$
Loading & unloading charges incurred on load port	= 1000\$
Freight incurred from factory to Exporter's port	= 2000\$

Date of filing Shipping Bil = 1/4/24

RBI Rate: 1\$ = 80RS Rate of duty @10%.

CBIC Rate: 1\$ = 85RS

Date of Let Export Order = 5/4/24

RBI Rate: 1\$ = 83RS Rate of duty @20%

CBIC Rate: 1\$=85Rs

Answer

Computation of Export duty

AV	=	FOB							
	=	Price of goods	(+)	Loading & unloading charges	(+)	Freight charges upto Exporter's Port			
		-----		-----		-----			
		↓		↓		↓			
	=	10,000\$	(+)	1000\$	(+)	2000 \$			

AV(ie FOB) = 13,000\$ x 85Rs. x 20%

Value = 2,21,000 Rs