

# Valuation

Do you want to remember Sections or Rules ?



Sections	Descriptions
<b>Customs Valuation</b>	
14(1)	Transaction Value of Imported Goods & Export Goods
Proviso 14(1)	Relevant Date for Exchange Rate
14(2)	Tariff Value
14(3)	Exchange Rate by CBIC

**TECHNICAL TERMS RELATING TO VALUE IN THE COURSE OF IMPORT OR EXPORT:**

- 1) Ex-Factory Price=price at factory gate.. It includes cost of production and manufacturer's margin of profit.
- 2) F.A.S ( Free Alongside)=It includes ex- factory +local freight + local taxes.
- 3) F.O.B. (Free on Board)= FAS + loading charges + export duty cess.
- 4)C.I.F. (Cost Insurance Freight)=It is the cost at which the goods are delivered at the Indian port. It covers cost of goods. Some times there is referred as CFC also.

Rules	Descriptions
<b>Customs Valuation (Determination of Price of Imported Goods)Rule, 2007</b>	
2(1)(d)	Identical Goods
2(1)(f)	Similar Goods
2(2)	Related
3	Determination of the method of valuation - Transaction Value
4	Transaction value of identical goods
5	Transaction value of similar goods
6	Determination of value where value cannot be determined under rules 3,4 and 5
7	Deductive Value
8	Computed Value
9	Residual Method
10	Cost and services - Adjustment in Transaction Value
11	Declaration by the importer
12	Rejection of declared value

Rules	Descriptions
<b>Customs Valuation (Determination of Price of Export Goods)Rule, 2007</b>	
2(1)(a)	Goods of like kind and quality
2(2)	Related
3	Determination of method of valuation
4	Determination of export value by comparison
5	Computed value method
6	Residual Method
7	Declaration by the exporter
8	Rejection of declared value



Don't wait for the perfect moment, take the moment and make it perfect...



# VALUATION

## Sec. 14(1) Transaction Value

### Imported Goods

The value of imported goods shall be transaction value of such goods that is to say:

- Price actually paid or payable for goods when sold for export to India.
- for delivery at the time and place of importation.
- Where buyer and seller of goods are not related
- Price is sole consideration for sale.
- Subject to such other conditions as specified in the rule made in this behalf.

### Exported Goods

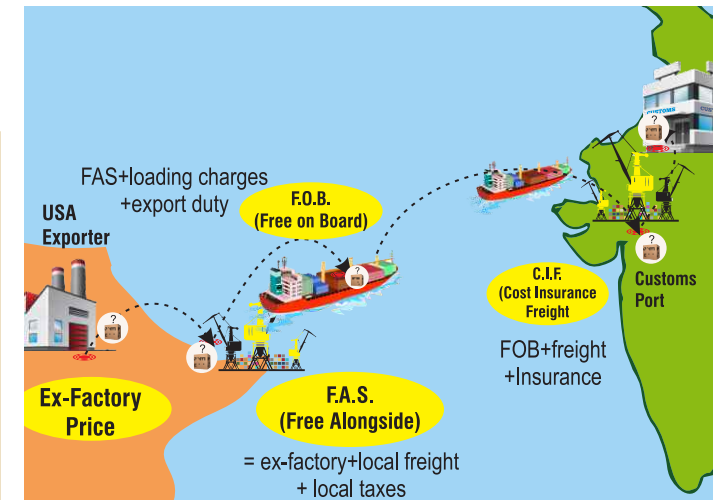
Value of export goods shall be the transaction value of such goods i.e. to say:

- Price actually paid or payable for goods when sold for export from India.
- For delivery at the time and place of exportation.
- Where buyer and seller of the goods are not related.
- Price is sole consideration for sale.
- Subject to such other conditions as specified in the rules.

## Sec. 14(2) Tariff Value

- 1) The Board fixes tariff value for class of imported or export goods.
- 2) Tariff value is determined based on the trend of the international market value of similar goods.
- 3) Once fixed, the duty is chargeable based on the tariff value only.

## PRICING SYSTEM IN INTERNATIONAL MARKET



## CUSTOM VALUATION (DETERMINATION OF PRICE OF IMPORTED GOODS) RULE, 2007

### Rule 3(1)

Subject to Rule 12 the value of imported goods shall be the transaction value adjusted in accordance with Prov. of Rule 10

### Rule 10

Adjustment in T.V. (Refer next page)

### RULE 2(2) Related

For the purpose of these rules, persons shall be deemed to be "related" only if -	
i)	they are officers or directors of one another's businesses;
ii)	they are legally recognized partners in business;
iii)	they are employer and employee;
iv)	any person directly or indirectly owns, controls or holds 5 per cent or more of the outstanding voting stock or shares of both of them;
v)	one of them directly or indirectly controls the other;
i)	both of them are directly or indirectly controlled by a third person;
ii)	together they directly or indirectly control a third person;
iii)	they are members of the same family.
<b>Explanation:</b> sole agent / distributor shall be treated as related only if they are covered within any criteria of this sub-rule	

## Rule 3

### Rule 3(2)

T.V of imported shall be accepted subject to following conditions.

- |    |  |
|----|--|
| a) | The Buyer is not subject to any restriction regarding use or disposal except as provided in Indian law.  |
| b) | There is no condition regarding resale except the geographical area of resale.   |
| c) | There is no restriction which substantially affects the value of goods.  |
| d) | On resale, the seller is not entitled for any part of subsequent resale.   |
| e) | The sale or price is not subject to some condition or consideration for which a value cannot be determined in respect of the goods being valued. |
| f) | The buyer and seller are not RELATED.  |

Provided that where the buyer and seller are related, that transaction value is acceptable for customs purposes under the provisions of **SUB - RULE (3)** below.

### Rule 3(3)

## TRANSACTION VALUE ACCEPTABLE EVEN THOUGH BUYER AND SELLER ARE RELATED

The examination of circumstances of sale of imported goods indicated that the relationship does not influence the price

Where Importer demonstrate that his declared value is approx equal to:

- TV of Identical goods or similar goods.
- Deductive value of IG/SG.
- Computed value of IG/SG.



## Determination of Assessable Value & Customs Duty Payable

Sr. No.	Particulars	₹	Remark						
1)	<b>FOB</b>	<b>xxx</b>							
2)	<b>Adjustment under Rule 10 (1)</b>								
a)	(i) Commission & Brokerage	xx	All Commission & Brokerage includible in T.V. except buying Commission.						
	(ii) Cost of Container	xx	Cost of durable & Returnable container is not includible in T.V.						
	(iii) Cost of Packing	xx							
b)	Free assistance given by buyer <ul style="list-style-type: none"> <li>- Material, Components, Parts &amp; Similar items</li> <li>- Tools, dies, moulds &amp; similar items.</li> <li>- Material consumed</li> <li>- Engineering, development work, art work, plan &amp; sketches undertaken elsewhere than India.</li> </ul>	xx	<b>Conditions for additions</b> <ol style="list-style-type: none"> <li>Supplied directly or Indirectly by buyer</li> <li>Use in production of imported goods.</li> </ol> <b>Not to be added in T.V.</b> Engineering, development work, art work, plan & sketches undertaken in India.						
c)	Royalties & Licence Fees [ If includes patent, copy rights, know how trade mark. etc. ]	xx	<b>Conditions for additions</b> <ol style="list-style-type: none"> <li>Related to imported goods</li> <li>Payable by buyer as conditions of sale.</li> </ol> <b>Note :</b> T.V. includes royalty & license fees for the process on goods carried out after importation.						
d)	Proceeds of Subsequent Resale disposal or Use-occurring to seller.	xxx	Dividends from the buyer to the seller not called as proceeds of subsequent sale& not includible in T.V.						
e)	Other payments - paid by the buyer as a condition of sale	xxx	It does not includes Interest or Financial Charges.						
	<b>Adjusted FOB (Adj.)</b>	<b>xxx</b>							
3)	<b>Adjustment Under Rule 10(2)</b> (a) the cost of transport, loading, unloading and handling charges associated with the delivery (loading port in the country of export) of the imported goods <b>to</b> the place of importation	xx	Ship demurrage charges of Chartered vessels & Lighterage / Barge Charges Separately added as cost of transportation <b>Calculation of freight or insurance if FOB is cum insurance or freight</b> <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th style="width: 50%;">Case</th> <th style="width: 50%;">Treatment</th> </tr> </thead> <tbody> <tr> <td>(a) FOB(Adj.) + Insurance</td> <td>Cost of transport/handling 20% of (FOB + Insurance )</td> </tr> <tr> <td>(a) FOB(Adj.) + Transport &amp; Handling Cost</td> <td>Cost of insurance 1.125% of [FOB + Transport/Handling</td> </tr> </tbody> </table> <b>Note : Refer Amendment Notes for detailed discussion</b>	Case	Treatment	(a) FOB(Adj.) + Insurance	Cost of transport/handling 20% of (FOB + Insurance )	(a) FOB(Adj.) + Transport & Handling Cost	Cost of insurance 1.125% of [FOB + Transport/Handling
Case	Treatment								
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	(b) Cost of Insurance <ul style="list-style-type: none"> <li>- Ascertainable - Actual</li> <li>- Not Ascertainable - 1.125% of FOB</li> </ul>	xx xx							
	<b>CIF</b>	<b>xxxxx</b>							
	<b>Assessable Value</b>	<b>xxxxx</b>							
	<b>Calculation of Custom Duties</b>								
a)	BCD % (Assessable Value)								
b)	Social Welfare Surcharge @ 10% (BCD )								
c)	IGST (A.V. + BCD + SWS)								

**Exclusion From Transaction Value :**

- Charges for construction, erection, assembly, maintenance or technical assistance, undertaken after importation on imported goods, e.g. industrial plant, machinery or equipment.
- Cost of transport after importation
- Duties and Taxes in India.

**Costs related to transshipment of goods (from ports to ICDS (inland Container Depot) :** port to port, port to CFS (Container Freight Station), Airport to Airport, etc.) within India will be excluded, providing uniform treatment to different modes of transshipment.

**Rule 3(4):**

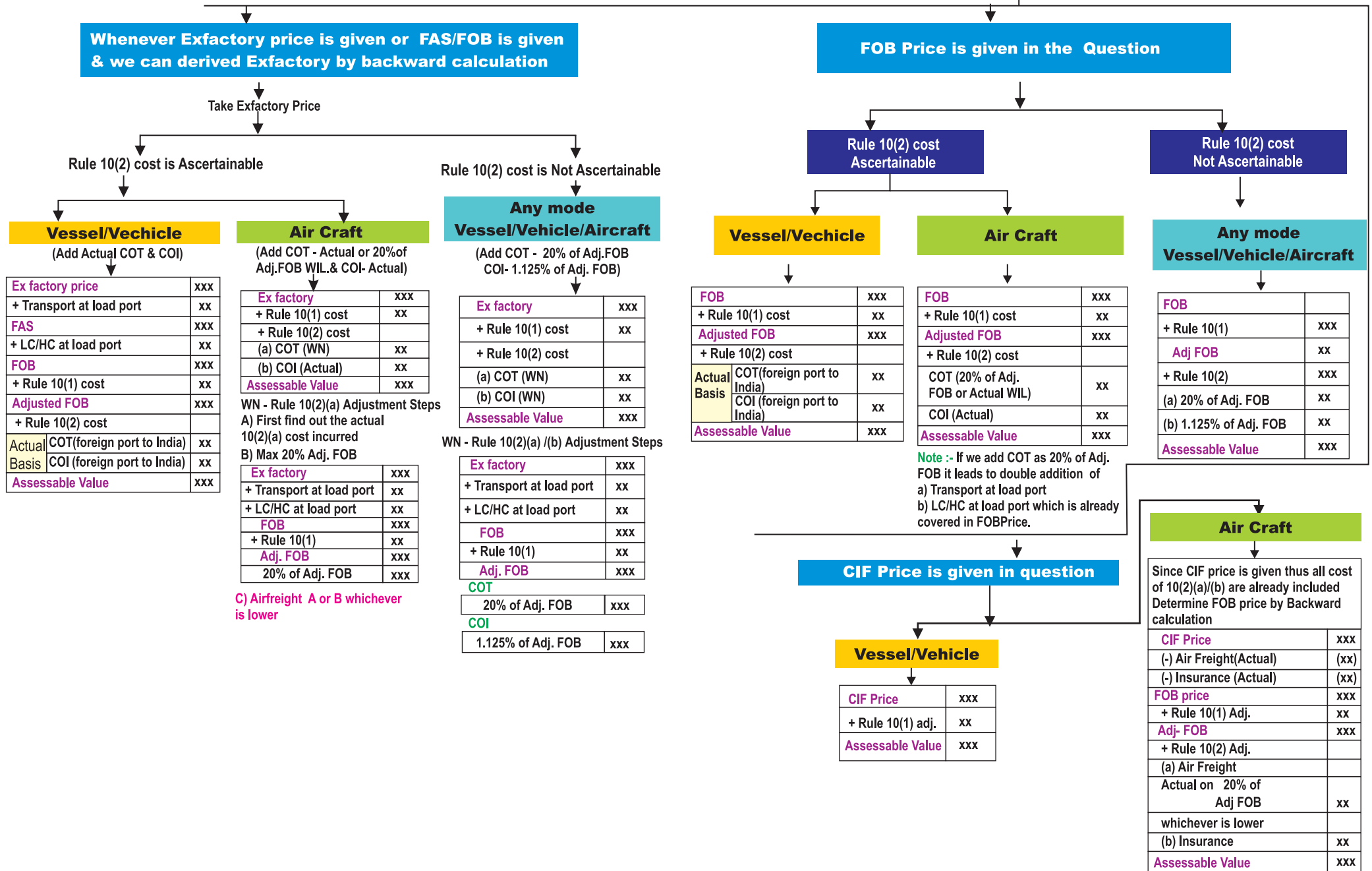
If the value cannot be determined under the provisions of rule 3(1) or 3(2), the value shall be determined by proceeding

**SEQUENTIALLY THROUGH RULE 4 TO 9.**



<b>Identical Goods (IG) (Rule 4)</b>	<p><b>Rule 2(1)(d) The term "identical goods" is as follows:</b></p> <p>Identical Goods = Imported + Same physical features, quality, etc. + Same country of production + Same producer (if not available then others allowed)</p>		<p><b>Rule 4 / Rule 5</b></p> <p>If the assessable value of the imported goods is not ascertainable, then the value of identical goods/ similar goods is considered subject to following conditions.</p> <p>1) IG / SG are imported at or about same time 2) IG / SG are imported substantial same quantity and commercial level. adjustment is allowed if there is any difference in quantity or commercial level 3) Adjustment is allowed for rule 10(2) expenses 4) If two or more T.V. of I.G./S.G. then take lowest T.V.</p>
<b>Similar Goods (SG) (Rule 5)</b>	<p><b>Rule 2(1)(f) The term "similar goods" is as follows:</b></p> <p>Similar Goods = Imported Goods + Like features and component material interchangeable with imported goods + Same country of production + Same producer (if not available then others allowed)</p>		
<b>Deductive Value (Rule 7)</b>	<p>If given goods / I.G./ S.G. sold in a condition as imported</p>	<p>Assessable Value = <b>Unit price in India</b> (-) Commission / profits (-) Transport &amp; Insurance (-) Customs Duties &amp; other Taxes payable in India by reason of importation or sale of the goods.</p>	<p><b>Additional Comments (Rule 7) :</b> If goods are not sold at same time then unit price at earliest date not exceed 90 days shall be taken. (Unit price at which greatest aggregate quantity sold to persons who are not related to the sellers in India</p>
<b>Computed Value (Rule 8)</b>	<p>If given goods / I.G./ S.G. not sold in a condition as imported</p>	<p>In addition to above expenses cost of processing is deductible from unit price.</p> <p>Assessable Value = Cost / Value of Materials used in producing the Imported Goods + Profits &amp; General Expenses + Other additions under Rule 10(2)</p>	
<b>Residual Method (Rule 9)</b> <small>(Applicability: if value cannot be determine by above rules then Rule 9 is Applicable)</small>	<p><b>Method :</b> Under Residual Method, Value of Imported Goods shall be determined - (a) using reasonable means, (b) consistent with the principles and general provisions of these Rules, (c) on the basis of data available in India.</p>	<p><b>Basis shall not be considered :</b> a) AV should not be Selling Price in India b) Highest Price among multiple prices c) Price of the goods in the domestic market of the country of exportation d) Cost of Production / Price of the goods for the export to a country other than India e) Minimum Customs Values, or Arbitrary or Fictitious Values.</p>	
<b>VALUATION OF EXPORT GOODS</b>			
<b>Sec. 14(1)</b>	<p>Value of export goods shall be the transaction value of such goods that to say: <b>Price actually paid or payable for goods when sold for export from India.</b></p> <p>► For delivery at the time and place of exportation. ► Where buyer and seller of the goods are not related. ► Price is sole consideration for sale. ► Subject to such other conditions as specified in the rules.</p>		<p><b>Normally FOB Value of Export Goods</b></p>
<b>CUSTOMS VALUATION (DETERMINATION OF VALUE OF EXPORT GOODS) RULE, 2007</b>			
<b>Goods of like kind and quality</b>	<p>Goods of like kind = Export goods which are identical or similar and quality</p>	<p>Like features and quality, reputation + perform same function Commercially interchangeable with export goods</p>	<p>Produced by the same person or a different person</p>
<b>Comparison Method (Rule 4)</b>	<p>1) The value of the Export Goods shall be based on- The Transaction Value of goods of like kind and quality, exported at or about the same time, to other buyers in the same destination country of importation or in its absence another destination country of importation adjusted in accordance with Rule 4(2).</p> <p>2) For determining the value of export goods under Rule 3(1) PO shall make few adjustments:-considering</p> <ul style="list-style-type: none"> <li>► difference in the dates of exportation,</li> <li>► difference in commercial levels and quantity levels,</li> <li>► difference in composition, quality and design between the goods to be assessed and the goods with which they are being compared &amp;</li> <li>► difference in domestic freight and insurance charges depending on the place of exportation</li> </ul>		
<b>Computed Value Method (Rule 5)</b>	<p>This method is adopted when the value of exports cannot be determined by Comparison Method. ] Assessable Value = Cost of Production + Charges for brand + Profits</p>		
<b>Residual Method (Rule 6)</b>	<p>The value shall be determined by reasonable means consistent with the principles and general provisions of these Rules. However, local market price may not be the only basis.</p>		
<b>Rejection of declared value (Rule 8)</b>	<p>If the PO has-</p> <ul style="list-style-type: none"> <li>► Reason to doubt on the truth or accuracy of the declared value.</li> <li>► He may ask the importer to furnish further information, documents, evidence.&amp;</li> <li>► If, after receiving such further information, or the absence of such exporter PO still doubts then It shall be deemed that T.V cannot be determined u/r 3(1). PO shall intimate in writing &amp; give OOBH.</li> </ul>		

# CUSTOMS VALUATION - DIFFERENT APPROACHES FOR CALCULATION OF A.V.



## SEC: 19 DETERMINATIONS OF DUTY WHERE GOODS CONSIST OF ARTICLES LIABLE TO DIFFERENT RATES OF DUTY

Where goods consist of set of articles, Duty shall be calculated as follows,

1) **Duty Based on Quantity** :- Each article is charged duty based on its respective rate per unit (e.g., per kg).

2) **Duty Based on Value**

a) **If all articles have the same duty rate:** The entire set is charged at that single rate

b) **If articles have different duty rates:**

⇒ The entire set is charged at the **highest rate**, even if some articles are exempt or have a lower rate or NIL rate.

**Eg:** Shaving kit consist of different products like Shaving Cream (Duty rate 10%), Shaving Brush (Duty rate 5%) & others (duty rate 5%) then **entire shaving kit is taxable @ 10%**.

⇒ **Exception:** But if the importer produces evidence to the satisfaction of the PO regarding the value of any of the articles liable to different rates of duty, such article shall be chargeable to duty separately at the rate applicable to it.

### Duty on Accessories with Main Equipment

- ⇒ Accessories, parts, or implements are charged at the same rate as the main equipment **if:**
- ⇒ They are **compulsorily** supplied with the main article &
- ⇒ They are **not separately charged**, meaning their cost is included in the price of the main equipment.

### Social welfare surcharge:

- 1) **Objective:** Goods imported into India to provide and finance education, health social securities.
- 2) **Rate:** 10% on aggregate of duties, taxes and cess levied u/s 12 of the Custom Act, 1962, but not including SGD, CVD and ACD. (i.e. 10% only on BCD)