

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.



Identical Goods (Rule 4)	<p>Rule 2(1)(d) The term “identical goods” is as follows:</p> <p>Identical Goods = Imported + Same physical features, quality, etc. + Same country of production + Same producer (if not available then others allowed)</p>			<p>Rule 4 / Rule 5</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>
Similar Goods (Rule 5)	<p>Rule 2(1)(f) The term “similar goods” is as follows:</p> <p>Similar Goods = Imported Goods + Like features and component material Commercially interchangeable with imported goods + Same country of production + Same producer (if not available then others allowed)</p>			
Deductive Value (Rule 7)	<p>If given goods / I.G./ S.G. sold in a condition as imported</p>	<p>Assessable Value = Unit price in India (-) Commission / profits (-) Transport & Insurance (-) Customs Duties & other Taxes payable in India by reason of importation or sale of the goods.</p>	<p>Additional Comments (Rule 7) : 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>	
Computed Value (Rule 8)	<p>Assessable Value = Cost / Value of Materials used in producing the Imported Goods + Profits & General Expenses + Other additions under Rule 10(2)</p>			

Residual Method (Rule 9) <small>(Applicability): If value cannot be determine by above rules then Rule 9 is Applicable</small>	<p>Method : 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>Basis shall not be considered : 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>
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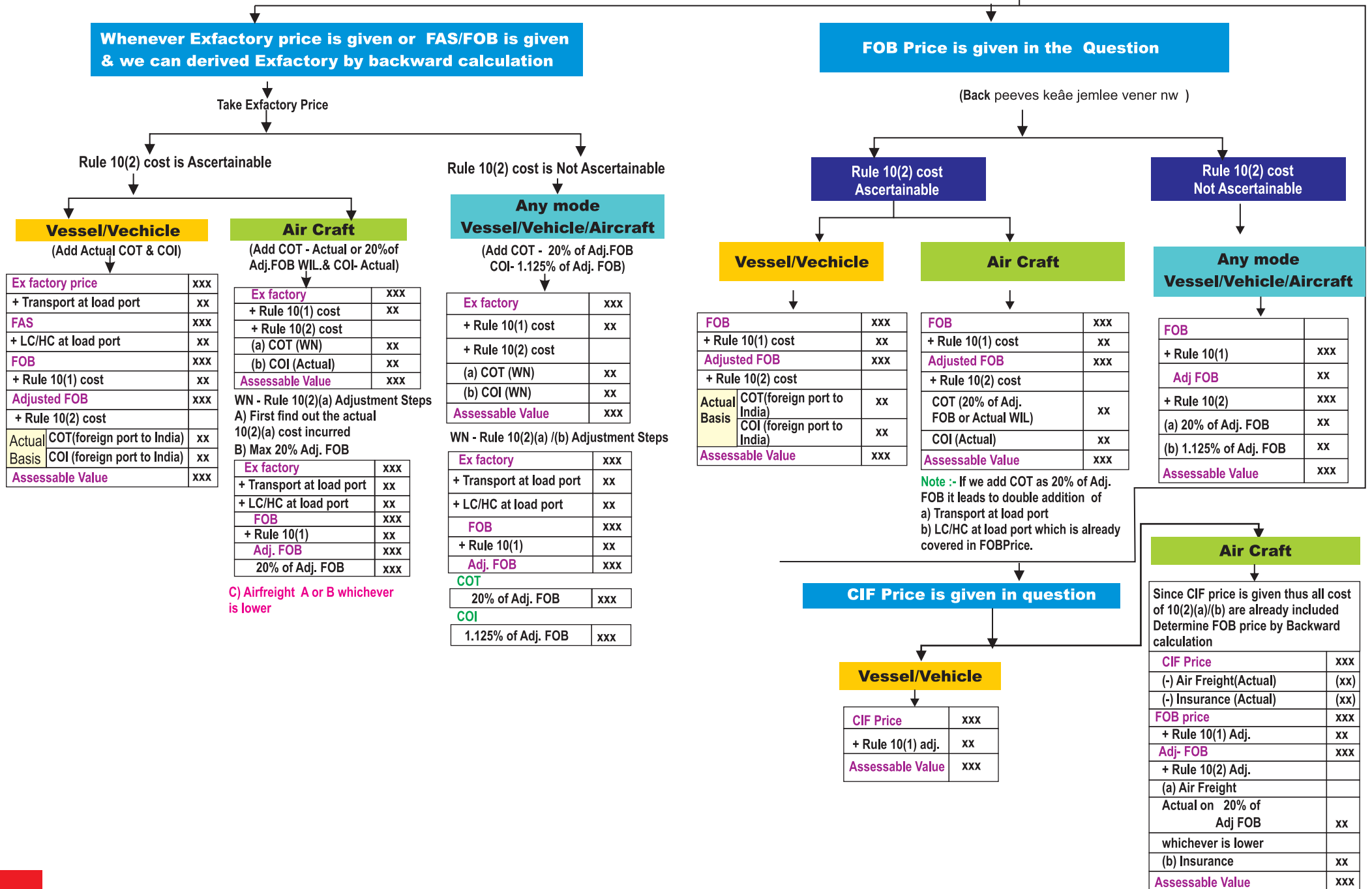
VALUATION OF EXPORT GOODS

Sec. 14(1)	<p>Value of export goods shall be the transaction value of such goods that to say: Price actually paid or payable for goods when sold for export from India.</p> <ul style="list-style-type: none"> ▶ 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>Normally FOB Value of Export Goods</p>
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CUSTOMS VALUATION (DETERMINATION OF VALUE OF EXPORT GOODS) RULE, 2007

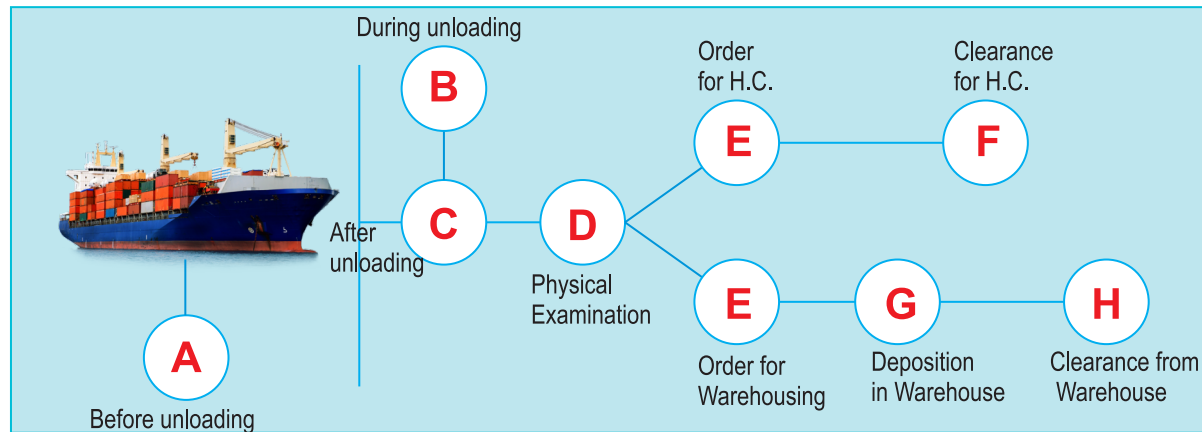
Goods of like kind and quality (Rule 4)	<p>Goods of like kind and quality = Export goods which are identical or similar + Like features and quality, reputation perform same function Commercially interchangeable with export goods</p>	<p>Produced by the same person or a different person</p>
Comparison Method (Rule 4)	<p>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>	
Computed Value Method (Rule 5)	<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>	
Residual Method (Rule 6)	<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>	

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



Concession Under Custom

Do you want to remember Sections or Rules ?



Important Case Study

Mangalore Refinery & Petrochemicals Ltd. v. Ccus. 2015.

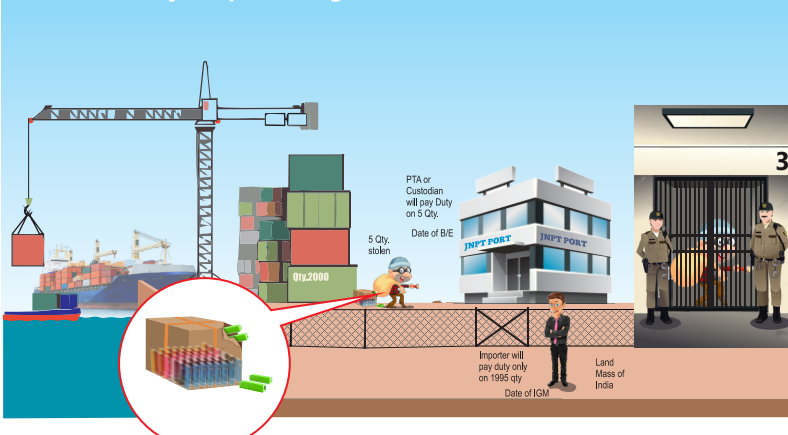
Decision - In case of import of crude oil, customs duty is payable on the basis of the actual quantity received into shore tanks in India & not the basis of quantity of oil shown in the bill of landing.

- As we know Sec 12 provides that duties of Customs shall be levied on goods. However, it may be noted that this Levy is subject to other sections in this Act. For instance,
- Sec 13 – Duty on pilfered goods.
 - Sec 22 – Abatement of duty on damaged or deteriorated goods.
 - Sec 23 – Remission of duty on Lost, Destroyed or abandoned goods.
 - Sec 20 – Re-importation of goods.
 - Sec 21 – Goods derelict wreck etc.
 - Sec 24 – Denaturing & Mutilation
 - Sec 25 - Exemption from Custom Duty
 - Sec 25A - Exemption from Custom Duty on Imported goods used for Inward processing of goods
 - Sec 25 B- Exemption from Custom Duty on Re-Imported goods used for outward processing of goods

“ Education is NOT preparation for life; Education is LIFE IT SELF ”

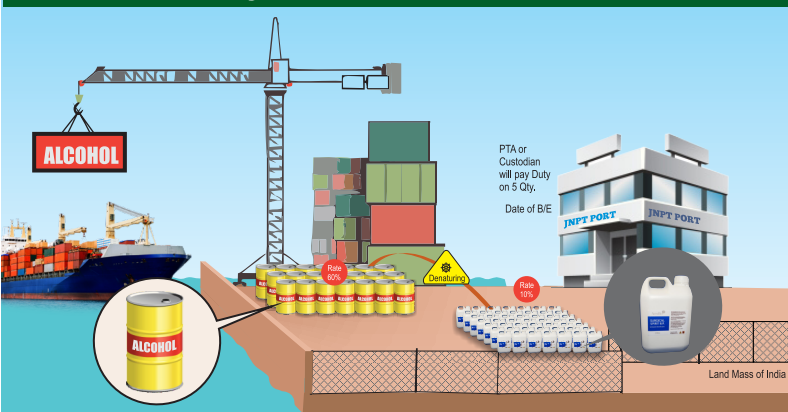


Sec. 13 : Duty on pilfered goods.



1. Pilferage means petty theft or petty loss.
2. Duty is not payable if goods pilfered after unloading and before order of clearance
3. Goods should not be restored back.
4. Duty is payable by custodian.

Sec. 24 : Denaturing & Mutilation.



1. Owner of goods will make request for denaturing & mutilation
2. C.G. may make rules for such denaturing & mutilation
3. Duty is payable as if goods are imported in denatured or mutilated form.

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



1. If it is shown to the satisfaction of AC/DC that
 - If damaged or deteriorated before ordering unloading
 - If for H.C. damage after unloading but before examination
 - warehoused goods damaged anytime before clearance

-On account of any accident
-not due to any without act negligence of importer or his employee

2. Duty payable = $\frac{\text{Duty on goods before damage or deterioration}}{\text{Value of goods before damage or deterioration}} \times \frac{\text{Value of goods after damage or deterioration}}{\text{Value of goods before damage or deterioration}}$

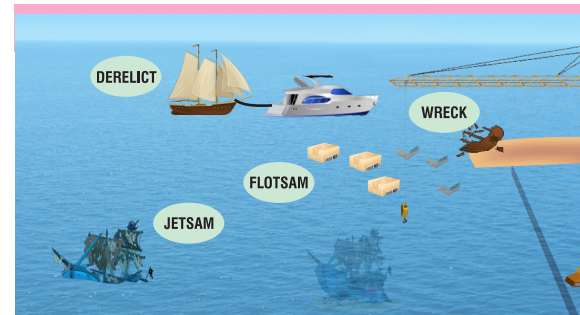
Sec. 23: Remission of duty on Lost, Destroyed or abandoned goods.

AC/DC May remit the duty

Sec 23(1) - If any if or destroyed any time before clearance for H.C. *Otherwise than Pilferage*

Sec 23(2) No duty is payable by Importer if he relinquished his title on imported goods any time before order U/s 47. (i.e. order of clearance for Home Consumption or Warehousing)

Such relinquishment not allowed if any offence has been done.



Sec. 21: Goods derelict wreck etc..

All goods, derelict, jetsam, flotsam and wreck brought or coming into India, **shall be dealt with as if they were imported into India**, unless it be shown to the satisfaction of the proper officer that they are entitled to be admitted duty-free under this Act.

SECTION 20: RE-IMPORTATION OF GOODS

It provides that, if goods are imported into India after exportation therefrom,

- Such goods shall be liable to duty and
- Be subject to all the condition and restriction, if any
- To which goods of the like kind and value are liable on the importation thereof.

This means that re-imported goods are treated at par with other goods, which are imported.

However, the following notifications have provided certain concessions in this regard:

(I) Concessional duty payable in case of re-importation of goods exported for repairs or exported under duty drawback etc.

S.No.	Description of goods exported	Amount of import duty payable if re-imported	Conditions for claiming the concession/exemptions:
1.	Goods exported under claim for duty drawback, refund of integrated tax paid on export goods, bond without payment of integrated tax, etc.	Amount of incentive availed of at the time of export	(a) Time-limit for re-importation the time limit for re-importation is 3 years. This is extendable to 5 years. (b) Same goods the exported goods and the re-imported goods must be the same.
2.	Goods other than those falling under Sl. No. 1 exported for repairs abroad	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.	(c) No change in ownership In case of point (2*), the ownership of the goods should also not have changed.

However, these concessions would not be applicable if-

- re-imported goods had been exported by EOU or a unit in FTP
- re-imported goods had been exported from a public/private warehouse
- re-imported goods which fall under Fourth schedule to the Central Excise Act, 1944. [Notification No. 45/2017 Cus. dated 30.06.2017]

ii) Exemption to re-import of goods and parts thereof for repairs, reconditioning, reprocessing, remaking or similar other process

S.No.	Particular	Time -limit for re-importation from the date of exportation	Other conditions to be satisfied
1.	Goods manufactured in India and re-imported for repairs or for reconditioning other than the specified goods	3 years In case of export to Nepal, such time-limit is 10 years.	(a) Goods must be re-exported within 6 months (extendable till 1 year) of the date of reimportation. (b) The Assistant Commissioner/ Deputy Commissioner of Customs is satisfied as regards identity of the goods. (c) The importer at the time of importation executes a bond.
2.	Goods manufactured in India and re-imported for (a) Reprocessing (b) Refining (c) Re-making (d) Subject to any process similar to the processes referred to in clauses (a) to (c) above.	1 year	

[Notification no.158/95 Cus. dated 14.11.1995 as amended vide Notification No. 60/2018 Cus dated 11.09.2018]

Note: In above (point 2), if any loss of imported goods is noticed during such operation, such loss shall be exempted from whole of the custom duties subject to the satisfaction of Assistant/ Deputy Commissioner of Customs.

The exemption is available even if quantity re-imported is short or low in quantity as long as nature and variety of goods is same.

Illustration 1

A machine was originally imported from Japan at ₹ 250 lakh in July, 20XX on payment of all duties of customs. The said machine was exported (sent-back) to supplier for repairs in December, 20XX and re-imported without any remanufacturing or re-processing in October next year after repairs. Since the machine was under warranty period, the repairs were carried out free of cost.

However, the fair cost of repairs carried out (including cost of material ₹ 6 lakh) would have been ₹ 9 lakh. Actual insurance and freight charges (to and from) were ₹ 3 lakh. The rate of basic customs duty is 10% and integrated tax is 12%. Ignore GST compensation cess.

Compute the amount of customs duty payable (if any) on re-import of the machine after repairs. The ownership of the machine has not been changed during the period.

Note: The importer intends to avail exemption, if any, with regard to reimportation of goods which had been exported for repairs abroad.

Answer

As per Notification No. 45/2017 Cus. dated 30.06.2017, duty payable on reimportation 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.

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:

Particulars	₹
Value of goods re-imported after exports [` 9 lakh (including cost of materials) + ` 3 lakh]	12,00,000
Add: Basic customs duty @ 10% (A)	1,20,000
Add: Social Welfare Surcharge @ 10% on ` 1,20,000 (B)	12,000
Value for computing integrated tax	13,32,000
Integrated tax @ 12% (` 13,32,000 x 12%) - (C)	1,59,840
Customs duty and integrated tax payable [(A) +(B)+ (C)]	2,91,840

SECTION 25: EXEMPTION FROM CUSTOMS DUTY

Central Government's power to grant exemption

Article 265 of the Constitution provides that "No tax shall be levied or collected except by authority of law". The power of the Central Government to alter the duty rate structure is known as delegated legislation and this power is always subject to superintendence and check by Parliament.

- a. **General exemption:** If the Central Government is satisfied that it is necessary in the public interest so to do, it may, by notification in the Official Gazette,
exempt generally either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, goods of any specified description from the whole or any part of duty of customs leviable thereon.
- b. **Special exemption:** If the Central Government is satisfied that it is necessary in the public interest so to do, it may, by **special order in each case**, exempt from payment of duty, any goods on which duty is leviable only under circumstances of an exceptional nature to be stated in such order.

Further, no duty shall be collected if the amount of duty leviable is equal to, or less than, one hundred rupees.

Both the above mentioned exemptions may be granted by providing for the levy of duty on such goods at a rate expressed in a form or method different from the form or method in which the statutory duty is leviable.

Further, the duty leviable under such altered form or method shall in no case exceed the statutory duty leviable under the normal form or method.

SECTION 25A:- EXEMPTION FROM CUSTOMS DUTY ON IMPORTED GOODS USED FOR INWARD PROCESSING OF GOODS

Where the Central Government is satisfied that it is necessary in the public interest so to do, it may, by notification, **exempt such of the goods which are imported for the purposes of repair, further processing or manufacture**, as may be specified therein, from the whole or any part of duty of customs leviable thereon, subject to the following conditions, namely:—

- (a) the goods shall be re-exported after such repair, further processing or manufacture, as the case may be, within a period of one year from the date on which the order for clearance of the imported goods is made;
- (b) the imported goods are identifiable in the export goods; and
- (c) such other conditions as may be specified in that notification.

SECTION 25B:- EXEMPTION FROM CUSTOMS DUTY ON RE-IMPORTED GOODS USED FOR OUTWARD PROCESSING

Notwithstanding anything contained in section 20, where the Central Government is satisfied that it is necessary in the public interest so to do, it may, by notification, **exempt such of the goods which are re-imported after being exported for the purposes of repair, further processing or manufacture, as may be specified therein**, from the whole or any part of duty of customs leviable thereon, subject to the following conditions, namely:—

- (a) the goods shall be re-imported into India after such repair, further processing or manufacture, as the case may be, within a period of one year from the date on which the order permitting clearance for export is made;
- (b) the exported goods are identifiable in the re-imported goods; and
- (c) such other conditions as may be specified in that notification

Drawback

Do you want to remember Sections or Rules ?



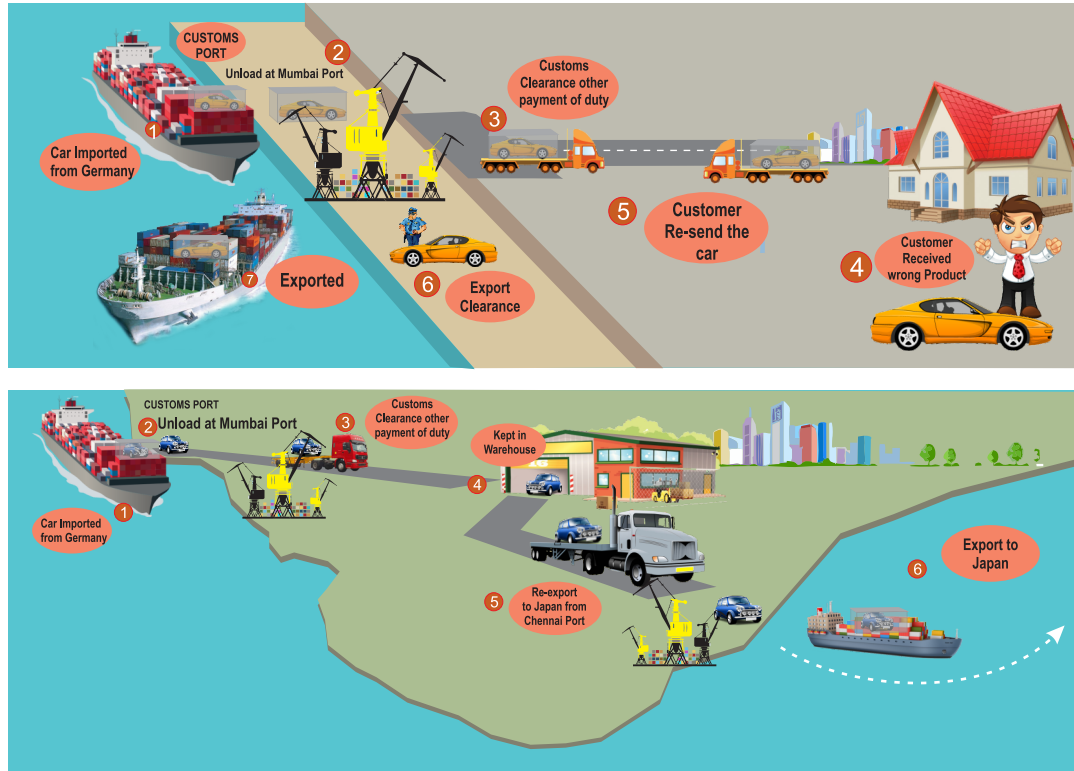
Sections	Descriptions
Sec 74	Drawback on imported goods exported as such
Sec 75	Drawback on imported materials used in the manufacture of goods which are exported.
sec 75 A	Interest on drawback
Sec 76	Prohibition and regulation of drawback in certain cases
Sec 20	Re-importation of goods

If you focus on result,
you will never learn,
If you ready to learn,
you will get a result..

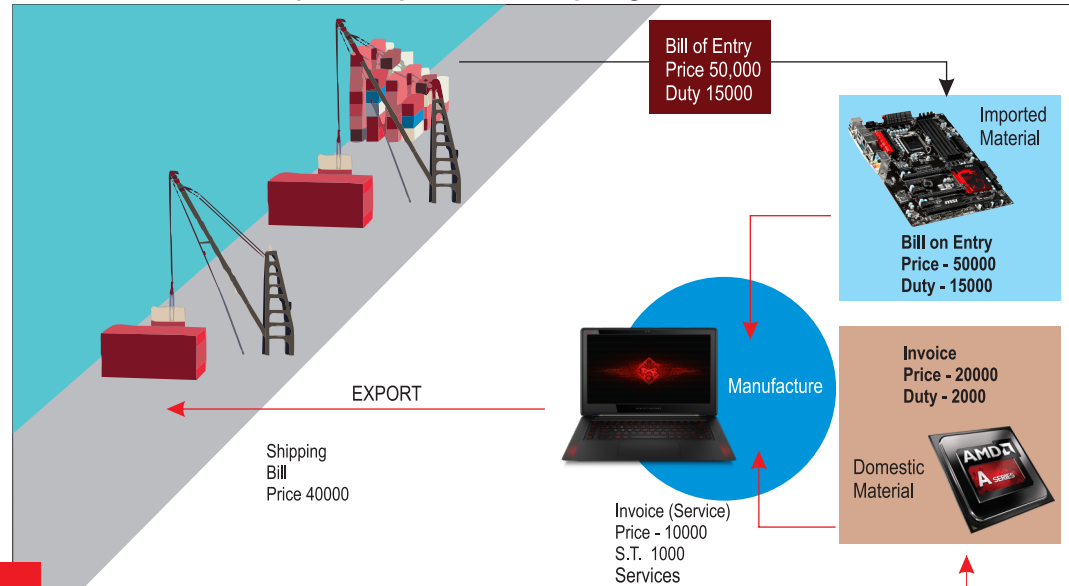


GST GuruTM
CA Vishal Bhattad

Sec 74 : Drawback allowable on re-export of duty paid goods



Sec 75 : Drawback on imported inputs used in export goods



DUTY DRAWBACK ALLOWABLE ON RE-EXPORT OF DUTY PAID GOODS :

(1) The differences between the provisions of Section 74 and Section 75 are as follows -

Basic	Drawback allowable on re-export of duty paid goods - section 74	Drawback on materials used in the manufacture of exported goods - Section 75
Drawback Scheme	Refund of duty paid on importation of the goods which are exported outside India.	The rebate of duty or tax, as the case may be, paid on any imported material or excisable materials or input services which are used in the manufacture of the goods exported outside India.
Identity of goods exported	The goods must be capable of being easily identified.	Identity of imported material will completely change after manufacturing process.
Eligibility	All goods are eligible for drawback subject to their identification.	Drawback is available only in respect of notified goods by C.G.
Nature of goods exported	The exported goods should have been imported and customs duty be paid thereon.	The goods exported may be manufactured or processed from imported or indigenous inputs or by utilising input services.
Rate of Duty drawback	Duty drawback, is allowed @ 98% of the import duty, if the goods are exported without use and in case if they are taken into use drawback is allowed at notified rate depending upon the period of use.	Duty drawback is allowed as per All Industry Rate notified by the Drawback Directorate. In case if no rate is notified, then the exporter can apply for Brand rate and in case if duty drawback as per All Industry Rate is less than 80% of the duty paid on importation, then the exporter can apply for Special Brand Rate.
Time limit for exportation of goods	The goods must be exported within 2 years from the date of payment of duty or such extended time as allowed by Board.	There is no time limit for such exportation.
Requirement of value addition	There is no requirement of minimum value addition.	Export value of notified goods should not be less than value of imported material.
Realisation of export-sale proceeds in convertible foreign exchange	There is no requirement to bring, the export proceeds in convertible foreign exchange	If the export proceeds are not brought in convertible foreign exchange within time limit specified under FEMA, 1999 then the drawback so granted shall be recovered.
Rules framed	Re-export of Imported goods (Drawback of Customs Duties) Rules, 1995 has been framed	Customs Central Excise Duties and Service tax Drawback Rules, 1995 has been framed.
Export in form of Baggage	The goods can be exported in form of Baggage	The goods cannot be exported as Baggage.

Sec. 74: Rate of Drawback in group re-exported after use

(1) **Rate of Drawback notified by the Central Government** : The Central Government, has notified the drawback rates in respect of goods taken into use after importation -

Length of period between the date of clearance for home consumption and the date when goods are placed under Customs control for export.	% of import duty to be paid as Drawback
Not more than 3 months	95%
More than 3 months but not more than 6 months	85%
More than 6 months but not more than 9 months	75%
More than 9 months but not more than 12 months	70%
More than 12 months but not more than 15 months	65%
More than 15 months but not more than 18 months	60%
More than 18 months	Nil

(2) In respect of a motor car or goods imported by a person for his personal and private use, drawback of duty shall be equal to the import duty paid in respect of such motor car or goods as reduced by 4%, 3%, 2.5% and 2% for use for each quarter or part thereof during the period of first year, second year, third year, and fourth year respectively.

(4) Interest on Drawback [Section 75A] :

SS.	Circumstance	Specified time period for payment of drawback & interest	Rate of interest	Amount on which interest payable	Interest from -
(1)	Any drawback payable to a claimant u/s 74 or 75 is not paid within specified time period	One month from the date of filling of drawback claim	6% p.a.	Amount of drawback remaining unpaid to the claimant	The date after expiry of the said period of one month till the date of payment of such drawback shall be paid to the claimant
(2)	Drawback has been paid to the claimant erroneously or it becomes otherwise recoverable under this Act or rules made thereunder	Two months from date of demand of the amount of drawback erroneously paid or otherwise recoverable	15% p.a.	Amount of drawback erroneously paid to the claimant or otherwise recoverable from him	The date of payment of such drawback to the claimant till the date of recovery of such drawback shall be paid by the claimant

Customs And Central Excise Duties Drawback Rules, 2017

RULE 2. Definitions

Discussion on some important Rules

(a) "Drawback"	in relation to any goods manufactured in India and exported, means the rebate of duty <i>excluding integrated tax leviable under sub-section (7) and compensation cess leviable under sub section (9) respectively of section 3 of the Customs Tariff Act, 1975.</i> , chargeable on <ul style="list-style-type: none"> ◆ any imported materials or ◆ excisable materials used or Used in the manufacture of such goods
(b) Excisable material	means any material produced or manufactured in India subject to a duty of excise under the Central Excises Act, 1944
(c) Export	With its grammatical variations and cognate expressions, means <ul style="list-style-type: none"> ◆ taking out of India to a place outside India or ◆ taking out from a place in Domestic Tariff Area (DTA) to a special economic zone and ◆ includes loading of provisions or store or equipment for use on board a vessel or aircraft proceeding to a foreign port.
(d) Imported material	means any material imported into India and on which duty is chargeable under the Customs Act, 1962
(e) "Manufacture"	Includes processing of or any other operation carried out on goods, and the term manufacturer shall be construed accordingly
(f) "Tax Invoice"	means the tax invoice referred to in section 31 of the Central Goods and Services Tax Act, 2017.



Examination Question

Can drawback be provisionally paid to the Exporter? [Rule 6(2), 7(3)]

- 1. Application** : Application for provisional drawback, should be made in writing to the Principal Commissioner or Commissioner, along with application for Brand Rate/ Special Brand Rate.
- 2. Request** : The application shall be for grant of provisional amount towards drawback on the export of goods, where the determination of amount or rate of drawback is pending.
- 3. Furnishing of Bond** : To ensure that any erroneous or ineligible drawback is repaid by the Manufacturer / Exporter (Assessee) at a later time, the commissioner may direct the assessee to furnish / executed a General Bond for an amount
 - (a) Brand Rate : Not exceeding the amount of drawback claimed.
 - (b) Special Brand Rate : Equivalent to the difference between the All Industry Drawback Rate and Drawback amount determined by the Principal Commissioner or Commissioner
 Principal Commissioner or Commissioner may also impose such other condition, he deems fit.
- 4. Order for Provisional Payment** : Principal Commissioner or Commissioner may allow and pass an order for provisional payment of drawback. Maximum amount of provisional payment is the amount of

Drawback claimed by the Assessee.

5. Adjustment : When the amount of drawback payable on the goods is finally determined, the amount provisionally paid to the applicant shall be adjusted against the drawback finally payable.

(a) If Provisional amount > Final Drawback : Excess paid shall be repaid by the Applicant.

(b) If Provisional amount < Final Drawback : Applicant is entitled to the balance amount.

DRAWBACK RATES NOTIFIED BY CENTRAL GOVERNMENT

All Industry Rate (AIR) (Rule 3)

1. It is notified by the central government.
2. It is based on FOB price of export goods subject to Value Cap.
3. Normally it is revised on 1st June after considering the changes in budget.
4. It shall be determined after considering the following information -
 - Average duty paid on imported material
 - Average Duty paid on Excisable material used in the production
 - Average duty paid on material used for packing or containing exports goods
 - Average FOB price of export goods.

Special Brand Rate (Rule 7)

When the drawback rate is low, a SPECIAL BRAND RATE will be applicable. Where the rate is lower than 4/5th (i.e. 80%) of the duty/taxes paid, revised rate may be applied for within 3 months from the date of announcement of AIR.

Ac/Dc	Extension for further 3 months
Principal Comm / Comm.	Further extension for 6 months

Proper rate will be fixed by the Principal Commissioner or Commissioner brand rate letter will be issued accordingly and provisional payment will be allowed subject to adjustment.

Application Fees :

- 1) 1% of FOB or ₹ 1000 whichever is less
- 2) In case Principal commissioner & Commissioner applicable fees : 2% of FOB or 2000 which ever is less

Brand Rate (Rule 6)

Brand rate shall be issued for such goods for which no AIR is announced by the Central Government. Exporter shall apply for brand rate within 3 months from the date of announcement of AIR.

Ac/Dc	Extension for further 3 months
Principal Comm / Comm.	Further extension for 6 months

For this purpose exporter shall submit to the Principal Commissioner or Commissioner records pertaining to

- The proportion in which the materials or components are used in the production or manufacture of goods and the duties paid on such materials or components
- Principal Commissioner or Commissioner after carrying necessary enquiry fix brand rate for such exporter.

Application Fees :

- 1) 1% of FOB or ₹ 1000 whichever is less
- 2) In case Principal commissioner & Commissioner applicable fees : 2% of FOB or 2000 which ever is less

RULE 4. Revision of rates. - The Central Government may revise amount or rates determined under rule 3.

RULE 5. Relevant Date for Determination of AIR

Rule 9 : Upper Limit of Drawback amount or rate - The drawback amount or rate determined under rule 3 shall **not exceed one third of the market price of the export product.**

In case of Goods exported by filing Shipping Bill /Bill of Export
In case of Goods Exported by Post



Date of Let Export Order



Date of Delivery of Export Goods to the Postal Authority

Question

Rule 8, 9 & Section 76 : Nirvaan Ltd. has exported following goods to Sri Lanka. Write a brief note with reason whether any duty drawback is admissible under Section 75 in each of the following cases:

Product	FOB Value of Exported goods ₹	Market Price of Goods ₹	Duty Drawback Rate
A	4,30,000	3,50,000	30% of FOB
B	6,00,000	7,00,000	3.50 % of FOB
C	1,20,000	60,000	0.75 % of FOB
D	3,00,000	3,50,000	1.50 % of FOB

Note : (1) Imported value of Product B is ₹ 8,00,000

(2) Product D is manufactured out of duty free inputs.

(3) Working notes should form part of the answer. (May 2017)

Answer:-

Product	FOB Value in ₹	Market Price ₹	Duty Drawback Rate	Gross Drawback	Eligible Amount of Duty Drawback
A	4,30,000	3,50,000	30% of FOB	1,29,000	1,16,667 [Drawback cannot exceed 1/3 of market price 1/3 of 3,50,000=1.16.667]
B	6,00,000	7,00,000	3.50 % of FOB	Nil	Value of final product is less than value of imported inputs i.e. no value addition.
C	1,20,000	60,000	0.75 % of FOB	900	900 [Valid, as amount exceeds ₹ 50]
D	3,00,000	3,50,000	1.50 % of FOB	Nil	Nil [Product D is made out of duty-free inputs; since no duty is borne on inputs. there cannot be any drawback.]

Chapter 8

Stores,

Sections	Descriptions
Sec 2 (38)	Stores
Sec 2 (21)	Foreign going vessels / Aircraft
Sec 2(7)	Stores may be allowed to be warehoused without assessment to duty.
Sec 85	Transit and Transhipment of Stores
Sec 86	Imported stores may be consumed on board a foreign-going Vessel or aircraft
sec 87	Application of Section 69 (Export after Warehousing) & Drawback to Stores
Sec 88	Stores to be free of Export Duty
Sec 89	Concessions in respect of Imported
Sec 90	Stores for the Navy

Baggage

Sections	Descriptions
Sec 77	Declaration by owner of baggage
Sec 78	Determination of rate of duty and tariff valuation in respect of Baggage
sec 79	Bona fide baggage exempted from duty
Sec 80	Temporary detention of Baggage.
Baggage Rules, 2016	
Rule 3:	Passengers returning from countries other than Nepal, Bhutan, Myanmar or China
Rule 4	Passengers returning from Nepal, Bhutan, Myanmar or China
Rule 5:	Jewellery
Rule 6:	Transfer of residence
Rule 7:	Currency
Rule 8:	Provisions regarding unaccompanied Baggage.
Rule 9 :	Application of these rules to members of the crew.

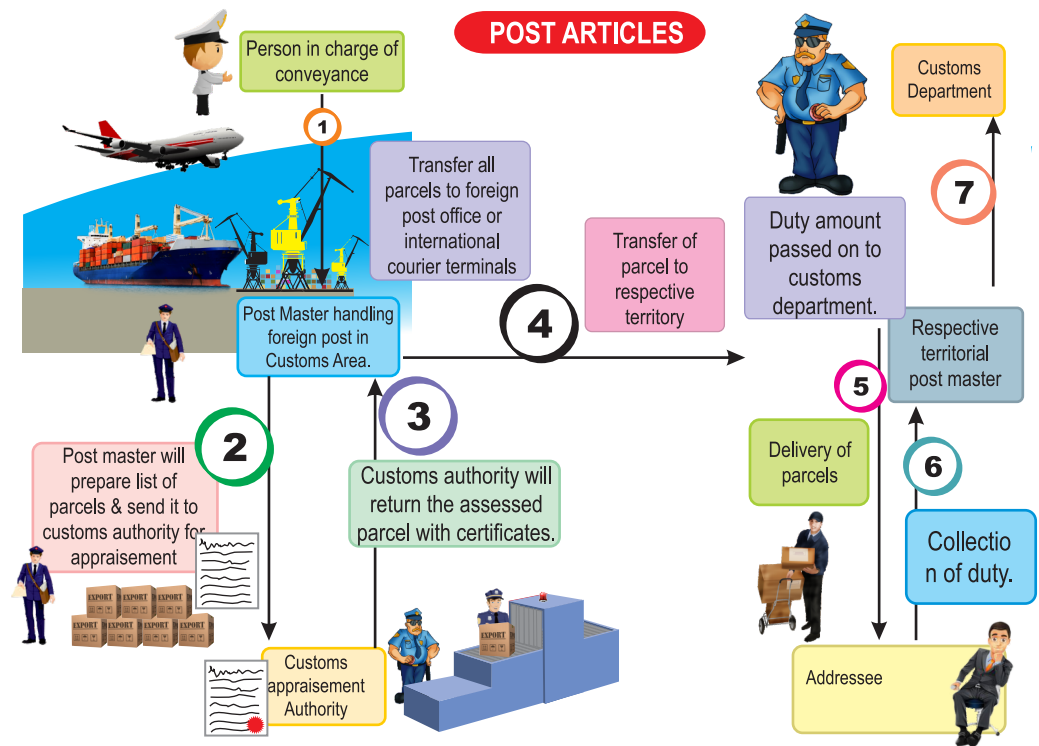
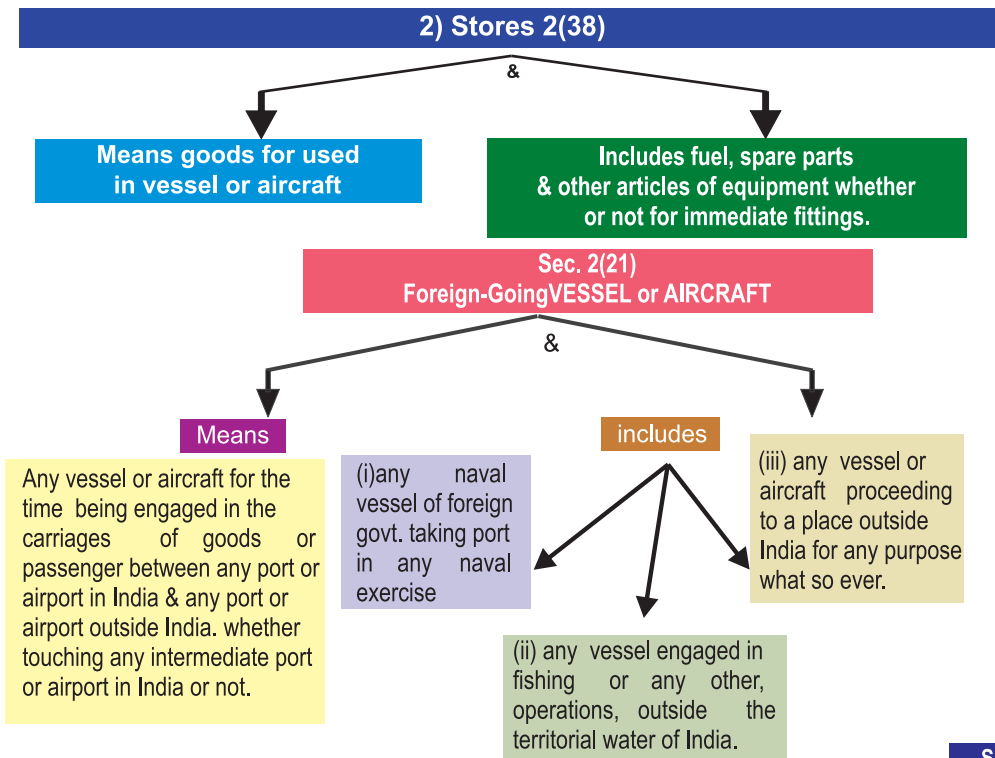
Post Article

Sections	Descriptions
Sec 82	Label or Declaration accompanying goods to be treated as entry OMITTED
Sec 83:	Rate of duty and tariff valuation in respect of goods imported or exported by post
Sec 84:	Regulations regarding goods Imported or to be Export by Post

Teacher can open the door of success for you,
But you have to enter by yourselves

GST GuruTM
CA Vishal Bhattad



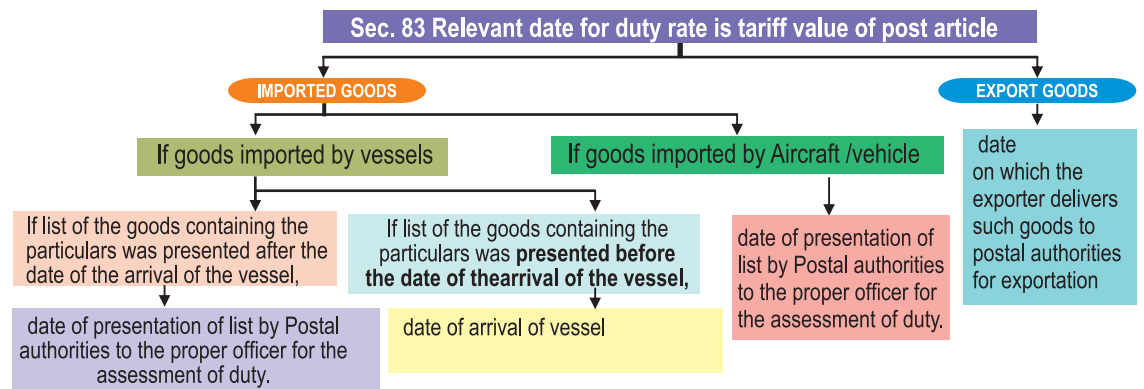


SECTION 82: LABEL OR DECLARATION ACCOMPANYING GOODS TO BE TREATED AS ENTRY

Omitted

Provisions of Stores

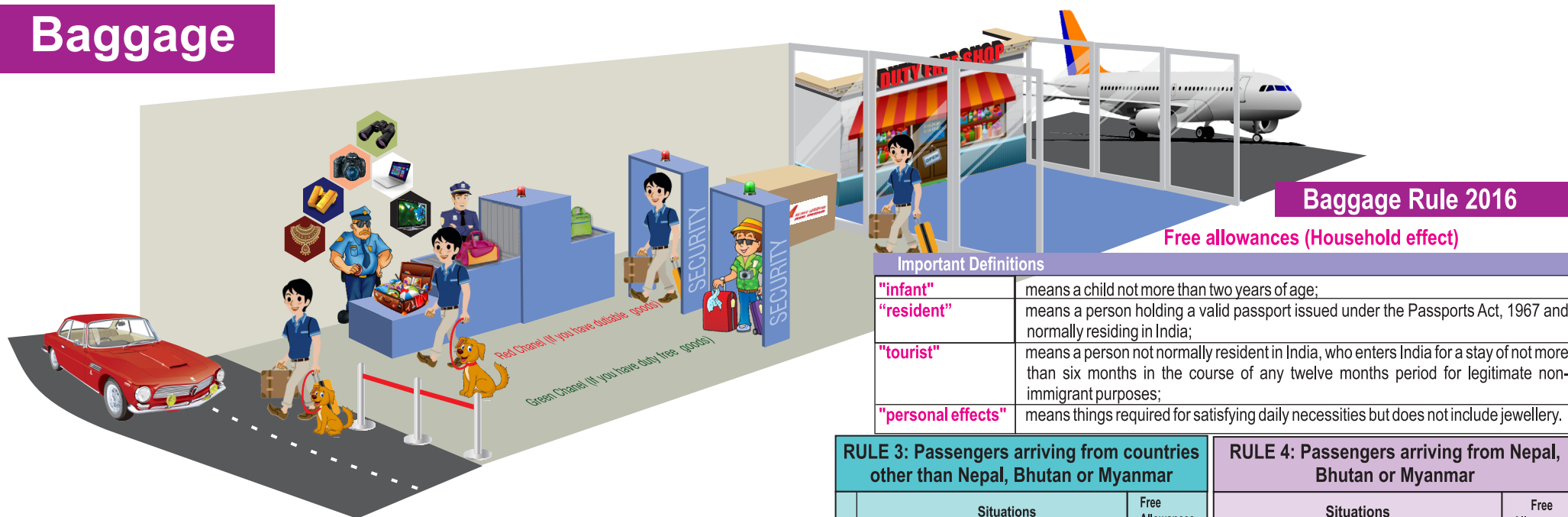
Sec.85	Stores allowed to deposited in warehouse without warehousing provision of warehousing (called as warehousing without warehousing)								
Sec. 86	Transit and Transhipment of Stores allowed without duty								
Sec. 87	Imported stores may be consumed on board a foreign-going vessel or aircraft.								
Sec. 88	1) Warehouse good can be supplied to FGV/ FGA without duty 2) Duty paid imported stores eligible for drawback as follows								
	<table border="1"> <tr> <td rowspan="2">Aircraft</td> <td>Fuel and lubricant oil</td> <td>100% Drawback</td> </tr> <tr> <td>Other stores(e.g. food, drink etc.)</td> <td>98% Drawback</td> </tr> <tr> <td>Vessel</td> <td>Fuel, lubricant oil and other stores</td> <td>98 % Drawback</td> </tr> </table>	Aircraft	Fuel and lubricant oil	100% Drawback	Other stores(e.g. food, drink etc.)	98% Drawback	Vessel	Fuel, lubricant oil and other stores	98 % Drawback
Aircraft	Fuel and lubricant oil		100% Drawback						
	Other stores(e.g. food, drink etc.)	98% Drawback							
Vessel	Fuel, lubricant oil and other stores	98 % Drawback							
Sec. 89	Good manufactured in India and required as a stores on FGV/FGA may be exported without export duty.								
Sec. 90	Imported stores may be consume on board a ship of the Indian Navy								



SECTION 84 - REGULATIONS REGARDING GOODS IMPORTED OR TO BE EXPORTED BY POST

- The Board may make regulations providing for
- The form and manner in which an entry may be made in respect of goods imported or to be exported by post (amendment by Finance Act, 2017 w.e.f. 31-3-2017)
 - The examination, assessment to duty, and clearance of goods imported or to be exported by post.
 - The transit or transhipment of goods imported by post, from one customs station to another or to a place outside India.

Baggage



Baggage Rule 2016

Free allowances (Household effect)

Important Definitions

"infant"	means a child not more than two years of age;
"resident"	means a person holding a valid passport issued under the Passports Act, 1967 and normally residing in India;
"tourist"	means a person not normally resident in India, who enters India for a stay of not more than six months in the course of any twelve months period for legitimate non-immigrant purposes;
"personal effects"	means things required for satisfying daily necessities but does not include jewellery.

SEC. 2(3) BAGGAGE

Include - Unaccompanied baggage

but does not include motor vehicle

In normal words baggage means luggage or personal belongings of a passenger or crew members

Provisions of Baggage	
Sec.77	For clearing the baggage , the Owner shall make a declaration of its contents to Proper Officer.
Sec. 78	Relevant date for Custom Duty : Date on which declaration is made in respect of such baggage.
Sec. 79	Bonafide Baggage is exempted from duty to the extent specified in the Rules.

RULE 3: Passengers arriving from countries other than Nepal, Bhutan or Myanmar

Situations	Free Allowances
1 ↻ Indian resident or ↻ a foreigner residing in India or ↻ a tourist of Indian origin i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I	Free ₹ 50,000
2 ↻ tourist of foreign origin i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I	Free ₹ 15,000
3 ↻ Infant i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I	Free No benefit

RULE 4: Passengers arriving from Nepal, Bhutan or Myanmar

Situations	Free Allowances
1 ↻ Indian resident or ↻ a foreigner residing in India or ↻ a tourist of Indian origin i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I a) passenger is arriving by Land Route b) Passenger is arriving by other Route	Free No benefit ₹ 15,000
2 ↻ tourist of foreign origin i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I a) passenger is arriving by Land Route b) Passenger is arriving by other Route	Free No benefit ₹ 15,000
3 ↻ Infant i) used personal effects and travel souvenirs ii) articles other than those mentioned in Annexure-I	Free No benefit

Annexure I

1. Fire arms.
2. Cartridges of fire arms exceeding 50.
3. Cigarettes exceeding 100 or cigars exceeding 25 or tobacco exceeding 125 gms.
4. Liquor or wines in excess of two litres.
5. Gold or silver, in any form, other than ornaments.
6. Flat Panel (LCD/LED /Plasma) Television

Important Points

Rate of Duty:-

a) BCD:-

Description of article	Rate
Any article, value of which exceeds duty free allowances admissible to such passenger or member under baggage rules, 2016	35% ad valorem
On the unaccompanied baggage	35% ad valorem

Duty to be calculated on 'value' in excess of unavailed duty free allowances:- If the value of any one article exceeds duty free allowances admissible to such passenger or member under the baggage rule 2016, the amount of duty shall be calculated only on the value in excess of duty free allowances so admissible to the extent not availed of by such passenger or member for clearing any other article or baggage.

Non-Applicability of Duty rate :- This rate of duty 35% is not applicable to

- fire arms,
- cartridges of fire arms exceeding 50,
- cigarettes, cigars or tobacco in excess of the quantity prescribed for importation free of duty under the relevant baggage rules and
- goods imported through a courier service.

Fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [Notification No. 26/2016 Cus. dated 31.03.2016]. These items are charged @ 100% (+SWS) applicable to baggage under Heading 9803 of the Customs Tariff.

b) **Integrated tax under sec 3(7) of custom tariff act** = Nil, GST is exempt on passenger baggage

c) **SWS:-** 10% of BCD

d) **Effective rate of duty:-** 35% + 10% of 35% = 38.5%

Example

Gregory Peg of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹ 100 each	12,000
Fire arm with 100 cartridges (Value includes the value of cartridges at @ ₹500 per cartridges).	1,00,000

Determine customs duty payable, if the effective rate of customs duty is 38.5% inclusive of Social welfare surcharge, with short explanations where required.(CA Final May 18 old)

Answer:-