

**TOPIC: TYPES OF CUSTOMS DUTY**

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## Customs Duty

### Definition:

Customs duty is a type of indirect tax levied on goods imported into India or exported out of India

### **Basis of determining the duty**

–**Ad Valorem Duty** -When the duty is determined on the basis of the value of the goods it is referred to as ‘Ad Valorem Duty’

**Specific Duty** -When the duty is determined on the basis of the measurement of goods, it is called Specific Duty.

### **Main features of customs Duty**

- **Levied on goods imported**-Customs Duty levied on Import of goods
- **It is an indirect tax**- imposed by the central govt. on import
- **Customs duties are not levied** on life-saving drugs, fertilizers and food grains
- **Goods under Customs Act** –includes
  - ✓ Vessels, aircrafts and vehicles Stores
  - ✓ Baggage
  - ✓ Currency and negotiable instruments a
  - ✓ Any other type of movable property

### **Sources of Custom Law**

The study of Indian custom law is a combination of Basic Customs Act of 1962 and Customs Tariff Act of 1975, Notifications, circulars, trade notice and case laws

- **Basic Customs Act of 1962:** contains the provisions covering import and export duty imposed on import and export of the goods
- **Customs Tariff Act of 1975:** contains the provisions relating to various types of custom duties payable and gives the classification of imported and export goods
- **Export manifest regulations, 1976:** contains the provisions relating to a general declaration, a passenger manifest, a cargo manifest and a list of private property in the possession of the Captain of the aircraft and other members of the crew.
- **Customs valuations rules of 2007:** Contain provisions relating to Determination of Value of Export Goods
- **Baggage rules of, 1998:** Contains provisions relating to dutiable goods imported by a passenger or a member of crew in his baggage.
- **Goods and Services Tax :** Integrated Goods and Services Tax (IGST) Act is the source for deciding the levy of Integrated Tax.

## **Objectives of levying custom duty**

1. Restricting Imports for conserving foreign exchange
2. Raising revenue for Central Government
3. Regulate imports and exports
4. Protect Indian industries from dumping
5. Prevention of Smuggling.
6. International passenger processing

## **Different types of custom**

As per 1st and 2nd scheduled of the custom Tariff Act, 1975 as per sec -12 of custom Act and rate as per Tariff

## **Customs duty**

1. Basic Customs Duty (BCD) Act 1962
2. Integrated Goods and service Tax (IGST) [Sec.3(7)]
3. Protective Duty, and cess
4. Countervailing Duty on Subsidized goods [Sec. 9]
5. Anti-dumping Duty (ADD)
6. Safeguard Duty, National Calamity Contingent Duty
7. GST compensation Cess [Sec. 3(9)]

## **Types of custom duty**

Before the GST regime, customs duties included various heads such as basic customs duty, additional customs duty, true countervailing duty, protective duty, education cess and anti-dumping duty or safeguard duty. Some of these have been subsumed into the IGST regime as listed in the next section.

Ever since IGST has replaced the old tax regime, the duty now includes the following heads:

### **1. Basic Customs Duty**

The basic customs duty varies from 5% to 40% of the assessable value of the goods being imported.

### **2. Integrated Goods and Services Tax (IGST)**

The IGST component depends on the HSN code of the goods being imported. In cases where imported goods are liable to Anti-Dumping Duty or Safeguard Duty, value for calculation of IGST as well as Compensation Cess shall also include Anti-Dumping Duty amount and Safeguard duty amount.

### **3. GST Compensation Cess**

This Cess is being collected to compensate the states of India for any loss of revenue on account of the implementation of GST in the country. This Cess is supposed to be applicable only till 1st July 2022. It is calculated as 15% of the IGST value.

### **4. Education Cess**

This Cess is charged at 2% of the aggregate of customs duties. Higher Education Cess at 1% is also applicable.

### **5. Countervailing duty on subsidized articles (CVD)**

Administered by the Central Government's Directorate General of Anti-dumping and Allied Duties (DGAD), CVD is the duty charged to the importer to somewhat neutralize the subsidies given by the government to the exporting country.

### **6. Anti-dumping duty**

Some imports are liable for anti-dumping duty in India to discourage such imports into the country. Anti-dumping duty can range from 0% to 550% of the invoice value of the goods.

### **7. Safeguard duty**

Safeguard duty is applied by the government for a period of time when sudden increase in imports is seen for a particular product. This increase typically stems from import tariff concessions or World Trade Organization (WTO) obligations taken by the importing country. The safeguard duty gives domestic producers a grace period to become more competitive.

### **8. Social welfare surcharge on imported goods**

This surcharge is calculated at 10% of the aggregate of customs duties, taxes and cesses levied by the government.

### **9. National Calamity Contingent Duty**

The National Calamity Contingent Duty, or NCCD, is levied for goods as specified in the Seventh Schedule of the Constitution of India. These rates vary depending on the goods being imported.