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Introduction to Custom Duty

Definition of Custom Duty:

•A tax imposed on goods when they enter or

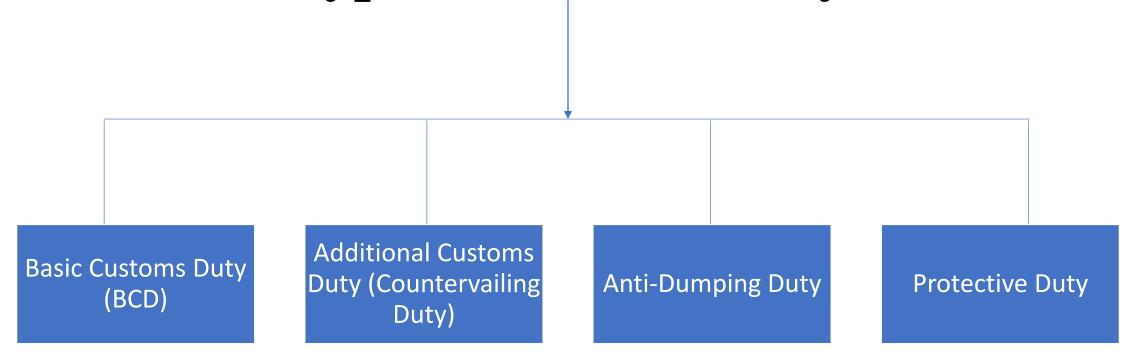
Custom Duty

leave a country.

Purpose of Custom Duty:

•To regulate trade, raise government revenue, and protect local industries fromforeign competition.

Types of Custom Duty



Types of Custom Duty

Basic Customs Duty (BCD):

•The standard tax applied on imported goods.

Additional Customs Duty (Countervailing Duty):

•Levied to balance local taxes on domestic goods.

Anti-Dumping Duty:

•Imposed to protect local industries from unfairly low-priced imports.

Protective Duty:

•Used to protect domestic industries from excessive foreign competition.

How Custom Duty is Calculated

Factors in Calculation:

- Value of the goods (known as Customs Value).
- Rate of duty based on the type of goods.
- Additional charges or surcharges may apply.

Custom Duty Formula:

• Duty = Customs Value × Applicable Rate of Duty.

Importance of Custom Duty

Revenue Generation:

•Major source of income for the government.

Trade Regulation:

•Controls the flow of goods into and out of the country.

Protection of Local Industries:

•Shields domestic products from cheaper imports.

National Security:

•Restricts import of potentially harmful products.

Advantages and Disadvantages of Custom Duty

Advantages:

- Protects local businesses from foreign competition.
- Generates revenue for public services.
- Encourages fair trade practices.

Disadvantages:

- Can raise the price of imported goods for consumers.
- May lead to trade disputes with other countries.
- Reduces choices for consumers due to higher costs on imports.

Conclusion

• Summary:

• Custom duty is essential for maintaining fair trade, generating revenue, and protecting local industries.

• Final Thoughts:

• A balanced custom duty system promotes economic stability while supporting local businesses and government initiatives.

