

Mrs. E. Pappulakshmi, M.com., M.Phil., SET.,
Assistant Professor,
PG & Research Department of Commerce,
Cardamom Planters' Association College,
Bodinayakanur.

Introduction to Custom Duty

Definition of Custom Duty:

- A tax imposed on goods when they enter or leave a country.

Purpose of Custom Duty:

- To regulate trade, raise government revenue, and protect local industries from foreign competition.



Types of Custom Duty

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graph TD; A[Types of Custom Duty] --> B[Basic Customs Duty (BCD)]; A --> C[Additional Customs Duty (Countervailing Duty)]; A --> D[Anti-Dumping Duty]; A --> E[Protective Duty];
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Basic Customs Duty
(BCD)

Additional Customs
Duty (Countervailing
Duty)

Anti-Dumping Duty

Protective 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:**

- $\text{Duty} = \text{Customs Value} \times \text{Applicable Rate of Duty}.$

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.

Thank You!

