UNIT - 5.

CUSTOMS ACT 1962

I Meaning:

The Customs Act 1962 is a law that regulates the import (இறக்குமதி) and export (ஏற்றுமதி) of goods in a Country, It imposes duties on imported goods and provids for various Procedures and regulations related to customs clearance.

II Key Provisions:

(1) Levy of customs Duty: The Act Provides for the levy of customs duty on imported goods.

(2) Customs Procedures: The Act Outlines the Procedures for importing and exporting goods, including documentation and Compliance requirements.

(3) Valuation of Goods: The Act Provides for the valuation of goods for customs Purposes.

(4) Exemptions and Concessions: The Act Provides for exemptions and concessions from customs duty.

III Objectives

(1) Regulate import and Export:
To regulate the import and export of goods in India.

(2) Generate Revenue:
To Generate revenue for the government

through customs duty.

(3) Protect Domestic Industry:

To Protect domestic industries by imposing duties on imported goods.

IV Importance:

(1) Trade Regulation:

The customs Act Plays a crucial role in regulating international trade and ensuring compliance with laws and regulations.

(2) Revenue Generation:

The Act helps generate revenue for the government, which can be used for various Purposes.

(3) Protection of Domestic Industry:

The Act Provides protection to domestic industries, helping to Promote economic growth and development.

V Amendments and Updates:

The customs Act has undergone several amendments and updates over the years to keep pace with changing trade policies and International trade agreements.

Key Authorities

(1) customs Department

(2) Customs Officers.

(1) Customs Department:
The Customs Department is responsible for administering the customs Act and collecting customs duty.

(2) customs officers:
Customs officers are authorised to inspect goods, demand duty and enforce customs laws.

VI Functions and Powers of customs authorities

Functions

(1) Collecting Duty:
Customs authorities collect duty on imported goods.
(2) Inspecting Goods:
Customs authorities inspect goods to ensure they comply with laws and regulation
(3) Clearing Goods:
Customs authorities clear goods for import or export.

Powers.

(1) Inspecting Goods
customs authorities can inspect goods to ensure compliance.
(2) Demanding Duty:
Customs authorities can demand duty on imported goods.

(3) Seizing Goods :
Customs authorities can seize goods that don't comply with laws and regulation.

VII Different types of customs Duties in India for the Year 2025

(1) BCD – Basic Customs Duty
(2) IGST – Integrated Goods & Services Tax
(3) SWS – Social Welfare Surcharge
(4) CVD – Countervailing Duty
(5) Anti - Dumping Duty
(6) Safeguard Duty
(7) Compensation Cess
(8) Customs Handling Fee
(9) SAD – Special Additional Duty.

(1) BCD – Basic Customs Duty :

Ranging from 0% to 100% depending on the types of goods, their country of origin, and classification under the Harmonized System of Nomenclature (HSN).

For instance, life saving drugs often enjoy 0% BCD, while luxury goods like electronics may face higher rates.

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(2) IGST - Integrated Goods and Services Tax (IGST)

Applied at 5%, 12% or 28% on the assessable value of goods, which includes the cost of goods, freight, and insurance. Most consumer electronics fall under the 18% IGST slab.

(3) Social Welfare Surcharge (SWS):

A 10% surcharge on the total customs duty to fund social welfare programs, replacing older education cesses.

(4) Countervailing Duty (CVD).

Ranges from 0% to 18% to offset subsidies given to goods in their country of origin.

(5) Anti-Dumping Duty:

Applied to prevent foreign companies from selling goods below market value, harming local industries.

(6) Safeguard Duty:

Applied to shield local industries from sudden spike in imported goods.

(7) Compensation cess:

Varies on goods like tabacco, coal or cars to offset GST related states revenue losses.

(8) Customs Handling Fee:
A 1% fee on the total value of goods, seperate from other taxes.

(9) Special Additional Duty (SAD)
At 4% applies to imported goods matching locally made products liable for sales tax.

viii) Classification of Goods

(1) Importance:
Accurate classification is crucial for determining the correct customs duty rate and ensuring compliance with regulations.

(2) HSN Code Structure:
The HSN code is a hierarchical system, with codes ranging from 2 to 10 digits.

(3) Classification Resources:
Importers can use resources like the HSN code book, online database, and consult with customs experts to ensure accurate classification.

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IX) Procedure for Assessment.

It involves the following steps

(1) Filling of Bill of Entry

The importer files a bill of entry with the customs authorities, Providing details about the imported goods.

(2) Classification of Goods.

The goods are classified based on the HSN Code, and the applicable customs duty rate is determined.

(3) Valuation of Goods!

The value of the goods is determined based on the transaction value, which includes the Cost of goods, freight, and insurance.

(4) Assessment of Duty:

The customs duty payable is calulated based on the classification and valuation of Goods.

(X) Methods of Valuation for customs

(1) Transaction Value Method:

This is the Primary Method of Valuation, Where the value of goods is determined based on the transaction value,

It includes,

* Cost of goods
* freight and
* Insurance

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(2) Transaction value of Identical Goods Method
The value of goods is determined based on the transaction value of identical goods. it Includes,
* Goods of Same Brand, Model and Specifications.
* Goods Made from the Same Materials and having the Same Quality

(3) Transaction value of Similar Goods!
If the above Methods are not applicable, the Value of goods is determined based on the transaction value of similar goods it includes;
* Different Brand: different brand but with similar features and Quality.
* Alternative Materials! Goods Made from different Materials but serving the Same purpose.

(4) Deductive Value Method!
This method involves, deducting Certain Costs from the Selling Price of the goods to arrive at the customs value.

(5) Computed Value Method!
This Method involves, the value of the goods based on the cost of Production, profit and other expenses.

(6) Residual Method:

This method is used when none of the above methods are applicable, and the value of the goods is determined based on the best available resources.

(xi) Demand and Recovery of Customs Duty

The Demand and Recovery of customs duty refer to the Process by which customs authorities:

(1) Determine Duty Liability:

Calculate the amount of customs duty Payable on imported goods.

(2) Issue Demand Notice:

Issue a demand notice to the importer or exporter for Payment of customs duty.

(3) Recover Duty:

Recover the customs duty Payable, along with any applicable interest or Penalties.

Reasons for Demand

(1) Short Payment:

When less duty is Paid than required

(2) incorrect Classification:

When goods are misclassified, affecting duty liability.

(3) Under Valuation: When goods are under valued affecting duty liability.

Recovery Process:

(1) Notice:

The customs authorities issue a notice to the importer or exporter, demanding payment of the customs duty.

(2) Payment:

The importer or exporter pays the demanded amount, along with any applicable interest or penalties.

(3) Appeal:

The importer or exporter can appeal against the demand notice, if they believe it is incorrect.

Importance:

(1) Revenue Collection:

Ensures government revenue from imports.

(2) Compliance:

Encourages adherence to customs regulations.

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(xii) Procedure for claiming customs Duty Drawback:

Step I. Eligibility check
(a) verify Eligibility: Check if the imported goods are eligible for customs duty drawback.
(b) Ensure Export: Ensure that the goods are exported or used in the manufacture of export goods.

Step II Documentation
(1) Gather Documents: Collect Necessary documents such as,
* Bill of entry * Shipping Bill
* Export invoice * Proof of Export
(2) verify Documents: Ensure that all documents are accurate and complete.

Step III Filing claim:
(1) Submit claim: File a claim for customs duty drawback with the customs authorities.
(2) Provide Details: provide detailed information about the imported goods, export goods and duty paid.

Step IV Verification and sanction:
(1) verification: Customs authorities verify the claim and documents

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(2) Sanction: If the claim is valid, the customs authorities sanction the drawback amount.

Step 5 : Payment

(1) Drawback Amount:
The sanctioned drawback amount is paid to the claimant

By following the procedure, exporters can claim customs duty drawback and benefit from the refund of duty paid on imported goods.