



International Trade and Taxes - Types of Customs Duties

All countries exercise controls over international trade through Trade Laws, Tariffs and Taxes which are called Import Duty and Export Duty. These are aimed at making trade practices safer, fair and ethical too. Tariffs are influenced by political as well as economic and financial outlook of the Governments as well as the bilateral relationship of the country with the other partnering country.

In a bid to made global markets accessible to all freely, the WTO has been trying to negotiate with all member countries. Uruguay Round did manage to bring about commitments from countries to cut down tariffs and bring them to base levels which remain standard across member countries, while the recent DOHA round of discussions have been centered around agriculture market access and resultant tariffs.

Import Duty

Import duty is a tax collected on imports and some exports by the customs authorities of a country. It is usually based on the value of the goods that are imported. Depending on the context, import duty may also be referred to as customs duty, tariff, import tax and import tariff.

Goals of Import Duty:

- To import duties: to raise income for local government,
- To give a market advantage to locally grown or produced goods that is not subject to import duties.
- A third related goal is sometimes to penalize a particular nation by charging high import duties on its products.

Types of rates of duty of customs:

- a) **Ad Valorem Rate:** The duty is charged on the basis of value
- b) **Specific Rate:** Duty is charged on the basis of quantity/number/volume/weight
- c) **Compound Rate:** Combination of both a) and b)

Types of Customs Duty:

Basic Customs Duty

Basic custom duty is the duty imposed on the value of the goods at a specific rate. The duty is fixed at a specified rate of ad-valorem basis. This duty has been imposed from 1962 and was amended from time to time and today is regulated by the Customs Tariff Act of 1975. The Central Government has the right to exempt any goods from the tax.

Countervailing Duty (CVD)



This duty is imposed by the Central Government when a country is paying the subsidy to the exporters who are exporting goods to India. This amount of duty is equivalent to the subsidy paid by them. This duty is applicable under Sec 9 of the Customs Tariff Act.

Additional Customs Duty or Special CVD

In order to equalize imports with locals taxes like service tax, VAT and other domestic taxes which are imposed from time to time, a special countervailing duty is imposed on imported goods. Hence, is imposed to bring imports on an equal track with the goods produced or manufactured in India. This is to promote fair trade & competition practices in our country.

Safeguard Duty

In order to make sure that no harm is caused to the domestic industries of India, a safeguard duty is imposed to safeguard the interest of our local domestic industries. It is calculated on the basis of loss suffered by our local industries.

Anti-Dumping Duty

Often, large manufacturer from abroad may export goods at very low prices compared to prices in the domestic market. Such dumping may be with intention to cripple domestic industry or to dispose of their excess stock. This is called 'dumping'. In order to avoid such dumping, Central Government can impose, under section 9A of Customs Tariff Act, anti-dumping duty up to margin of dumping on such articles, if the goods are being sold at less than its normal value. Levy of such anti-dumping duty is permissible as per WTO agreement. Anti-dumping action can be taken only when there is an Indian industry producing 'like articles'.

National Calamity Contingent Duty

This duty is imposed by Sec 129 of the Finance Act. The duty is levied on goods like tobacco, pan masala or any items that are harmful for health. The rate of the tax varies from 10% to 45% and different rates are applied for different reasons.

Education Cess on Customs Duty

At the prescribed rate is levied as a percentage of aggregate duties of customs. If goods are fully exempted from duty or are chargeable to nil duty or are cleared without payment of duty under prescribed procedure such as clearance under bond, no cess would be levied.

Protective Duties

Tariff Commission has been established under Tariff Commission Act, 1951. If the Tariff Commission recommends and Central Government is satisfied that immediate action is necessary to protect interests of Indian industry, protective customs duty at the rate recommended may be imposed under section 6 of Customs Tariff Act. The protective duty will be valid till the date prescribed in the notification.

Zinc:



--> Unwrought Zinc(SHG, HG, Alloy-Zn with Al, Cu and other) / Ziinc waste and scrap
B.D=5%
CVD=12.5%
Special CVD=4%
Edu Cess= 3% of B.D. (include 2% of primary and 1% of secondary and higher studies)

Copper

--> Unwrought copper and Copper Scrap
B.D=5% ,
CVD=12.5%
Special CVD=4%
Edu Cess= 3% of B.D. (include 2% of primary and 1% of secondary and higher studies)

Aluminium

--> Unwrought Aluminium and Aluminium Scrap
B.D=5% ,
CVD=12.5%
Special CVD=4%
Edu Cess= 3% of B.D. (include 2% of primary and 1% of secondary and higher studies)

Lead

--> Unwrought Lead and Lead Scrap
B.D=5% ,
CVD=12.5%
Special CVD=4%
Edu Cess= 3% of B.D. (include 2% of primary and 1% of secondary and higher studies)

Excise Duty

Any duty on manufactured goods which is levied at the moment of manufacture

Excise duty is charged on:

- Live animals and animal products
- Vegetable Products
- Other products like fruit and grocery
- Products made out of non-renewable resources(Metals/ Industrial chemicals)

Dumping

Company exports a product at a price lower than the price it normally charges on its own market

- Anti-Dumping Duty is charged:
 - a) To reduce international competition
 - b) To save domestic jobs
 - c) To improve and support local market



Customs Clearance

When any Organization Imports any item into the country, the cargo would need to be Custom Cleared. The consignment transported by Air, Ship or by Trailer on the Road, would have to be deposited at the Customs Notified and Bonded Area.

Customs Clearance or brokering is done by third party service providers who are licensed by Customs for the said purpose. They represent the Importer and co-ordinate with Customs Department as well as other specific departments to Custom Clear the cargo.

There are list of several items that cannot be imported into the countries freely and would require specific License. Alcoholic Beverages, Animals and Animal products, Fire Arms and Ammunitions, Meat and Meat products, Milk, Dairy and Cheese products, Plants and Plant products, Poultry and Poultry Products, Petroleum and Petroleum products etc would have to be imported under the License issued by various agencies and such imports would have to be in compliance with the rules and conditions laid down by respective agencies.

When the Cargo lands at the Customs Bonded W/house, along with Customs Clearance, the licensed items would need to be inspected and approved for clearance by these specific agencies too. Customs brokers carry out the necessary process of submitting documentation, facilitate sampling and inspection and follow up to obtain approvals.

All cargo being imported as well as export from a country would have to be deposited at Customs Bonded warehouse to complete export and import formalities and receive Customs approval to hand over the cargo to the freight forwarder in case of Export and to the Importer incase of Imports. The customs bonded warehouse is a customs notified area and the cargo while in bonded warehouse is under the Customs Charge. Normally bonded warehouses are available and operated by Customs Departments at the Airports and Seaports. In case of larger airports and Shipping yards, the Government set up a separate corporation or agency to setup and operates such bonded warehouse. In many cases Governments do give licenses to the Customs Clearing Agents to setup bonded warehouses for exports wherein the cargo can be offloaded by the exporter, customs formalities completed and after customs approval the cargo can be stuffed into the Shipping container. Generally if the export cargo is of smaller lots, the clearing agents move the cargo to these bonded warehouses. If the export is of one full container volume, then the cargo is stuffed into the container at the exporter's premise itself and the container is deposited at the shipping yard in the customs bonded warehouse or designated area waiting for export clearance.

Clearance Process at Customs

On arrival of the consignment at the Customs Bond, the Customs carries out physical inspection as well as valuation of the import. Valuation of the import consists of ascertaining the correct description of the items, classification of the items under relevant Customs Chapter and Tariff, Ascertainning that there is no case of under invoicing and certifying the valuation of the consignment and arriving at the Customs Duty required to be paid. The clearance agency proceeds to advice and co-ordinate with the importer to make necessary Customs Duty Payments and takes physical delivery of the Consignment and delivers it to the Importer at the designated place along with the set of Original documents.



Customs Rules permit a free bonding or warehousing period of three to seven days (depends from country to country and location). Normally the air shipments are given only three days for clearance while the sea shipments are given up to seven days of free warehousing in Customs Bonded Warehouse. The importer through the Customs Clearance agent has to clear the consignment within the free period, failing which a daily demurrage would be charged on the consignments for all days up to the time of actual delivery. The demurrage could prove to be very expensive and hence it is important to ensure that the Customs Clearance Agency is efficient and knows its job well enough.

Duty Free:

Merchandise on which import duty is not charged because those are sold only to departing passengers in an airport's or port's departure lounge (which are bonded areas). Non-residents can buy it outside of bonded areas on presentation of valid travel documents (such as a passport and travel ticket) but can collect the purchased item only at the departing point.

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