

CHAPTER 4 VALUATION

Illustration 1

Explain briefly with reference to the provisions of the Customs Act, 1962 the following: Tariff value (Exam Question, May 2008)

Solution

Illustration 2

Examine the validity of the following statements with reference to the Customs Act, 1962 giving brief reasons:

1. Service charges paid to canalizing agent are not includible in the assessable value of imports. Such agent imports the goods from foreign sellers and enters into an agreement to sell such goods with buyers in India in high seas.
2. Charges for "vendor inspection" on the second hand goods carried out by foreign supplier on his own and not required for making the goods ready for shipment, are not includible in the assessable value of the imported goods. (ICAI Material)

Solution

Illustration 3

Explain when are the costs and services as given in rule 10 of the Customs Valuation (Determination of value of Imported Goods) Rules, 2007 be added to the value of the identical goods under rule 4. (ICAI Material)

Solution

Illustration 4

Compute the duty payable under the Customs Act, 1962 for an imported equipment based on the following information:

- i. Assessable value of the imported equipment US \$ 10,100
- ii. Date of bill of entry is 25.4.20XX. Basic customs duty on this date is 10% and exchange rate notified by the CBIC is US \$ 1 = Rs.65
- iii. Date of entry inwards is 21.4.20XX. Basic customs duty on this date is 20% and exchange rate notified by the CBIC is US \$ 1 = Rs.60.
- iv. Additional duty payable under section 3(7) of the Customs Tariff Act, 1975: 12%

Make suitable assumptions where required and show the relevant workings and round off your answer to the nearest rupee.

Solution

Illustration 5

An importer from Cochin imports goods from an exporter in US. The vessel carrying the goods reaches Mumbai port first and from there goods are transhipped to Cochin port.

Determine the assessable value of the imported goods under the Customs act, 1962 from the following particulars: (ICAI) (CA Final RTP Nov. 2018) (CA Final RTP Nov. 2020 exam)

S. No.	Particulars	Amt.
1	Cost of the machine at the factory of the exporter	US \$ 20,000
2	Transport charges from the factory of exporter to the port for shipment	US \$ 1,000
3	Handling charges paid for loading the machine in the ship	US \$ 100
4	Buying commission paid by the importer	US \$ 100
5	Freight charges from exporting country to India	US \$ 2,000
6	Actual insurance charges paid are not ascertainable	
7	Charges for design and engineering work undertaken for the machine in US	US \$ 5,000
8	Unloading and handling charges paid at the place of importation	Rs.1,500
9	Transport charges from Mumbai to Cochin port	Rs.25,000
10	Exchange rate to be considered 1 \$ = Rs.60	

Solution

Illustration 6

Jolly overseas Ltd. of Hyderabad has imported a machine from UK (England) through the sea route by a vessel. The details of the import transaction are follows:

1	Bill of entry	Date 21.01.2018 Exchange rate on that day a) Notified by CBIC 1 UK = Rs.101 b) Prescribed by RBI 1 UK = Rs.100
2	Entry inward	Date 26.01.2018 Exchange rate on that day: a) Notified by CBEC 1 UK £ = Rs.102 b) Prescribed by RBI 1 UK £ = Rs.103

	Particulars	Amt. UK
1	Cost of the machine at the factory of exporter to the port for shipment	20,000
2	Handling charges paid for loading of exporter to the port for shipment	600
3	Handling charges paid for loading the machine on the ship at the port of exportation	500
4	License fee relating to the imported goods payable by the importer as a condition of sale	900
5	Actual freight charges from the port of export to the port of import are not ascertainable	
6	Actual insurance charges paid	200
7	Landing charges paid at the place of importation are not ascertainable	
8	Handling charges associated with the delivery of the exported goods at the place of importation	Rs.15,000

Compute the assessable value of the machine (in rupees) for the purpose of levy of Customs Duty (CA Final Nov. 2018 New)

Solution

Illustration 7

M/s AMTL Ltd., Kolkata imported CNC Grinding machine from Catalyst Incorporation. USA, complete with accessories and spares in October 2015 for use in the manufacture of high precision micro tools.

Basic cost of machine with accessories US \$ FOB 50,000. Catalyst Inc. supplied one extra set of accessories valued at US \$ 2000 free of cost to cover for transit damage. Other details available were as follows:

	Particulars	Amt. UK
1	Warranty cost payable to catalyst inc. (not included in the cost of the machine i.e. US \$ 50000)	US \$ 4,500
2	Design & Development charges paid in USA (not included in the cost of the Machine i.e., US \$ 50000)	US \$ 6,000
3	License Fee, AMTL is required to pay in USA	US \$ 1,000
4	Value of Drawings supplied by AMTL Ltd. Kolkata free of cost and is necessary for customizing machine to the needs of AMTL Ltd. Kolkata	US \$ 1,000
5	Freight by Air	US \$ 15,000
6	Buying commission paid to India Agent in India	Rs.30,000

Bill of Entry presented on 10.11.2015 and the rate of exchange notified by CBIC on this date was Rs.66.25 per US \$ and rate of BCD was 7.5%.

Date of arrival of aircraft was 6.11.2015 and rate of exchange notified by CBIC on this date was Rs.66.50 per US \$ and rate of BCD was 7.5%

Machine was insured but Insurance premium was not shown / available in / from the invoice.

From the above particulars, compute the assessable value for purpose of customs duty payable. Make suitable assumptions where required.

Working notes should form part of your answer.

Note: Custom duty calculations need not be shown. (May 2017)

Solution

