

# IMPORTATION AND EXPORTATION OF GOODS



## LEARNING OUTCOMES

After studying this chapter, you would be able to:

- comprehend the statutory provisions pertaining to importation and exportation.
- comprehend the duties and obligations of a person-in-charge of a conveyance bringing goods into or taking goods out of India.
- understand and apply the procedure for clearance of imported goods and export goods.
- understand the provisions relating to postal articles and stores.
- Understand and apply the procedures relating to clearance of baggage.
- analyse the statutory provisions pertaining to transit and transhipment and appreciate the difference between the two.

## CHAPTER OVERVIEW



## 1. INTRODUCTION

The principles governing levy and exemption from customs duties have already been discussed in the previous chapters. There are various procedures under the Customs Act which govern assessment, collection, transportation and other important aspects. The procedures relating to assessment and collection of customs duty are discussed in this chapter.

The provisions relating to transportation are well understood when studied with the importation and exportation procedures since both chapters are governed by the same legal provisions. Hence the procedures relating to transportation have been covered in the current chapter under the relevant headings.





## 2. IMPORTATION

In this chapter, we will consider the procedure for assessment and collection of customs duty in respect of the following six situations of imports:

1. Goods imported by Sea
2. Goods imported by Air
3. Goods imported by Land
4. Goods imported by Post
5. Goods imported by passengers as their baggage
6. Ship stores considered to be imported and charged to customs duty

### IMPORTATION

Special provisions have been made in respect of the latter three kinds of imports though they will necessarily be covered in one of the three earlier categories.



## 3. DEFINITIONS OF IMPORTANT TERMS



**Adjudicating authority [Section 2(1)]:** means any authority competent to pass any order or decision under this Act, but does not include the Board, Commissioner (Appeals) or Appellate Tribunal. The adjudicating authority can adjudicate demand of customs duty, confiscation and penalties under Customs Act.



**Assessment [Section 2(2)]:** "Assessment" means determination of the dutiability of any goods and the amount of duty, tax, cess or any other sum so payable, if any, under this Act or under the Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act) or under any other law for the time being in force, with reference to —

- (a) the tariff classification of such goods as determined in accordance with the provisions of the Customs Tariff Act;
- (b) the value of such goods as determined in accordance with the provisions of this Act and the Customs Tariff Act;
- (c) exemption or concession of duty, tax, cess or any other sum, consequent upon any notification issued therefor under this Act or

- under the Customs Tariff Act or under any other law for the time being in force;
- (d) the quantity, weight, volume, measurement or other specifics where such duty, tax, cess or any other sum is leviable on the basis of the quantity, weight, volume, measurement or other specifics of such goods;
  - (e) the origin of such goods determined in accordance with the provisions of the Customs Tariff Act or the rules made thereunder, if the amount of duty, tax, cess or any other sum is affected by the origin of such goods;
  - (f) any other specific factor which affects the duty, tax, cess or any other sum payable on such goods,

and includes provisional assessment, self-assessment, reassessment and any assessment in which the duty assessed is nil.

-  **Baggage [Section 2(3)]:** includes unaccompanied baggage but does not include motor vehicles.
-  **Beneficial owner[Section 2(3A)]:** "Beneficial owner" means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported.
-  **Bill of entry [Section 2(4)]:** means a bill of entry referred to in section 46, to be filed when goods are imported by sea or air. This is not to be confused with bill of lading, which is a receipt issued by the carrier to the consignor for the goods.
-  **Bill of export [Section 2(5)]:** means a bill of export referred to in section 50 to be filed when goods are exported via land route.
-  **Coastal goods [Section 2(7)]:** means goods, other than imported goods, transported in a vessel from one port in India to another.
-  **Conveyance [Section 2(9)]:** includes a vessel, an aircraft and a vehicle.
-  **Customs airport [Section 2(10)]:** "customs airport" means any airport appointed under clause (a) of Section 7 to be a customs airport and

includes a place appointed under clause (aa) of that section to be an air freight station.

 **Customs area [Section 2(11)]:** "customs area" means the area of a customs station or a warehouse and includes any area in which imported goods or export goods are ordinarily kept before clearance by customs authorities.

 **Customs port [Section 2(12)]:** means any port appointed under clause (a) of section 7 to be a customs port and includes a place appointed under clause (aa) of that section to be an inland container depot.

 **Customs Station [Section 2(13)]:** means any customs port, customs airport, international courier terminal, foreign post office or land customs station.

 **Dutiable goods: [Section 2(14)]** means any goods:-

- (a) which are chargeable to duty and
- (b) on which duty has not been paid.

In order to be dutiable, any article must first satisfy both the following conditions:-

- (i) The article should fall within the ambit of the word goods [defined under sec 2(22)].
- (ii) The article should find a mention in the Customs Tariff.

 **Entry [Section 2(16)]:** in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes the entry made under the regulations made under section 84.

 **Exporter [Section 2(20)]:** "Exporter", in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner, beneficial owner or any person holding himself out to be the exporter.

 **Foreign Post Office [Section 2(20A)]:** means any post office appointed under clause (e) of sub-section (1) of section 7 to be a foreign post office.

 **Foreign going vessel or aircraft: [Section 2(21)]** means any vessel or aircraft for the time being engaged in the carriage of goods or passengers

between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not

includes-

- any naval vessel of any foreign Government taking part in any naval exercise;
- any vessel engaged in fishing or any other operations outside the territorial waters of India;
- any vessel or aircraft proceeding to a place outside India for any purpose whatsoever.

Hence, the definition consists of two limbs:-

- (a) The first limb applies to the vessel/aircraft for the time being engaged in the carriage of passengers/goods between any port/airport in India and any port/airport outside India.
- (b) The second limb covers other vessels which are which are proceeding to a place outside India or engaged in activities outside the territorial waters of India or which are foreign naval vessels taking part in a naval exercise.



**Goods: [Section 2(22)]** "Goods" includes

- (a) vessels, aircrafts and vehicles
- (b) stores
- (c) baggage
- (d) currency and negotiable instruments and
- (e) any other kind of movable property.



**Import: [Section 2(23)]** with its grammatical variations and cognate expressions, means bringing into India from a place outside India.

The definition of imports is not restricted only to commercial imports. It only means bringing of goods from any place outside India into India.

The meaning of import has been one of the most contentious issues in Customs. There are two school of thoughts. One school of thought is that import gets completed when the vessel carrying goods crosses the territorial

waters of India. The other school of thought is that the import is complete only when the goods mingle with the landmass of India. Now the settled law is in favour of second school of thought. It has been held in *Garden Silk Mills v. UOI* 1999 (113) ELT 358 (SC) that import of goods into India commences when the goods enter the territorial waters of India, but continue and complete only when the goods become part of mass of goods within the country. The taxable event occurs only when the goods reaches the customs barrier and the bill of entry for home consumption is filed.

- ✍ **Arrival manifest or Import manifest or Import report [Section 2(24)]:** means the report required to be delivered under section 30. It may be noted that import report is required only when goods are imported *via* land route.
- ✍ **Imported Goods: [Section 2(25)]** means any goods brought into India from a place outside India but does not include goods, which have been cleared for home consumption.
- ✍ **Importer: [Section 2(26)]:** "Importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner, beneficial owner or any person holding himself out to be the importer.

The definition of importer includes not only the owner but also any other person holding out to be an importer. Owner is a person who is holding the documents of title to the goods. This will include a high sea buyer.

**IMPORTER**

However, importer also includes any person holding himself to be the importer for purpose of clearance of goods. This is the person who files the import documents.

- ✍ **India: [Section 2(27)]** includes the territorial waters of India. The definition of India is an inclusive definition and includes not only the land mass of India but also the territorial waters of India. The territorial waters extend to 12 nautical miles into the sea from the appropriate base line.
- ✍ **International Courier Terminal [Section 2(28A)]:** means any place appointed under clause (f) of sub-section (1) of section 7 to be an international courier terminal.

 **Person-in-charge: [Section 2(31)]**

S.No.	In relation to	Person-in-charge means
1.	vessel	the master of the vessel
2.	aircraft	the commander or the pilot-in-charge of the aircraft
3.	railway train	the conductor, guard or other person having the chief direction of the train
4.	any other conveyance	the driver or other person-in-charge of the conveyance

 **Prohibited goods [Section 2(33)]:** means any goods the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with.

 **Stores [Section 2(38)]:** means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting.

The definition does not cover goods for use in a vehicle.

 **Vehicle [Section 2(42)]:** means conveyance of any kind used on land and includes a railway vehicle.



## 4. STATUTORY PROVISIONS

From the above, it is seen that import is an act of bringing anything into India from a place outside India and it gets completed once the goods culminate with the land mass of India. Also, goods include Vessels, Aircrafts, Vehicles, Stores, Baggage, Currency, and other movable property. The provisions of procedure for importation of goods are given in section 29 to 38 and 45 to 49 of Customs Act, 1962. The same has been discussed in detail in the subsequent paragraphs.

## ARRIVAL OF VESSELS AND AIRCRAFTS IN INDIA [SECTION 29]

This section provides that the person-in-charge of a vessel or an aircraft entering India from any place outside India shall not cause or permit the vessel or aircraft to call or land -

- (a) for the first time after arrival in India; or
- (b) at any time while it is carrying passengers or cargo brought in that vessel or aircraft;

at any place other than a customs port or a customs airport, as the case may be, unless permitted by the Board.

In other words, vessels or aircrafts entering India from outside India can only call or land at a customs port or a customs airport. However, the Central Board of Indirect taxes and Customs can permit calling/landing of vessels and aircrafts at any place other than customs port or customs airport. Any contravention of this provision will operate as a presumption against the person-in-charge of conveyance or beneficial owner to have an intention to illegally import goods into India. So, entry of (or attempt to enter) any goods originating from outside India into any place other than customs airport or customs seaport, is barred.

**Exception:** The above provision is not applicable in relation to any vessel or aircraft, which is compelled by accident, stress of weather or other unavoidable cause to call or land at a place other than a customs port or customs airport. However, the person-in-charge of the vessel has the following obligation cast on him:

1. He will have to report the arrival of the vessel or the landing of the aircraft to the nearest customs officer or officer in charge of police station and produce the log book if demanded.
2. He should not allow any unloading of goods without permission and should not allow any passengers or crews to leave the immediate vicinity of the vessel or aircraft. However, the goods can be removed, or the passengers and crews can be allowed to depart if the same is necessary for reason of health, safety or preservation of life or property.
3. He should comply with all the directions given by such officers with respect to any such goods.

## DELIVERY OF ARRIVAL MANIFEST OR IMPORT MANIFEST OR IMPORT REPORT [SECTION 30]

After ensuring that the vessels or aircraft are landed only in approved customs port or airport, further duty is cast upon the person in charge of the vessel to deliver the arrival manifest or import manifest.

Arrival manifest or import manifest or import report is a detailed information to customs about goods in the vessels/aircrafts which have been brought in at any port/airport for unloading at that particular port/international airport as also that which would be carried further for other ports/airports. Declarations of such cargo has to be made in a prescribed form (which is termed 'Import General Manifest' or IGM) and in prescribed manner. Imports via land route require filing of declaration (called 'Import Report').

### IMPORT MANIFEST

Goods involved in an export may also be carried in the import conveyance (vessel or other), without such goods being delivered in India. The IM/IR must also contain details of goods meant for export and carried by the conveyance. Similar provision for including details of 'imported goods' is required by section 41 in export manifest to be filed by person-in-charge of a conveyance carrying export goods before departure of conveyance.

**Time limit for delivery of IGM/IR:** The person-in-charge of a vessel, or an aircraft, or a vehicle, carrying imported goods or any other person as may be specified by the Central Government, by notification in the Official Gazette, in this behalf shall, in the case of a vessel or an aircraft, deliver to the proper officer an arrival manifest or import manifest by presenting electronically prior to the arrival of the vessel or the aircraft, as the case may be, and in the case of a vehicle, an import report within twelve hours after its arrival in the customs station, in the prescribed form.

Particulars	Import Document	Time limit for presentation of IM/IR	Mode of presentation
Where the imported goods are brought in a <b>vessel</b>	Arrival manifest or import manifest	Any time prior to the arrival of the vessel/aircraft	Electronic filing*

Where the imported goods are brought in an <b>aircraft</b>			Electronic filing*
Where the imported goods are brought in a <b>vehicle</b>	Import Report	Within twelve hours after its arrival in the customs station	Prescribed manner

\*Note: In cases where it is not feasible to deliver arrival manifest or import manifest by presenting them electronically, the Principal Commissioner/ Commissioner of Customs may, allow the same to be delivered in any other manner.

If the arrival manifest or import manifest or the import report or any part thereof, is not delivered to the proper officer within the specified time and if the proper officer is satisfied that there was no sufficient cause for such delay, the person-in-charge would be **liable to a penalty up to ₹ 50,000**. The person delivering the arrival manifest or import manifest or import report shall make and subscribe a declaration as to the truth of its contents as a footnote thereof.

**Belated filing of IGM:** Arrival manifest or import manifest or import report filed belatedly may also be accepted by the proper officer on valid justified grounds.

**Amendment to IGM:** If the proper officer is satisfied that the arrival manifest or import manifest or import report is in any way incorrect or incomplete and there is no fraudulent intention, he may permit it to be amended or supplemented. [Section 30(3)].

Subsequent amendment of IGM will not be treated as late filing. [CBIC's Customs Manual 2015, Chapter 2] However, the CBIC has cautioned (*circular supra*) that this should not be used to circumvent the penal provisions for late filing.

### PASSENGER AND CREW ARRIVAL MANIFEST AND PASSENGER NAME RECORD INFORMATION. [SECTION 30A]

The person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified, shall deliver to the proper officer—

- (i) the passenger and crew arrival manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and

- (ii) the passenger name record information\* of arriving passengers, in such form, containing such particulars, in such manner and within such time, as may be prescribed.

Where the passenger and crew arrival manifest or the passenger name record information or any part thereof is not delivered to the proper officer within the prescribed time and if the proper officer is satisfied that there was no sufficient cause for such delay, the person-in-charge or the other specified person shall be liable to such penalty, not exceeding ₹ 50,000, as may be prescribed.

**\*Passenger name record information [Section 2(30B)]:** means the records prepared by an operator of any aircraft or vessel or vehicle or his authorized agent for each journey booked by or on behalf of any passenger.

### **IMPORTED GOODS NOT TO BE UNLOADED FROM VESSEL UNTIL ENTRY INWARDS GRANTED [SECTION 31]**

This section provides that the master of a vessel shall not permit the unloading of any goods until an order has been given by the proper officer granting ENTRY INWARDS to such vessels. This is specified only for vessels and not for aircrafts or vehicles. Application for entry inward has to be submitted along with the import manifest in the prescribed form and will be allowed by the proper officer of customs upon verification. The date of entry inward is entered in the customs record maintained for the purpose.



Section 31(2) provides that Entry Inwards shall not be given until the arrival manifest or import manifest has been delivered or the proper officer is satisfied that a valid reason is given for not delivering it within prescribed time. Grant of Entry Inwards is an acknowledgement of the fact that Customs Department is ready to supervise the unloading of the cargo, and is prepared to assess the goods to duty.

**Entry inwards date is crucial for the calculation of applicable rate of duty whenever bill of entry has been filed in advance. In case Bill of entry is filed before arrival of aircraft or vehicle or before entry inward for vessel, the relevant date of determination of rate of duty and tariff valuation shall be date of arrival or entry inward as the case may be. (Refer Section 15 of the Customs Act).**

Section 31(3) excludes certain items from the scope of the section. It provides that the provisions of the section will not apply to the unloading of baggage accompanying a passenger or a member of the crew, mail bags, animals, perishable goods and hazardous goods.

### **IMPORTED GOODS NOT TO BE UNLOADED UNLESS MENTIONED IN ARRIVAL MANIFEST OR IMPORT MANIFEST OR IMPORT REPORT [SECTION 32]**

Without the permission of the proper officer, the imported goods cannot be unloaded, unless they are mentioned in the Import General Manifest for being unloaded in that customs station.

### **LOADING AND UNLOADING OF GOODS AT APPROVED PLACES ONLY [SECTION 33]**

Section 33 provides that loading and unloading of goods are to be undertaken only at places approved under section 8(a) of the Customs Act, 1962. Section 8(a) provides proper places in any customs port, customs airport, or coastal port for loading and unloading of goods.

### **GOODS NOT TO BE LOADED OR UNLOADED EXCEPT UNDER THE SUPERVISION OF CUSTOMS OFFICER [SECTION 34]**

Section 34 provides that loading and unloading of goods should be done under the supervision of the proper officer.

However, the Board may, by notification in the Official Gazette, give general permission and the proper officer may in any particular case, give special permission for any goods or class of goods to be unloaded or loaded without the supervision of the proper officer.

In almost all major ports, customs officers are deployed at the wharfs and berths where the goods are imported or exported. These officers supervise all loading and unloading, and shipping operations.

### **RESTRICTIONS ON GOODS BEING WATER-BORNE [SECTION 35]**

In certain circumstances (like size of vessel, hazardous nature of cargo, etc.) the vessel cannot be berthed at the port. The cargo is ferried from or to the ships anchored at mid-sea to the port in boats, otherwise known as lighters.

Section 35 of the Customs Act stipulates that no imported goods shall be water borne for being loaded in any vessel, and no export goods which are not accompanied by a shipping bill, shall be water borne for being shipped unless the goods are accompanied by a boat note in the prescribed form. The Boat Notes Regulations 1976 prescribe the form and manner of issue of boat notes.

However, the board may, by notification give general permission and the proper officer may in any particular case, give special permission, for any goods or any class of goods to be water borne without being accompanied by a boat-note.

### **Other Controls**

The following are further controls exercised on the conveyances and the loading/unloading of goods.

1. The goods cannot be loaded and unloaded on Sundays or other holidays observed by the Customs Department, or on any other day after the working hours unless the prescribed notice and the prescribed fee are paid. [Section 36]
2. The proper officer may, at any time, board any conveyance carrying imported goods or export goods and may remain on such conveyance for such period, as he considers necessary. [Section 37]
3. The proper officer may require the person in charge of any conveyance to produce any document or answer any questions and such person shall be bound to comply with the same. [Section 38]



## **5. PROCEDURE FOR CLEARANCE OF IMPORTED GOODS**

The procedures for clearance of imported goods are contained in Section 45 to Section 49 of the Customs Act. These procedures are not applicable to baggage and goods imported or to be exported by post.

### **RESTRICTIONS ON CUSTODY AND REMOVAL OF IMPORTED GOODS [SECTION 45]**

Once the imported goods have entered the Customs area, there arises the question of who is responsible for the safe custody of goods.

This section requires that until the imported goods are cleared for home consumption or are warehoused or are exported for transhipment, they shall remain in the custody of such person as may be approved by the Principal Commissioner/Commissioner of Customs [Section 45(1)]. This person is called the custodian. The responsibility of the custodian commences in respect of imported goods the moment the ship is berthed in the harbour or the goods are ready for unloading from the aircraft. In major ports, the Port Trust is the custodian. In Inland Container Depots, the Container Corporation of India, which operates the Container Freight Station (CFS) is the custodian of the imported cargo. In case of air cargo, the Airport Authority of India is the custodian in most airports. For goods brought by rail, the custodian is the Station Master.

## SECTION 45

**Responsibility of Custodian of goods:** During the time the goods are in the custody of the custodians, they have the following responsibilities [Section 45(2)].

1. Maintain a proper record of goods received from the carriers and send a copy of the record to the proper officer.
2. Not to permit such goods to be removed from the customs area or allow them to be dealt with otherwise except under the specific permission in writing of the proper officer or in accordance with a general procedure that may be prescribed that avoid subjectivity of the officer as to the manner of removal of such goods.

In pursuance to this responsibility, the custodian is required to tally the particulars of the goods landed by a vessel, and send a report known as **out turn statement** to the customs authorities. This enables the customs authorities to check whether all goods manifested in the import general manifest for landing in a particular place have actually been landed. In case the goods are not so landed, action is taken against the carriers.

### Liability of the Custodians [Section 45(3)]

This provision provides that notwithstanding anything contained in any law for the time being in force, if any imported goods are pilfered after unloading in any customs area, while in the custody of the custodian, such custodian shall be liable to pay duty on such goods. Therefore, in respect of pilfered goods covered by section 13, the loss of revenue is compensated by the custodian. The duty shall be

paid at the rate prevailing on the day of delivery of the arrival manifest or import manifest or as the case may be, an import report to the proper officer under section 30 for the arrival of the conveyance in which such goods were carried.

This provision is intended to make the custodian of the imported goods lying in customs area liable for duty even if they are pilfered when they were in their custody. Earlier, in the matter of pilfered goods, the government has been losing the revenue, while the importer's interest was protected.

### Illustration 1

*M/s Pipli Imports Ltd. imported certain goods, which were unloaded in the customs area on 1<sup>st</sup> October. When order for clearance was passed by proper officer on 5<sup>th</sup> October, it was found that there was some pilferage of such goods. As the imported goods were in the custody of Port Trust, the Department demanded duty from the custodian under section 45(3) of the Customs Act, 1962, on such pilferage. The Port Trust denied such demand contending that it was not an approved custodian falling under section 45 and possession of goods by it was by virtue of powers conferred under the Major Port Trust Act, 1963. Hence, it is not liable for customs duty on pilfered goods.*

*M/s Pipli Imports Ltd. has also asked the Port Trust to make good the loss of goods. Examine, whether the demands made by the Department and M/s Pipli Imports Ltd. are justified in law, referring to decided case law.*

### Answer

The facts of the case are similar to the case of *Board of Trustees v. UOI (2009) 241 ELT 513 (Bom HC DB)*, wherein the High Court held that considering the language of section 45(3), the liability to pay duty is of the person, in whose custody the goods remain as an approved person under section 45 of the Act. Therefore, section 45(3) applies only to the private custodians who are required to be approved by Principal Commissioner/ Commissioner of Customs under section 45(1). Accordingly, the major ports and airports covered under Major Port Trust Act, 1963 who do not require any approval under section 45(1), are not covered by section 45(3). Thus, the Department cannot demand duty from Port Trust on the pilferage under section 45(3) of the Customs Act, 1962.

Section 45(3) of the Customs Act, 1962 holds the custodian responsible only in respect of the customs duty in respect of pilfered goods. It does not extend to the

value of goods lost. However, the Port Trust, as bailee of the goods, is liable for value of the goods to the importer.

### FILING OF IMPORT BILL OF ENTRY [SECTION 46]

Filing of Import Bill of Entry is not required for goods intended for transit or transhipment.

It is the duty of the importer of any goods to make an application electronically on the customs automated system to the proper officer for clearance of the goods. The importer is required to make an electronic integrated declaration to the Customs Computer Systems through network facility. The Bill of Entry (Electronic Integrated Declaration and Paperless Processing) Regulations, 2018 provides the detailed provisions in this regard.



Integrated Declaration exists in Customs law under 'Indian Customs Single Window Project'. Under this system, a common, seamlessly integrated IT systems is there which is utilized by all regulatory agencies, logistics service providers and the importers/exporters. The 'Single Window' provides the importers/exporters a single point interface for clearance of import and export goods. The Customs broker/importer shall submit the "Integrated Declaration" electronically to a single entry point, i.e. the Customs Gateway (ICEGATE).

## SECTION 46

CBIC has introduced 'eSanchit' for paperless transaction. The importers are required to upload the required documents online through [www.icegate.gov.in](http://www.icegate.gov.in) while filling the Bill of Entry instead of submitting the physical papers. Reply to queries raised by Customs Officers can be submitted online by uploading the documents.

Bill of Entry is a document of assessment and when assessed becomes an assessment order.

The Principal Commissioner/Commissioner of Customs may, in cases where it is not feasible to make entry by presenting electronically on the customs automated system, allow an entry to be presented in the prescribed manner and form.

The goods may be cleared for home consumption or for deposit in a warehouse or for transit or transhipment. Therefore, there are three types of Bills of Entries prescribed for these three different purposes.

Form I (White) – for home consumption.

Form II (Yellow) – for warehousing (into bond).

Form III (Green) – for clearance of warehoused goods for home consumption (ex-bond).

The importer is required to declare in the Bill of Entry amongst other things the particulars of packages, the descriptions of the goods, in terms of the description given in the Customs Tariff to enable proper classification of the goods and the correct value of the goods for the determining the amount of duty.

### Bill of Entry

The Bill of Entry shall be supported with invoice and such other documents as may be prescribed.

The importer who presents a bill of entry shall ensure the following, namely:—

- the accuracy and completeness of the information given therein;
- the authenticity and validity of any document supporting it; and
- compliance with the restriction or prohibition, if any, relating to the goods under this Act or under any other law for the time being in force.

**Importer unable to furnish details:** If for any reason the importer is unable to furnish these details, he may request the customs officials to examine the goods in his presence to enable him to ascertain the necessary details for making a proper declaration in the bill of entry. Alternatively, he can seek permission to deposit the goods in a public bonded warehouse appointed under section 57 pending receipt of the necessary information and the supporting documents under section 49. This is also called **warehousing without warehousing**.

Such goods shall not be deemed to be warehoused goods for the purpose of the Act and accordingly warehousing provisions shall not apply to such goods.

Bill of entry shall include all the goods mentioned in the bill of lading or other similar document.

**Time limit for filing:** According to section 46(3), the importer shall present the bill of entry before the end of the day (including holidays) preceding the day on which the aircraft/vessel/vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing. The proviso to section 46(3) provides that the Board may, in such cases as it may deem fit, prescribe different time limits for presentation of the bill of entry, which shall not be later than the end of the day of such arrival.

Further, a bill of entry may be presented at any time not exceeding thirty days prior to the expected arrival of the aircraft/vessel/vehicle by which the goods have been shipped for importation into India.

However, where the bill of entry is not presented within the time so specified and the proper officer is satisfied that there was no sufficient cause for such delay, the importer shall pay prescribed charges for late presentation of the bill of entry.

## ASSESSMENT OF GOODS [SECTION 17]

(a) **Duty to be self-assessed by the importer/exporter:** An importer entering any imported goods under section 46, or an exporter entering any export goods under section 50, shall, save as otherwise provided in section 85 (i.e. stores allowed to be warehoused without assessment of duty), self-assess the duty, if any, leviable on such goods.

## SECTION 17

(b) **Verification by proper officer:** The proper officer may verify the entries made under section 46 or section 50 and the self-assessment of goods and for this purpose, examine or test any imported goods or export goods or such part thereof as may be necessary.

Further, the selection of cases for verification shall primarily be on the basis of risk evaluation through appropriate selection criteria.

For the purposes of verification, the proper officer may require the importer, exporter or any other person to produce any document or information, whereby the duty leviable on the imported goods or export goods, as the case may be, can be ascertained and thereupon, the importer, exporter or such other person shall produce such document or furnish such information.

## Assessment of Goods

Some major importers have been given the green channel clearance facility. It means clearance of goods is done without routine examination of the goods. They have to make a declaration in the declaration form at the time of filing of bill of entry. The appraisement is done as per normal procedure except that there would be no physical examination of the goods. Only marks and number are to be checked in such cases. However, in rare cases, if there are specific doubts regarding description or quantity of the goods, physical examination may be ordered by the senior officers/investigation wing like Special Intelligence and Investigation Branch (SIIB).

- (c) **Reassessment of duty by the proper officer if self-assessment not done correctly:** Where it is found on verification, examination or testing of the goods or otherwise that the self-assessment is not done correctly, the proper officer may, without prejudice to any other action which may be taken under this Act, re-assess the duty leviable on such goods.
- (d) **Speaking order for re-assessment to be passed unless the importer agrees with the reassessment:** Where any re-assessment done is contrary to the self-assessment done by the importer or exporter and in cases other than those where the importer or exporter, as the case may be, confirms his acceptance of the said re-assessment in writing, the proper officer shall pass a speaking order on the re-assessment, within 15 days from the date of re-assessment of the bill of entry or the shipping bill, as the case may be.

## PROVISIONAL ASSESSMENT OF DUTY [SECTION 18]

Provisional assessment can be resorted to in the following circumstances:

- (a) where the importer or exporter is unable to make self-assessment under sub-section (1) of section 17 and makes a request in writing to the proper officer for assessment; or

- (b) where the proper officer deems it necessary to subject any imported goods or export goods to any chemical or other test; or
- (c) where the importer or exporter has produced all the necessary documents and furnished full information, but the proper officer deems it necessary to make further enquiry; or
- (d) where necessary documents have not been produced or information has not been furnished and the proper officer deems it necessary to make further enquiry.

## Provisional Assessment

In any of the above cases, ***the proper officer may assess the duty leviable on such goods, provisionally*** if the importer or the exporter, as the case may be, furnishes such security as the proper officer deems fit for the payment of the deficiency, if any, between the duty as may be finally assessed or re-assessed as the case may be, and the duty provisionally assessed[Sub-section(1)].

Where, pursuant to the provisional assessment under sub-section (1), if any document or information is required by the proper officer for final assessment, the importer or exporter, as the case may be, shall submit such document or information within prescribed time, and the proper officer shall finalise the provisional assessment ***in such manner*** as may be prescribed. [Sub-section (1A)].

***The proper officer shall finalise the duty provisionally assessed, within 2 years from the date of such assessment under sub-section (1). However, the Principal Commissioner of Customs or the Commissioner of Customs may, on sufficient cause being shown and for reasons to be recorded in writing, extend the said period to a further period of 1 year. [Sub-section (1B)].***

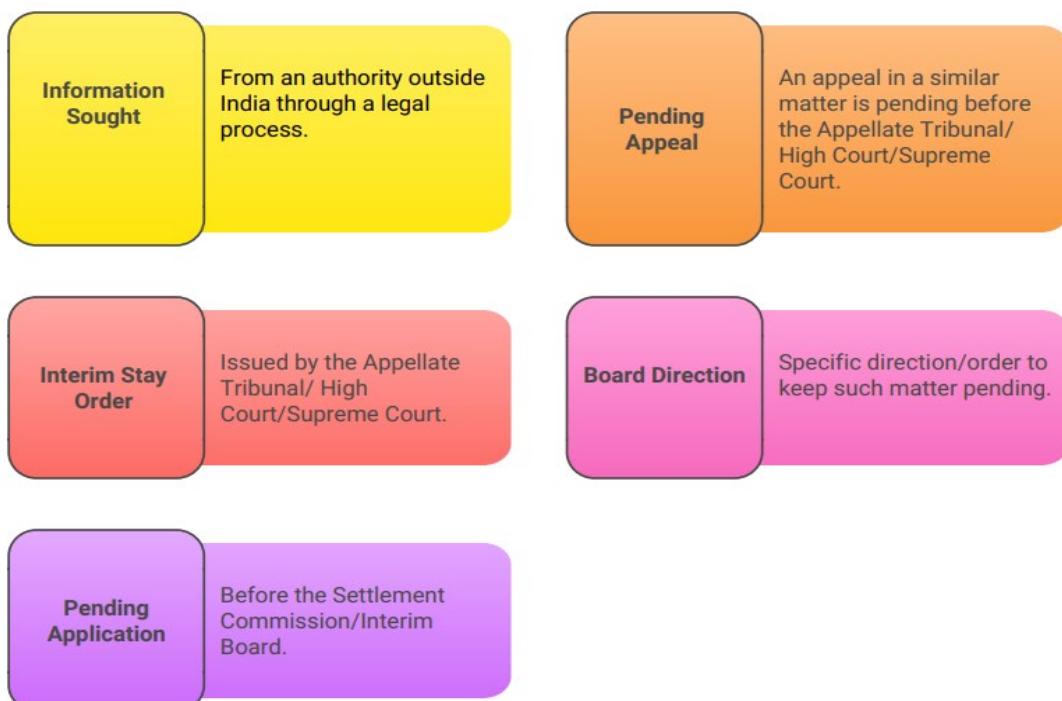


***Where the proper officer is unable to assess the duty finally within the specified time for the reason that—***

- (a) ***an information is being sought from an authority outside India through a legal process; or***
- (b) ***an appeal in a similar matter of the same person or any other person is pending before the Appellate Tribunal or the High Court or the Supreme Court; or***

- (c) *an interim order of stay has been issued by the Appellate Tribunal or the High Court or the Supreme Court; or*
- (d) *the Board has, in a similar matter, issued specific direction or order to keep such matter pending; or*
- (e) *the importer or exporter has a pending application before the Settlement Commission or the Interim Board<sup>1</sup>, the proper officer shall inform the importer or exporter concerned, the reason for non-finalisation of the provisional assessment and in such case, the time specified in sub-section (1B) shall apply not from the date of the provisional assessment but from the date when such reason ceases to exist. [Sub-section (1C)].*

#### Reasons for Non-Finalisation



<sup>1</sup> *Settlement Commission/ Interim Board provides the taxpayers a one-time opportunity to settle pending disputes related to customs duties in a speedy manner and avoid prolonged litigation. Said provisions are outside the scope of syllabus of Paper 5 -Indirect Tax Laws.*

Provisional assessment is allowed both in respect of imports as well as exports.

When the duty leviable on such goods is assessed finally or re-assessed by the proper officer in accordance with the provisions of this Act, then, -

- (i) in the case of goods cleared for home consumption or exportation, the amount paid shall be adjusted against the duty finally assessed or re-assessed, as the case may be, and if the amount so paid falls short of, or is in excess of the duty finally assessed or re-assessed, as the case may be, the importer or the exporter of the goods shall pay the deficiency or be entitled to a refund, as the case may be;
- (ii) in the case of warehoused goods, the proper officer may, where the duty finally assessed or re-assessed, as the case may be, is in excess of the duty provisionally assessed, require the importer to execute a bond, binding himself in a sum equal to twice the amount of the excess duty [Sub-section (2)].

The importer or exporter shall be liable to pay interest, on any amount payable to the Central Government, consequent to the final assessment order or re-assessment order. The interest shall be payable at the rate fixed by the Central Government under section 28AA<sup>2</sup>. This interest shall be payable from the first day of the month in which the duty is provisionally assessed till the date of payment thereof [Sub-section 3].

Subject to sub-section (5), if any refundable amount referred to in clause (a) of sub-section (2) is not refunded under that sub-section within three months from the date of assessment of duty finally or re-assessment of duty, as the case may be, there shall be paid an interest on such unrefunded amount at such rate fixed by the Central Government under section 27A<sup>3</sup> till the date of refund of such amount[Sub-section 4].

The refund of duty and interest thereon is subject to the principle of unjust enrichment. (Refer Chapter 7: Refund of Customs Duty for detailed provisions in

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<sup>2</sup> Interest is to be computed at the rate fixed by notification issued under section 28AA. However, provisions of section 28AA relating to Interest on delayed payment of duty are outside the purview of the syllabus of Paper 5 – Indirect Tax Laws.

<sup>3</sup> The detailed provisions pertaining to section 27A have been discussed in detail in Chapter-7 of this module of the Study material.

this regard) and shall be paid to the importer or the exporter, as the case may be, only if such amount is relatable to:

- (a) the duty and interest, if any, paid on such duty paid by the importer, or the exporter, as the case may be, if he had not passed on the incidence of such duty and interest, if any, paid on such duty to any other person;
- (b) the duty and interest, if any, paid on such duty on imports made by an individual for his personal use;
- (c) the duty and interest, if any, paid on such duty borne by the buyer, if he had not passed on the incidence of such duty and interest, if any, paid on such duty to any other person;
- (d) the export duty as specified in section 26;
- (e) drawback of duty payable under sections 74 and 75.

In all other cases, the amount of such refund and interest shall be credited to the Consumer Welfare Fund [Sub-section 5].

Further, CBIC has issued following guidelines for provisional assessment vide *Circular No. 38/2016 Cus. dated 22.08.2016*:

Wherever, duty is to be assessed provisionally, the importer shall:

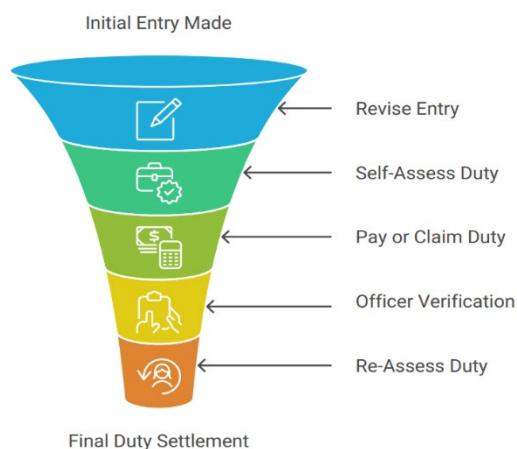
- (a) execute a bond in the prescribed form, for the purposes of undertaking to pay on demand the deficiency, if any, between the duty as may be finally assessed and the duty provisionally assessed; and
- (b) furnish prescribed amount of security for the payment of the duty deficiency. No sureties shall be obtained. The security to be obtained shall be in the form of a bank guarantee or a cash deposit, as convenient to the importer.

#### **VOLUNTARY REVISION OF ENTRY POST CLEARANCE [SECTION 18A]**

- (a) Option to Revise:** *After goods have been cleared, an importer or exporter can change (revise) the details they had already filed (called "entry") about those goods. This revision must be done in the prescribed form, manner, and time, and subject to certain conditions.*
- (b) Self-Assessment:** *When revising the entry, the importer or exporter must recalculate (self-assess) the duty payable on the goods.*

**(c) Impact of Revision:** If the revised entry shows that less duty was paid earlier (short-paid, underpaid, or not paid at all), the importer or exporter can pay the difference voluntarily along with interest as per Section 28AA<sup>4</sup>.

If the revised entry shows that excess duty was paid (or the whole duty was wrongly paid), the revised entry itself will be treated as a refund claim under Section 27.



**(d) Verification and Re-assessment by Proper Officer:** The proper officer may

- verify the revised entry and self-assessment in cases selected primarily based on risk evaluation through appropriate selection criteria.
- re-assess the duty if the self-assessment is found incorrect.

**(e) Cases where Revision is not allowed:** Revision of entry is not allowed in the following cases:-

- An audit, or search/seizure/summons action has already been initiated and the importer or exporter has been intimated.
- Cases requiring refund where proper officer has re-assessed the duty under section 17 or assessed the duty under section 18 (Provisional assessment of duty) or under section 84 (goods imported/exported by post or courier).
- Any other situations notified by the Board (CBIC).

## CUSTOMS (FINALISATION OF PROVISIONAL ASSESSMENT) REGULATIONS

CBIC vide Notification No. 73/2018 Cus (NT) dated 14.08.2018 has prescribed Customs (Finalisation of Provisional Assessment) Regulations, 2018.

<sup>4</sup> Interest is to be computed at the rate fixed by notification issued under section 28AA. However, provisions of section 28AA relating to Interest on delayed payment of duty are outside the purview of the syllabus of Paper 5 – Indirect Tax Laws.

The significant provisions contained in said regulations are discussed as under:



**Time-limit and manner for submission of documents or information by importer/exporter for the purpose of finalisation of provisional assessment**

- (a) Reasons for Provisional Assessment:
- (i) the necessary documents have not been produced or information has not been furnished
  - (ii) the proper officer requires the importer or the exporter to produce any additional documents or information
- Such information or documents would be made available by the importer/exporter within 1 month from the date of such order of provisional assessment or the date of such requisition by the proper officer.
- (b) The proper officer would inform the importer or the exporter, in writing, the specific details of the information to be furnished or the documents to be produced within 15 days from the date of such order of provisional assessment. If the document/information is not made available within 15 days, this period may, for reasons recorded in writing, be further extended by proper officer for 3 months on his own or at the request of the importer or the exporter.
- (c) The Additional Commissioner/Joint Commissioner of Customs may further extend the time period referred for another 3 months, in case the documents or the information required to be submitted by the importer or the exporter or requisitioned by the proper officer have not been made available within prescribed time limit.
- (d) If the aforesaid time limits don't suffice, the Commissioner of Customs, may extend the time period further as deemed fit.
- (e) All the requisite information/ documents need to be submitted in one instance by importer/ exporter and importer/exporter themselves or his authorised representative or Customs Broker shall inform the proper officer in writing that he has submitted all the documents or information to be furnished or requisitioned.

- (f) For the purpose of these regulations, each Bill of Entry or Shipping Bill, as the case may be, that has been assessed provisionally shall be treated as a separate case of provisional assessment.

#### **Time-limit for finalisation of provisional assessment**

The proper officer will finalise the provisional assessment within 2 months of receipt of:

- (a) an intimation from the importer or the exporter or his authorised representative or Customs Broker or
- (b) a chemical or other test report, where the provisional assessment was ordered for that reason; or
- (c) an enquiry or investigation or verification report, where the provisional assessment was ordered for that reason.

However, where the documents or information required to be furnished by the importer or the exporter or requisitioned by the proper officer are made available intermittently, the time period of 2 months shall be reckoned from the date of last intimation.

Further, where the documents or information required to be furnished by the importer or exporter, as the case may be, or requisitioned by the proper officer are not made available or made partly available and no further extension of time has been allowed, the proper officer shall proceed to finalise the provisional assessment within 2 months of the expiry of the time allowed for submission of the said documents or information.

- (d) The Commissioner of Customs concerned may allow, for reasons to be recorded in writing, a further time period of 3 months in case the proper officer is not able to finalise the provisional assessment within the period of 2 months.
- (e) This regulation would not apply to such cases of provisional assessments, where Board has issued directions to keep that pending.

#### **Manner of finalisation of provisional assessment**

- (a) The provisional assessment will be finalised as per the provisions of section 18 of the Act.

However, if the amount so paid at the time of provisional assessment or after adjustment under section 18(2)(a) of the Act, falls short of the duty finally assessed or re-assessed, as the case may be, and the importer or the exporter has not paid the deficiency, the shortfall will be adjusted from the security, if any, obtained at the time of provisional assessment, under intimation to the importer or the exporter,

However, if the amount so adjusted or paid falls short of the duty finally assessed or re-assessed, as the case may be, the importer or exporter of the goods would pay the shortfall in terms of the provisions of section 18.

- (b) The Bond executed at the time of provisional assessment with security, if any, will be cancelled after finalisation of provisional assessment and the security shall also be returned, if there are no pending dues.
- (c) Where the final assessment is contrary to the provisional assessment, the proper officer will pass a speaking order following principles of natural justice.
- (d) Where the final assessment confirms the provisional assessment, the proper officer will finalise the same after ascertaining the acceptance of such finalisation from the importer or the exporter on record and inform the importer or exporter in writing of the date of such finalisation.
- (e) Where a Bill of Entry or Shipping Bill is presented electronically on the Customs Automated system and is ordered to be provisionally assessed, the proper officer will finalise the provisional assessment on the system also consequent to the procedure prescribed in these regulations.

### **Penalty**

If any importer or exporter or his authorised representative or Customs Broker contravenes any provision of these regulations or abets such contravention, or fails to comply with any provision of these regulations, he shall be liable to a penalty which may extend to ₹ 50,000.

### **Illustration 2**

*Mr. Krishna Bhansali, has imported some garments from Paris. He is unable to make self-assessment under section 17(1) of the Customs Act, 1962 because of differential rates for different kinds of material and hence has made a request in writing to the proper officer for provisional assessment pending technical testing. Is he eligible to apply for provisional assessment? Discuss.*

**Answer**

Yes, Mr. Krishna Bhansali can apply for provisional assessment under section 18 of the Customs Act, 1962. Section 18(1) provides that provisional assessment can be resorted to, *inter alia*, where the importer or exporter is unable to make self-assessment under sub-section (1) of section 17 and makes a request in writing to the proper officer for assessment. While 'unable' is not about willingness but deficiency of information to make an accurate determination of the liability, in this case Mr. Bhansali satisfies the criterion because he lacks the information necessary to classify the goods pending technical testing.

**Illustration 3**

*Moris Lal has imported goods from Germany and is finally re-assessed u/s 18(2) of the Customs Act, 1962 for two such consignments. Particulars are as follows:*

<i>Date of provisional assessment</i>	<i>12th December, 2024</i>
<i>Date of final re-assessment</i>	<i>2nd February, 2025</i>
<i>Duty demand for 1st consignment</i>	<i>₹ 1,80,000</i>
<i>Refund for the 2nd consignment</i>	<i>₹ 4,20,000</i>
<i>Date of refund made by the department</i>	<i>28<sup>th</sup> April, 2025</i>
<i>Date of payment of duty demanded</i>	<i>5<sup>th</sup> February, 2025</i>

*Determine the interest payable and receivable, if any, by Moris Lal on the final re-assessment of the two consignments, with suitable notes thereon.*

**Answer**

As per section 18(3) of the Customs Act, 1962, an importer is liable to pay interest at the rate of 15% p.a. (*Notification No. 33/2016-Cus. (NT) dated 01.03.2016*), on any amount payable consequent to the re-assessment order from the first day of the month in which the duty is provisionally assessed till the date of payment.

Therefore, in the given case, Moris Lal is liable to pay following interest in respect of 1<sup>st</sup> consignment:

$$= ₹ 1,80,000 \times 15\% \times 67/365$$

$$= ₹ 4,956 \text{ (rounded off)}$$

If any amount refundable consequent to the re-assessment order is not refunded within 3 months from date of re-assessment of duty, interest is payable to importer

on unrefunded amount at the specified rate till the date of refund of such amount in terms of section 18(4) of the Customs Act, 1962.

Since in the given case, refund has been made (28.04.2025) within 3 months from the date of re-assessment of duty (02.02.2025), interest is not payable to Moris Lal on duty refunded in respect of 2<sup>nd</sup> consignment.

### CUSTOMS AUDIT [SECTION 99A]

In supersession of On-site Post Clearance Audit at Premises of Importer and Exporter Regulations, 2011, Government has notified Customs Audit Regulations, 2018. For this reason, a separate section 99A is introduced authorizing the proper officer to audit the assessment that has already been conducted at the time of customs clearance. Such audit is permitted to be carried out swiftly either at the premises of the auditee or at the office of the proper officer.



It may be noted that 'auditee' is defined in this section to include not only the principal (importer or exporter) but also persons concerning themselves dealing with goods attracting section 12 of Customs Act.

In the 2018 Regulations, 'auditee' is defined in 2(c) to mean "a person who is subject to an audit under section 99A of the Act and includes an importer or exporter or custodian approved under section 45 or licensee of a warehouse and any other person concerned directly or indirectly in clearing, forwarding, stocking, carrying, selling or purchasing of imported goods or export goods or dutiable goods"

#### **Salient feature of this audit procedure are as follows:**

- (i) Auditee is to preserve records for conduct of this audit for a period of five years
- (ii) Risk based assessment will identify persons to be audited
- (iii) Audit will be conducted at the premises of the auditee by the authorized officers who will intimate fifteen days in advance of their schedule visit
- (iv) Based on the findings, auditee may accept the liabilities and voluntarily discharge the duty, interest and penalty, as applicable

- (v) Assistance of experts can be availed for conducting this audit such as CA, CWA or IT professionals with permission of Principal Commissioner/ Commissioner of Customs
- (vi) Contravention of these Regulations attracts penalty of ` 50,000

## **TYPES OF AUDIT-TRANSACTION BASED AUDIT (TBA) AND PREMISE BASED AUDIT (PBA)**

Under the new scheme, Transaction based audit (TBA) and Premises based audit (PBA) have been prescribed.

- **TBA (audit of transactions):** Under TBA, transactions are audited. It may be noted that a TBA may subsequently be converted into a Premises based Audit (PBA).
- **PBA (audit at the premises):** The new provision on Customs Audit under section 99A of the Customs Act, 1962 has extended the scope of Premises Based Audit by including other entities who are concerned with imports or exports. In PBA, customs would review the import and export over a given period and check all relevant commercial records, including financial statements and contracts to verify the particulars given in a goods declaration. PBA would enable the department to bridge the communication divide and usher in a new era of partnership with trade. Further, Board may also select any criteria or theme for the audit.

### **Selection criteria for audit:**

Directorate General of Analysis and Risk Management has been entrusted the responsibility of identifying the potential focus areas and entities for various types of audit.

### **Executive Commissionerates to assist Audit Commissionerates**

The executive Customs Commissionerates shall also assist Audit Commissionerates in the conduct of Transaction Based Audit and Premises Based Audit.

The Chief Commissioners shall put in place a suitable monitoring arrangement to review the progress and performance of audit. Apart from overall supervision, Chief Commissioner shall examine on a selective basis, 5% of the Audit reports, selected

randomly based on the quarterly reports submitted by Audit Commissionerates to ensure that audit has been conducted as per prescribed procedures.

*[Circular No. 02/2019-Cus dated 08.01.2019]*

### **CLEARANCE OF GOODS [SECTION 47]**

Once the customs check and payment of duty is completed, the customs officers allow clearance of the goods. Section 47 provides that where the proper officer is satisfied that the goods entered for home consumption are not prohibited and the appropriate import duty and any charges payable thereon has been paid, he can make an order permitting clearance of the goods for home consumption. Such order may also be made electronically through the customs automated system on the basis of risk evaluation through appropriate selection criteria. However, Central Government may permit certain class of importers to make deferred payment of said duty or any charges in such manner as may be provided by rules.

### **SECTION 47**

In this respect, Central Government has permitted the following class of importers to make deferred payment of import duty:-

- (i) Importers certified under Authorized Economic Operator programme as AEO (Tier-Two) and AEO (Tier-Three)
- (ii) Authorised Public Undertaking

AEO means Authorised Economic Operator approved by the Directorate of International Customs under the CBIC. Authorised Public Undertaking means Authorised Public Undertaking approved by the Directorate of International Customs under the CBIC.

On making clearance order, which is popularly known as "pass out of customs charge order" the bill of entry (duplicate) copy is produced to the custodian who delivers the goods to the importer. These orders will be passed on the CAS (customs automated system) on the basis of risk evaluation through appropriate selection criteria as a trade facilitation measure to improve efficiency in custom clearance.

**Time limit for payment of import duty:** The importer shall pay the import duty—

- (a) on the date of presentation of the bill of entry in the case of self-assessment; or
- (b) within one day (excluding holidays) from the date on which the bill of entry is returned to him by the proper officer for payment of duty in the case of assessment, reassessment or provisional assessment; or
- (c) in the case of deferred payment, from such due date as may be specified by rules made in this behalf, and if he fails to pay the duty either in full or in part within the time so specified, he shall pay interest on the duty not paid or short-paid till the date of its payment.

**Time limit for payment of Import duty**

The rate of interest shall be not below 10% and not exceeding 36% per annum and shall be fixed by the central government. However, the interest may be waived by the CBIC in public interest. [Section 47(2)]

**Deferred Payment of Import Duty Rules, 2016 read with Circular No. 52/2016-Cus dated 15.11.2016:**

 **Information about intent to avail benefit of notification:** An eligible importer intending to avail the benefit of deferred payment shall intimate to the Principal Commissioner/Commissioner of Customs, having jurisdiction over the port of clearance, his intention to avail the said benefit who on being satisfied with the eligibility of the importer allow him to pay the duty by due dates as given below.

 **Due dates for deferred payment of import duty—**

S. No.	Goods corresponding to Bill of Entry returned for payment from	Due date of payment of duty, inclusive of the period (excluding holidays) as mentioned in section 47(2)
1.	1 <sup>st</sup> day to 15 <sup>th</sup> day of any month	16 <sup>th</sup> day of that month

2.	16 <sup>th</sup> day till the last day of any month other than March	1 <sup>st</sup> day of the following month
3.	16 <sup>th</sup> day till the 31 <sup>st</sup> day of March,	31 <sup>st</sup> March

Further, where the Central Government considers it necessary and expedient, it may, under exceptional circumstances, and for reasons to be recorded in writing, allow payment to be made on a different due date.

 **Electronic payment of duty:** The eligible importer shall pay the duty electronically: However, the Assistant/Deputy Commissioner of Customs may for reasons to be recorded in writing, allow payment of duty by any mode other than electronic payment.

 **Deferred payment not to apply in certain cases:** If there is default in payment of duty by due date more than once in three consecutive months, this facility of deferred payment will not be allowed unless the duty with interest has been paid in full.

Further, the eligible importer shall be permitted to make the deferred payment if he has—

- (i) paid the duty for a bill of entry within due date and
- (ii) paid the differential duty for the same bill of entry along with the interest on account of reassessment within one day (excluding holidays).

The benefit of deferred payment of duty will not be available in respect of the goods which have not been assessed or not declared by the importer in the entry.

### MANDATORY ELECTRONIC PAYMENT OF DUTY

The Central Government has notified the following classes of importers who have to pay customs duty electronically, namely:-

- (i) Importers registered under Authorized Economic Operator;
- (ii) Importers paying customs duty of ₹10,000 or more per bill of entry

The Board has set up a dedicated payment gateway called, 'ICEGATE' through which the payments are to be made.

The importer need not produce any proof of payment for the clearance of goods in case of e-payment.

## FACELESS ASSESSMENT

Trade facilitation is a key enabler for simplification of procedures and reduction of barriers to the trade. In India, CBIC has been at the forefront of taking initiatives aimed at catalysing economic development through transparency, harmonization, predictability and automation in trade. The aim has been to reduce time and cost for the EXIM community. This would help them become more competitive in the international arena.

In line with this momentum, CBIC has implemented next generation reforms through Turant Customs, strongly enabled by technology. Turant Customs is a mega reform for the ease of doing business.

This flagship initiative stands on the pillars of – Faceless, Contactless and Paperless Customs. This reform will help India take a substantial leap forward towards faster and cheaper Customs clearance of imported goods.

### Faceless Assessment

A key enabler in Turant Customs is Faceless Assessment. It has been rolled out in phases and covered the entire country. This would enable uniform, anonymous Customs assessments and reduce interface between the Trade and Customs officers.

Faceless Assessment, a component of the Turant Customs programme, is a path breaking initiative aimed at introducing anonymity and uniformity in Customs assessments pan India.

## JOURNEY TOWARDS FACELESS ASSESSMENT

Decades ago, goods imported into India were assessed for Customs duty at the border by jurisdictional Customs officers on the basis of physical documents. Subsequent introduction of computers led to automation of assessment. This was followed by a robust digital risk management system (RMS) for Customs clearance

with minimal checks, while interdicting risk-prone cargo for assessment and examination. In 2012, the Customs Act 1962, was amended to introduce self-assessment by importers/exporters themselves. While digitisation helped in streamlining of procedures, yet disparities in assessment prevailed due to interpretation issues. Customs officials recognised a dire need to provide uniformity and certainty in assessment practices. It was also clear that anonymity in assessment and load balancing of import documents that are required to be assessed would bring about more efficiency and help improve the speed of Customs clearances across India. This was the trigger for the conceptualization and development of Faceless Assessment.

### **WHAT IS FACELESS ASSESSMENT?**

Faceless Assessment is a major Customs Reforms where a Bill of Entry that is identified for scrutiny (non-facilitated Bill of Entry) is assigned to an assessing officer who is physically located at a Customs station, which is not the Port of Import in the Customs Automated System. It separates the assessment process from the physical location of Port of Import, using a technology platform.

Faceless Assessment (also referred to as virtual assessment or anonymised assessment) uses a technology platform to separate the Customs assessment process from the physical location of a Customs officer at the port of arrival. This measure will bolster efforts to ensure an objective, free, fair and just assessment.

From an importer's perspective, there will be no changes to the process of filing a Bill of entry. He will continue to file his documentation including bill of entry and supporting documents on the ICEGATE portal.

### **KEY OBJECTIVES OF FACELESS ASSESSMENT :**

- i. Anonymity in assessment for reduced physical interface between trade and Customs
- ii. Speedier Customs clearances through efficient utilisation of manpower
- iii. Greater uniformity of assessment across locations
- iv. Promoting sector specific and functional specialisation in assessment

## PAYMENT THROUGH ELECTRONIC CASH LEDGER AND ELECTRONIC DUTY CREDIT LEDGER

### LEDGER FOR PAYMENT OF DUTY, INTEREST, PENALTY, ETC. [SECTION 51A]

A new system to leverage payments-automation is enabled in Customs clearance (imports or exports) by way of insertion of section 51A. It provides for advance deposit which would enable payment of duties, taxes, fee, interest, and penalty through electronic cash ledger. This is a welcome measure that will avoid delays in payment of duty or amounts being transferred to CHA towards payment of duty. With this ECL, money can be transferred in advance and appropriated in respect of each demand. Rules for Electronic Cash Ledger are yet to be notified.

Central Board of Indirect Taxes and Customs (CBIC) can prescribe the persons on whom, and goods in respect of which, provisions of Electronic Cash Ledger shall not apply.

With the use of an authorized mode of payment, persons who regularly make payment of duty, interest and even penalty, if any, are permitted to 'deposit' a certain amount of money. And then when the occasion to make payment arises, they can pay by debit to the balance in this deposit account (electronic cash ledger balance). Person who may be required to regularly make payment are importer, exporter (of dutiable goods) or Customs Brokers.

- (1) Every deposit made towards duty, interest, penalty, fee or any other sum payable by a person under the provisions of this Act or under the Customs Tariff Act, 1975 or under any other law for the time being in force or the rules and regulations made thereunder, using authorised mode of payment shall, subject to prescribed conditions and restrictions, be credited to the electronic cash ledger of such person, to be maintained in the prescribed manner.
- (2) The amount available in the electronic cash ledger may be used for making any payment towards duty, interest, penalty, fees or any other sum payable under the provisions of this Act or under the Customs Tariff Act, 1975 or under any other law for the time being in force or the rules and regulations made thereunder in the prescribed manner and conditions and prescribed time limit.

- (3) The balance in the electronic cash ledger, after payment of duty, interest, penalty, fee or any other amount payable, may be refunded in the prescribed manner.
- (4) Board is empowered to exempt the deposits made by specified class of persons or with respect to specified categories of goods, from all or any of the provisions of this section if it is necessary or expedient so to do.

CBIC has exempted following deposits from the provisions of section 51A of the Customs Act -

- (i) with respect to goods imported or exported in customs stations where customs automated system is not in place;
- (ii) with respect to accompanied baggage;
- (iii) other than those used for making electronic payment of:
  - (a) any duty of customs, including cesses and surcharges levied as duties of customs;
  - (b) IGST;
  - (c) GST Compensation Cess;
  - (d) interest, penalty, fees or any other amount payable under the Act, or Customs Tariff Act, 1975.

### **LEDGER FOR DUTY CREDIT [SECTION 51B]**

The Central Government may specify the manner in which it shall issue duty credit vide notification in the official gazette —

- (a) in lieu of remission of any duty/tax/levy, chargeable on any material used in the manufacture/processing of goods or for carrying out any operation on such goods in India that are exported; or
- (b) in lieu of such other financial benefit subject to specified conditions and restrictions.

The duty credit shall be maintained in the customs automated system in the form of an electronic duty credit ledger of the person who is the recipient of such duty credit, in the prescribed manner.

The duty credit available in the electronic duty credit ledger may be used by the

person to whom it is issued or the person to whom it is transferred, towards making payment of duties payable under the Customs Act or under the Customs Tariff Act, 1975 in the prescribed manner and time.

Duty Credit Ledger will enable credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer, etc.

Duty Credit Ledger is a step in the right direction to streamline the processes of availment of export benefits by removing the physical interface and also usher transparency by avoiding fraudulent claims.

### **PROCEDURE FOR DISPOSAL OF GOODS NOT CLEARED [SECTION 48]**

If there are any goods imported from a place outside India, which are not cleared either for home consumption or for warehouse within 30 days or within such further time as the proper officer may allow or if the title to any imported goods is relinquished (Section 23), the custodian of the goods is permitted, with the approval of the customs department and after giving notice to the importer, to sell the goods by auction.

CBIC has clarified vide *Circular No. 49/2018-Cus dated 03.12.2018* that after the successful bidder has been informed about the result of the auction, a consolidated bill of entry, buyer-wise will be filed with the Customs in the prescribed format by the concerned custodian for clearance of the goods as per section 46 of the customs Act, 1962 read with Un-Cleared Goods (Bill of Entry) Regulations, 1972 (Regulation 2 & 3).

- (a) The proper officer of Customs shall assess the goods to duty in accordance with the extant law within 15 days of filing of Bill of Entry and after assessment inform the amount of duty payable to the concerned custodian.
- (b) The auctioned goods shall be handed over to the successful bidder after assessment and out-of-charge orders given by the proper officer, on payment of dues.

In the case of sensitive goods like animals, foodstuffs and hazardous goods etc. the custodian with the approval of the proper officer can sell the goods even before the expiry of the 30 days limit. Similarly, in the case of arms or ammunition, which cannot be sold in public auction, the disposal is regulated by the rules made in this regard.

## STORAGE OF IMPORTED GOODS IN WAREHOUSE PENDING CLEARANCE OR REMOVAL [SECTION 49]

Where the Assistant Commissioner/Deputy Commissioner of Customs is satisfied on the application of the importer that—

- (a) the goods cannot be cleared within a reasonable time in the case of imported goods, whether dutiable or not, entered for home consumption.
- (b) the goods cannot be removed for deposit in a warehouse within a reasonable time in the case of any imported dutiable goods, entered for warehousing.

then in such cases, goods can be stored in a public warehouse for a period not exceeding 30 days.

Such goods deposited under public warehouse will not be covered under Chapter IX (Warehousing) of the Act. However, the Principal Commissioner/Commissioner of Customs may extend such period of storage for further 30 days at a time.

For instance, when Single Window NAC Module was launched at major customs station, there were delays obtaining NOC from various Government agencies before clearance of goods. The CBIC clarified that Section 49 warehousing facility may be resorted to.



## 6. EXPORTATION

### IMPORTANT DEFINITIONS

- (a) **Export** [Section 2(18)] with its grammatical variations and cognate expressions, means taking out of India to a place outside India.
- (b) **Export goods** [Section 2(19)] means any goods, which are to be taken out of India to a place outside India.
- (c) **Exporter** [Section 2(20)] in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner, beneficial owner or any person holding himself out to be the exporter.

### CONTROL OVER EXPORT GOODS

It would be convenient at this juncture to discuss the provision relating to the export of the goods in so far as it applies to the master of the vessel or his agent.

The steamer agent comes into the picture only after the customs have permitted the export goods to be shipped.

### **EXPORT GOODS NOT TO BE LOADED ON VESSEL UNTIL ENTRY-OUTWARDS GRANTED [SECTION 39]**

Section 39 stipulates that export goods are not to be loaded on vessel until entry outwards is granted. The master of the vessel shall not begin the loading of any export goods, other than baggage and mail bags, until an order has been given by the proper officer granting entry-outwards to such vessel. This restriction is for vessels and not for aircraft and vehicles.

In sum, for loading of goods for export, the following requirements are to be fulfilled:

- (i) 'Entry outwards' to be granted under section 39 (in case of vessel).
- (ii) 'Shipping bill/Bill of export/Bill of Transhipment' under section 50.
- (iii) 'Let-export' order under section 51.
- (iv) 'Boat note' under section 35 in case the vessel is anchored away from the wharf and the goods are carried in a boat to the vessel.

### **EXPORT GOODS NOT TO BE LOADED UNLESS DULY PASSED BY PROPER OFFICER [SECTION 40]**

The first and foremost duty cast on the person-in-charge of conveyance under section 40 is that export goods are not to be loaded unless duly passed by Proper Officer.

The person-in-charge of a conveyance shall not permit the loading at a customs station

- (a) of export goods, other than baggage and mail bags, unless a shipping bill or bill of export or a bill of transhipment, as the case may be, duly passed by the proper officer, has been handed over to him by the exporter;
- (b) of baggage and mail bags, unless their export has been duly permitted by the proper officer.

This section applies to all types of conveyances. The goods can be taken on board only if they are accompanied by the following documents:

- (i) **In case of export goods other than baggage and mail bags** – the goods shall be accompanied by
- Shipping Bill (at seaports/airports), or
  - Bill of Export (at Land Customs Station), or
  - Bill of Transshipment (for transshipment goods),
- all duly passed by the proper officer.
- (ii) **In case of baggage and mail bags** – they should be permitted by Customs for export.

### **DELIVERY OF DEPARTURE MANIFEST/ EXPORT MANIFEST/ EXPORT REPORT [SECTION 41]**

Section 41 has been amended so as to provide a facility, that the departure manifest/export manifest/ export report can also be furnished by a person notified by the Central Government, in addition to the person-in-charge of the conveyance.

It consists of a general declaration of particulars of the vessel, its crew and passengers, its date and port of departure; a list of ship's stores; a list of crew's personal effects; and a cargo declaration which is a complete list of the goods shipped from the port, goods transshipped at the port, goods lying in the vessel but not landed or transshipped ("same bottom cargo"), and dutiable goods, including arms and ammunition, forming part of the equipment of the vessel.

Section 41(1) of the Customs Act, 1962 provides that the person-in-charge of a conveyance carrying export goods or imported goods or any other person as may be specified by the Central Government, by notification, shall, before departure of the conveyance from a Customs station, deliver to the proper officer in the case of a vessel or aircraft, a departure manifest or an export manifest by presenting electronically, and in the case of a vehicle, an export report, in such form and manner as may be prescribed and in case, such person-in-charge or other person fails to deliver the departure manifest or export manifest or the export report or any part thereof within such time, and the proper officer is satisfied that there is no sufficient cause for such delay, such person-in-charge or other person shall be liable to pay penalty not exceeding fifty thousand rupees.

However, in cases where it is not feasible to deliver departure manifest or export manifest by presenting them electronically, the Principal Commissioner/Commissioner of Customs may, allow the same to be delivered in any other manner. [Section 41(1)]

The person delivering the departure manifest or export manifest or export report shall make and subscribe a declaration as to the truth of its contents as a footnote thereof. [Section 41(2)]

**Amendment to EGM:** If the proper officer is satisfied that the departure manifest or export manifest or the export report is in any way incorrect and there was no fraudulent intention, he may permit such manifest or report to be amended or supplemented. [Section 41(3)]

**Preparation of Export General Manifest:** The procedure for preparation of cargo manifest is as follows:

- (i) In the case of shipment by sea, the ship's officer gives a receipt after he has received the consignment on board the ship. This receipt is called mate receipt. It is surrendered to the steamer agent or the agent who issues the bill of lading.
- (ii) In the case of shipment by air, after the cargo is delivered to the airways for loading, the airways issues an air consignment note.
- (iii) In the case of train and lorry, a railway receipt or a lorry receipt as the case may be, is issued as soon as the consignment is received by the carrier.

The export general manifest or report is the consolidated report of all such Bills of Lading/Air Consignment Notes/Railway Receipts/Lorry Receipts issued.

### **PASSENGER AND CREW DEPARTURE MANIFEST AND PASSENGER NAME RECORD INFORMATION [SECTION 41A]**

The person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government, shall deliver to the proper officer—

- (i) the passenger and crew departure manifest; and

- (ii) the passenger name record information of departing passengers, in such form, containing such particulars, in such manner and within such time, as may be prescribed.

Where the passenger and crew departure manifest or the passenger name record information or any part thereof is not delivered to the proper officer within the prescribed time and if the proper officer is satisfied that there was no sufficient cause for such delay, the person-in-charge or the other specified person shall be liable to such penalty, not exceeding ₹ 50,000, as may be prescribed.

### **NO CONVEYANCE TO LEAVE WITHOUT WRITTEN ORDER [SECTION 42]**

The person-in-charge of the conveyance which has brought any imported goods or has loaded any export goods at a customs station shall not cause or permit the conveyance to depart from that customs station until a written order to that effect has been given by the proper officer.

Subsection (2) of section 42 stipulates that no such order shall be given until

- (a) The person-in-charge of a conveyance has answered the questions put to him under Section 38;
- (b) The provisions of section 41 have been complied with;
- (c) The shipping bills or bills of export, the bills of transshipment, if any and such other documents, as the proper officer may require, have been delivered to him;
- (d) All duties leviable on any stores consumed in such conveyance and all charges and penalties due in respect of such conveyance or from the person-in-charge thereof have been paid or the payment secured by such guarantee or deposit of such amount as the proper officer may direct;
- (e) The person-in-charge of the conveyance has satisfied the proper officer that no penalty is leviable on him under section 116 or the payment of any penalty that may be levied upon him under that section has been secured by such guarantee or deposit of such amount as the proper officer may direct;
- (f) In any case where any export goods have been loaded without payment of export duty or in contravention of any provision of this Act or any other law for the time being in force in relation to export of goods-

- (i) Such goods have been unloaded, or
- (ii) Where the Assistant Commissioner is satisfied that it is not practicable to unload such goods, the person-in-charge of the conveyance has given an undertaking, secured by such guarantee or deposit of such amount as the proper officer may direct, for bringing back the goods to India.



## 7. PROCEDURE FOR THE CLEARANCE OF EXPORT GOODS

### ENTRY OF GOODS FOR EXPORTATION [SECTION 50]

The exporter is, under section 50 of the Customs Act, required to present electronically on the customs automated system to a proper officer of customs a shipping bill in case of export by a vessel or by air and a bill of export, in case of export by a vehicle. With this extent of automation, Customs expects that filing of shipping bill and payment of duty is on the automated system of customs department or CAS.

However, the Principal Commissioner/Commissioner of Customs may, in cases where it is not feasible to make entry by presenting electronically, allow an entry to be presented in any other manner. Hence, manual submission of shipping bill/bill of export is allowable in cases where electronic submission is not feasible.

The form of the shipping bill is prescribed under the Shipping Bill and Bill of Export (Forms) Regulations, 2017.

Normally a shipping bill is permitted to be filed only after an entry outward has been granted for the particular vessel or aircraft by which the goods are to be exported. However, under special circumstances the Principal Commissioner/Commissioner of Customs may permit advance shipping bill to be filed. The exporter of any goods, while presenting a shipping bill or bill of export, shall make and subscribe to a declaration as to the truth of its contents.

The exporter who presents a shipping bill or bill of export under this section shall ensure the following, namely :—

- (a) the accuracy and completeness of the information given therein;

- (b) the authenticity and validity of any document supporting it; and
- (c) compliance with the restriction or prohibition, if any, relating to the goods under this Act or under any other law for the time being in force.

### **CLEARANCE OF GOODS FOR EXPORTATION [SECTION 51]**

After the shipping bill is filed, they are presented for the customs appraisal. The officer of customs checks that the goods are not prohibited for export and whether they are liable to any export duty. Physical check is carried out in terms of prevailing instructions. After the customs officer is satisfied that the goods are not prohibited, and the exporter has paid the duty and other charges payable in respect of same, he makes the order for shipment on the duplicate copy of the shipping bill. This is known as "Let Export" order. However, Central Government may permit certain class of exporters to make deferred payment of said duty or any charges in such manner as may be provided by rules, in which case 'let export' can be ordered before duty is paid.

Further, in case of deferred payment of duty, where the exporter fails to pay the export duty, either in full or in part, by such due date as may be specified by rules, he will have to pay interest on said duty not paid or short-paid till the date of its payment. The Central Government will notify the rate of interest within a range of 5% p.a. to 36% p.a.

### **NOTICE OF SHORT-EXPORT OF GOODS**

According to the Notice of Short Export Rules, 1963, if any goods mentioned in a shipping bill or bill of export and cleared for exportation are not exported, the exporter shall, within seven days, from the date of departure of the conveyance by which such goods were exported, furnish the prescribed information to the proper officer in respect of such goods.



## **8. PROCEDURE FOR POSTAL ARTICLES**

### **IMPORT / EXPORT OF GOODS BY POST OR COURIER**

Sections 83 and 84 of the Customs Act contain the substantive provisions relating to goods imported or exported by post or through authorized courier.



### **Relevant date for Rate of duty and tariff valuation in respect of goods imported or exported by post [Section 83]**

- (1) The rate of duty and tariff value, if any, applicable to any goods imported by post or courier shall be the rate and valuation in force on the date on which postal authorities or the authorized courier present to the proper officer a list containing the particulars of such goods for the purposes of assessing the duty thereon.

### **POSTAL ARTICLES**

However, where the postal goods arrive on a vessel, and the list containing the particulars is available and is filed by the Post Master, before the arrival of the vessel, the list shall be deemed to have been filed on the date of arrival of the vessel.

The effect of this proviso is that the relevant date for imports by post is the date of submission of the list by the Post-Master or the date of arrival of the vessel, whichever is later.

- (2) The rate of duty and tariff value applicable to any goods exported by post or courier shall be the rate and valuation in force on the date on which the exporter delivers such goods to the postal authorities or the authorized courier for exportation.



### **Procedure for goods imported or to be exported by post or courier [Section 84]**

This section empowers the Board to make regulations providing

- (a) the form and manner in which an entry may be made in respect of goods imported or to be exported by post or courier
- (b) the examination, assessment to duty, and clearance of goods imported or to be exported by post or courier
- (c) the transhipment or transit of goods imported by post or courier from one Customs station to another or to a place outside India.

## PROCEDURE FOR IMPORT AND EXPORT OF GOODS BY POST

In the case of goods imported by post the agency for the carriage of goods is the Government of India be it through sea, air or land. The control of the Customs Department is only on goods, whether imported or exported

- (i) on which there is a duty; and
- (ii) which are subject to prohibition or restriction under the Customs Act or any other law for the time being in force.

The customs have no concern over other goods or other mail.



## 9. SPECIAL PROVISIONS RELATING TO STORES

The term "stores" has been defined under section 2(38) of the Customs Act to mean "goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting". It covers items like food, drink, medicines, life-saving equipment like oxygen and life boats, articles or equipment used for entertainment, in addition to fuel, spare parts and other equipment.

These items are not imported into or exported out of India in the course of international trade, but by the very fact of their being brought into India from a place outside India, and *vice versa*, they attract the rigors of the controls on import and export of goods. This has necessitated special provisions to deal with such stores. Sections 85 to 90 of the Customs Act contain detailed provisions relating to treatment of Stores under the Act.

**STORES**

"Store list" in the prescribed format is required to be filed as part of the import manifest as well as export manifest / import report or export report.

### WAREHOUSING OF STORES [SECTION 85]

It has been found convenient to allow imported ships stores to be kept in a bonded warehouse and thereafter supply it to vessels/aircraft as and when required. Section 85 provides that "where any imported goods are entered for warehousing and the importer makes and subscribes to a declaration that the goods are to be supplied as stores to vessels or aircraft without payment of import duty under this

chapter the proper officer may permit the goods to be warehoused without the goods being assessed to duty."

This is a deviation from the general provision of warehousing the goods, where the goods are assessed to duty at the time of warehousing. Though such duty is not payable at the time of warehousing.

### **TRANSIT AND TRANSHIPMENT OF STORES [SECTION 86 AND 87]**

Section 86 of the Customs Act provides that:

1. Any stores imported in a vessel or aircraft, may remain on board such vessel or aircraft, without payment of duty, while it is in India. (Transit)
2. Any stores imported in a vessel or aircraft may, with the permission of the proper officer be transferred to any vessel or aircraft as stores for consumption therein. (Transhipment)

Section 87 of the Customs Act provides that any imported stores on board a vessel or aircraft (other than stores to which section 90 applies) may, without payment of duty, be consumed during the period such vessel or aircraft is a foreign going vessel or aircraft.

This covers the situation between the first Indian port/airport of arrival to the final Indian port/airport of departure to a destination outside India.

In other words, no duty is leviable as long as the vessel/aircraft is a foreign going vessel/ aircraft. However, if the vessel/aircraft ceases to be so and converts to a total run/local flight, duty will be chargeable on the stores on board.

As a result of these two specific provisions of law, it follows that in other cases normal law of levy and assessment to import duty would apply. Thus, in the case of:

- (i) vessels/aircraft arriving in India and terminating their voyage at the port of arrival;
- (ii) vessel/aircraft arriving in India and subsequently converting into coastal voyage/run or domestic flight, import duty would be chargeable on the unconsumed stores brought by the vessel/aircraft/conveyance at the point of its entry into India. The stores list in the arrival manifest or import manifest forms the basic document for determination of duty liability.

## APPLICATION OF SECTION 69 AND CHAPTER X TO STORES [SECTION 88]

This section provides that the provisions of section 69 and chapter X (which contains the provisions for drawback of duty) shall apply to stores other than those covered by section 90. Thus, it follows that,

- (i) Section 69 allows warehoused goods to be exported on payment of export duty (if any) from the warehouse (thus no import duty is paid on such goods). By virtue of section 88, this benefit is available to warehoused goods if they are taken on board any foreign going vessel or aircraft as stores.
- (ii) Further, as per section 74, where duty paid imported goods are exported within two years then subject to certain conditions, such duty shall be repaid as drawback. By virtue of section 88, this benefit has been made available to imported stores.

In case of imported stores, which have been re-exported after the import duties for the same have been paid, the original import duty paid is eligible as drawback. For stores like fuel and lubricants oil taken on board any foreign going aircraft the whole of the import duty paid is eligible as drawback as against 98% eligible for other imported goods.

Imported goods can be exported without clearing it for home consumption on payment of export duty (if any) from the warehouse under Section 69.

## SUPPLY OF STORES [SECTION 89]

Section 89 of the Customs Act covers the case of indigenous goods, which are supplied to a vessel as ship stores. It states that goods produced or manufactured in India and required as stores on any foreign going vessel or aircraft may be exported free of export duty in such quantities as the proper officer may determine having regard to the size of the vessel or aircraft, the number of passengers and the crew and the length of the voyage or journey on which the vessel or aircraft is about to depart. In a nutshell, the duty-free supply of stores should be as per estimated requirement.

## SPECIAL PROVISIONS REGARDING SHIPSTORES SUPPLIED TO INDIAN NAVAL VESSELS [SECTION 90]

Following are the special provisions in relation to supply of stores to Naval vessels:

- (i) Imported Stores for the use in a ship of the Indian Navy may without payment of duty be consumed on board the ship of Indian Navy;
- (ii) Imported stores supplied free by the Government for the use of the crew of a ship of the Indian Navy, in accordance with their conditions of service, may be supplied without payment of duty to be consumed on board the ship of Indian Navy.
- (iii) The provisions of section 69 (duty-free export from a warehouse) and Chapter X (drawback) shall apply as they apply to other goods. However, they will be entitled to drawback of the whole of the duty of customs if any paid therein, instead of 98% alone otherwise applicable.



## 10. SPECIAL PROCEDURES RELATING TO CLEARANCE OF BAGGAGE

### BAGGAGE

The term "baggage" has been defined under section 2(3) of the Customs Act in an inclusive manner, to include unaccompanied baggage as well but does not include motor vehicles. In common parlance, the term means luggage of a passenger comprising trunks or bags and personal belongings of the passenger.

The term "goods" has been defined under section 2(22) of the Customs Act, to include *inter alia*, baggage also. Therefore, the restrictions and regulations governing the import and export of goods will apply *mutatis mutandis* to baggage also.

### ISSUES RELEVANT TO BAGGAGE

The person-in-charge of the conveyance is to file an Import General Manifest in the case of imported goods and an Export General Manifest in the case of export goods. In both the cases, "baggage goods" are required to be declared in separate sheets.

**BAGGAGE**

## STATUTORY PROVISIONS

The statutory provisions relating to Baggage are covered by sections 77 to 81 of the Customs Act.

### ENTRY OF BAGGAGE BY OWNER [SECTION 77]

Under this section, the owner of the baggage has to make a declaration of its contents to the proper officer of customs, for the purpose of clearing it. This is known as **Baggage Declaration Form**.

Declaring packing list is sufficient declaration.

### RATE OF DUTY AND TARIFF VALUATION APPLICABLE TO BAGGAGE [SECTION 78]

Section 78 of the Customs Act stipulates that the rate of the duty and tariff valuation, if any applicable to baggage shall be the rate of and valuation in force on the date on which a declaration is made in respect of such baggage under section 77. Therefore, the relevant date for determining rate of duty is the date of filing baggage declaration under section 77.

#### Rate of duty on baggage.

Passenger baggage is exempted from IGST as well as GST Compensation Cess. The basic customs duty at the rate of 35% and the applicable social welfare surcharge is leviable on the value which is in excess of the duty-free allowances provided under the Baggage Rules, 2016. Thus, the effective rate of duty for baggage including social welfare surcharge is 38.5%.



This rate of duty is not applicable to fire arms, cartridges of fire arms exceeding 50, cigarettes, cigars or tobacco in excess of the quantity prescribed for importation free of duty under the relevant baggage rules and goods imported through a courier service.

Fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [*Notification No. 26/2016 Cus. dated 31.03.2016*]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

Valuation rules apply to valuation of baggage also.



### DUTY EXEMPTION TO BAGGAGE [SECTION 79]

Section 79(1) of the Customs Act refers to the duty relief available in respect of baggage. It stipulates that the proper officer, may subject to any rules made under sub-section (2), pass free of duty

- (a) any article in the baggage, of a passenger or a member of the crew, in respect of which the said officer is satisfied that it has been in his use for such minimum period as may be specified in the rules;
- (b) any article in the baggage of a passenger in respect of which the officer is satisfied that it is for the use of the passenger or his family or is a bonafide gift or souvenir, provided that the value of each such article and the total value of all such articles does not exceed such limits as may be specified in the rule.

The law thus envisages two categories of baggage, namely those belonging to (a) passengers; and (b) members of the crew.

Similarly, it envisages three classes of goods, namely (a) personal effects, which have been in the use of the person for a minimum period; (b) household effects, which is used by the family including the person; and (c) gifts and souvenirs.

Sub-section (2) of section 79 enables the Central Government to make rules for the purposes of carrying out the provisions of section 79(1). It also stipulates that such rules may specify



- (a) the minimum period for which any article has been used by a passenger or a member of the crew for the purposes of [clause (a) of sub-section(1)] determining personal effects;

- (b) The maximum value of any individual article and the maximum total value of all the articles which may be passed free of duty [under clause (b) of sub-section (1)] i.e., household effects, gifts, souvenirs etc.;
- (c) the conditions to be fulfilled before or after clearance subject to which the baggage may be passed free of duty. Sub-section (3) of section 79 provides that different rules may be made for different classes of persons.

### PASSENGER BAGGAGE RULES

In pursuance of the powers conferred under section 79 of the Customs Act, the Government had earlier issued the Baggage Rules 1998. The Baggage Rules, 1998 have been substituted with the Baggage Rules, 2016. The salient features of the Baggage Rules 2016 are discussed hereunder:

-  **General duty-free baggage allowance:** The general duty-free baggage allowance for different class of passengers coming from different countries is given hereunder:

Rule No.	Class passenger	Origin country from which the passenger is coming	Articles allowed free of duty
3	Indian resident or Foreigner residing in India or Tourist of Indian origin, excluding an infant	Any country other than Nepal, Bhutan or Myanmar	<ul style="list-style-type: none"> <li>(i) Used personal effects and travel souvenirs; and</li> <li>(ii) Articles up to the value of ₹ 50,000 (excluding articles mentioned in Annexure I), if carried on in person or in the accompanied baggage of the passenger</li> </ul>
3	Tourist of foreign origin excluding infant	Any country other than Nepal, Bhutan or Myanmar	<ul style="list-style-type: none"> <li>(i) Used personal effects and travel souvenirs; and</li> </ul>

			(ii) Articles up to the value of ₹ 15,000 (excluding articles mentioned in Annexure I), if carried on in person or in the accompanied baggage of the passenger
4	Indian resident or Foreigner residing in India or Tourist, excluding an infant	Nepal, Bhutan or Myanmar	<p>(i) Used personal effects and travel souvenirs; and</p> <p>(ii) Articles up to the value of ₹ 15,000 (excluding articles mentioned in Annexure I), if carried on in person or in the accompanied baggage of the passenger.</p> <p><u>On arriving by land:</u> Only used personal effects.</p>



When a passenger is an infant, only used personal effects will be allowed duty free. The general duty-free baggage allowance of a passenger cannot be pooled with the general duty-free baggage allowance of any other passenger.

- (a) "Infant" means a child not more than two years of age;
- (b) "Resident" means a person holding a valid passport issued under the Passports Act, 1967 and normally residing in India;
- (c) "Tourist" means a person not normally resident in India, who enters India for a stay of not more than six months in the course of any twelve months period for legitimate non-immigrant purposes;
- (d) "Personal effects" means things required for satisfying daily necessities but does not include jewellery.

 **Jewellery Allowance [Rule 5]:**

Rule No.	Class of passenger	Origin country from which the passenger is coming	Articles allowed free of duty
5	Passenger residing abroad for more than one year	Any country	<u>Gentleman:</u> Jewellery upto a weight of 20 gms with a value cap of ₹ 50,000 <u>Lady passenger:</u> Jewellery upto a weight of 40 gms with a value cap of ₹ 1,00,000

 **Transfer of residence [Rule 6]:** A person, who is engaged in a profession abroad, or is transferring his residence to India, will be allowed duty free clearance of articles on his return in the manner given in the Appendix below.

This allowance would be in addition to the general duty free baggage allowance under rule 3 or 4, as the case may be.

## Appendix

Duration of stay abroad	Articles allowed free of duty	Conditions	Relaxation
From 3 months upto 6 months	Personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles mentioned in Annexure III upto an aggregate value of ₹ 60,000	Indian passenger	-

From 6 months upto 1 year	Personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles Mentioned in Annexure III, upto an aggregate value of ₹ 1,00,000	Indian passenger	-
Minimum Stay of 1 year during the preceding 2 years	Personal and household articles, other than those mentioned in Annexure I or Annexure II but including articles mentioned in Annexure III upto an aggregate value of ₹ 2,00,000	The Indian passenger should not have availed this concession in the preceding 3 years.	-
Minimum stay of 2 years or more	Personal and household articles, other than those listed at Annexure I or Annexure II but including articles mentioned in Annexure III upto an aggregate value of ₹ 5,00,000	(i) Minimum stay of 2 years abroad, immediately preceding the date of his arrival on transfer of residence;	The shortfall of upto 2 months in stay abroad can be condoned by Deputy/ Assistant Commissioner of Customs if the early return is on account of- (i) terminal leave or vacation being availed of by the passenger; or (ii) any other special

			circumstances for reasons to be recorded in writing.
		(ii) Total stay in India on short visit during the two preceding years should not exceed 6 months; and	The Principal Commissioner/Commissioner may condone short visits in excess of 6 months in special circumstances for reasons to be recorded in writing.
		(iii) Passenger has not availed this concession in the preceding 3 years.	No relaxation



**Currency [Rule 7]:** The import and export of currency under these rules shall be governed in accordance with the provisions of the Foreign Exchange Management (Export and Import of Currency) Regulations, 2015, and the notifications issued thereunder.



**Unaccompanied Baggage [Rule 8]:** The various provisions in the above rules are also applicable to the unaccompanied baggage, unless specifically excluded ,if unaccompanied baggage had been in possession, abroad, of the passenger and is dispatched within 1 month of his arrival in India or such further period as the Deputy/Assistant Commissioner may allow.

The said unaccompanied baggage can also land in India upto 2 months before the arrival of the passenger. However, if the passenger is not able to arrive in India within two months due to circumstances beyond his control like sudden illness to himself or any member of family, natural calamities, disturbed conditions, disruption of the transport or travel arrangements in

the country etc., the Deputy/Assistant Commissioner may extend the said period of 2months upto a maximum of 1 year for reasons to be recorded.

 **Crew baggage [Rule 9]:** These baggage rules are also applicable to the members of the crew engaged in foreign going conveyance for importation of their baggage, when they are finally paid off on termination of their engagement.

However, other crew members of a vessel and aircraft will be allowed to bring items like chocolates, cheese, cosmetics and other petty gift items for their personal or family use for a value not exceeding ₹ 1500.

 Family, under these rules, includes all persons who are residing in the same house and form part of the same domestic establishment.

 Goods listed in Annexure I, II and III are given below:

#### **ANNEXURE-I (See rule 3, 4 and 6)**

1. Firearms.
2. Cartridges of fire arms exceeding 50.
3. Cigarettes exceeding 100 sticks or cigars exceeding 25 or tobacco exceeding 125gms.
4. Alcoholic liquor or wines in excess of two litres.
5. Gold or silver in any form other than ornaments.
6. Flat Panel (Liquid Crystal Display/Light-Emitting Diode/Plasma) television.

#### **ANNEXURE-II (See rule 6)**

1. Colour Television.
2. Video Home Theatre System.
3. Dish Washer.
4. Domestic Refrigerators of capacity above 300 litres or its equivalent.
5. Deep Freezer.

6. Video camera or the combination of any such Video camera with one or more of the following goods, namely:-
  - (a) Television receiver;
  - (b) sound recording or reproducing apparatus;
  - (c) video reproducing apparatus.
7. Cinematographic films of 35 mm and above.
8. Gold or Silver, in any form, other than ornaments.

**ANNEXURE III (See rule 6)**

1. Video Cassette Recorder or Video Cassette Player or Video Television Receiver or Video Cassette Disk Player.
2. Digital Video Discplayer.
3. Music System.
4. Air-Conditioner.
5. Microwave Oven.
6. Word Processing Machine.
7. Fax Machine.
8. Portable Photocopying Machine.
9. Washing Machine.
10. Electrical or Liquefied Petroleum Gas Cooking Range
11. Personal Computer (Desktop Computer)
12. Laptop Computer (Note book Computer)
13. Domestic Refrigerators of capacity up to 300 litres or its equivalent.

**Illustration 4**

*Mr. Sujoy, an Indian entrepreneur, went to London to explore new business opportunities on 01.04.2024. His wife also joined him in London after three months. The following details are submitted by them with the Customs authorities on their return to India on 15.04.2025:*

- (a) used personal effects worth ₹ 80,000,
- (b) 2 music systems each worth ₹ 50,000,
- (c) the jewellery brought by Mr. Sujoy worth ₹ 48,000 [20 grams] and the jewellery brought by his wife worth ₹ 96,000 [40 grams].

With reference to Baggage Rules, 2016, determine whether Mr. and Mrs. Sujoy will be required to pay any customs duty?

### **Answer**

As per rule 3 of the Baggage Rules, 2016, an Indian resident arriving from any country other than Nepal, Bhutan or Myanmar, shall be allowed clearance free of duty articles in his bona fide baggage, that is to say, used personal effects and travel souvenirs; and articles [other than certain specified articles], upto the value of ₹ 50,000 if these are carried on the person or in the accompanied baggage of the passenger.

Thus, there is no customs duty on used personal effects and travel souvenirs and general duty free baggage allowance is ₹ 50,000 per passenger. Thus, duty liability of Mr. Sujoy and his wife is nil for the used personal effects worth ₹ 80,000 and 2 music systems each worth ₹ 50,000.

As per rule 5 of the Baggage Rules, 2016, the jewellery allowance is as follows:

Jewellery brought by	Duty free allowance
Gentleman Passenger	Jewellery upto a weight of 20 grams with a value cap of ₹ 50,000
Lady Passenger	Jewellery upto a weight of 40 grams with a value cap of ₹ 1,00,000

However, the jewellery allowance is applicable only to a passenger residing abroad for more than 1 year.

Consequently, there is no duty liability on the jewellery brought by Mr. Sujoy as he had stayed abroad for period exceeding 1 year and weight of the jewellery brought by him is 20 grams with a value less than ₹ 50,000.

However, his wife is not eligible for this additional jewellery allowance as she had stayed abroad for a period of less than a year. Thus, she has to pay customs duty

on the entire amount of jewellery brought by her as she has already exhausted the general duty free baggage allowance of ₹50,000 allowed under rule 3.

### **Illustration 5**

*After visiting USA for a month, Mrs. and Mr. X (Indian residents aged 40 and 45 years respectively) brought to India a laptop computer valued at ₹ 80,000, used personal effects valued at ₹90,000 and a personal computer for ₹52,000. What is the customs duty payable? Ignore Agriculture infrastructure and development cess.*

### **Answer**

- (1) As per Baggage Rules, 2016, an Indian resident arriving from any country other than Nepal, Bhutan or Myanmar is allowed duty free clearance of-
  - (i) Used personal effects and travel souvenirs without any value limit.
  - (ii) Articles [other than certain specified articles] upto a value of ₹ 50,000 carried as accompanied baggage [General duty-free baggage allowance].

Further, such general duty-free baggage allowance of a passenger cannot be pooled with the general duty free baggage allowance of any other passenger.

- (2) One laptop computer when imported into India by a passenger of the age of 18 years or above (other than member of crew) as baggage is exempt from whole of the customs duty[Notification No. 11/2004 Cus. dated 08.01.2004].
- (3) Accordingly, there will be no customs duty on used personal effects (worth ₹ 90,000) of Mrs. and Mr. X and laptop computer brought by them will be exempt from duty.

Duty payable on personal computer after exhausting the duty free baggage allowance will be ₹ 52,000 – ₹ 50,000 = ₹2,000.

Effective rate of duty for baggage = 38.5% [including social welfare surcharge @ 10%]

Therefore, total customs duty = ₹770

### **Illustration 6**

*What is the relevant date for determination of rate of duty under the Customs Act, 1962 in the case of clearance of baggage?*

**Answer**

As per section 78 of the Customs Act, 1962, the relevant date for determination of rate of duty in case of clearance of baggage is the date on which a declaration is made in respect of such baggage under section 77.

**TEMPORARY DETENTION OF BAGGAGE [SECTION 80]**

It may so happen that a passenger has brought with him an article, which is prohibited. The passenger may not insist on taking it into the Indian Territory. On the contrary, he may opt to re-export it or take it with him when he leaves the country.

Similarly, a passenger may not unnecessarily pay duty on an article, which he can conveniently avoid taking into the town, if the duty is heavy. In such case also, he may opt to take the article with him when he leaves the country.

In both the cases, he will have to deposit the article with the customs authorities and take it back at the port of his departure.

**DETENTION OF BAGGAGE**

"Where the baggage of a passenger contains any article which is dutiable or the import of which is prohibited and in respect of which a true declaration has been made under section 77, the proper officer may, at the request of the passenger, detain such article for the purpose of being returned to him on his leaving India and if for any reason, the passenger is not able to collect the article at the time of his leaving India the article may be returned to him through any other passenger authorised by him and leaving India or as cargo consigned in his name".

**Declaration – the essence:** The declaration of the goods brought in is an absolute necessity. If the goods are not declared under section 77, the passenger cannot subsequently claim the benefit under section 80 and the goods are liable for confiscation.

**REGULATIONS IN RESPECT OF BAGGAGE [SECTION 81]**

Since the provisions in respect of baggage are a complete code by themselves, it is desirable to supplement detailed procedures wherever necessary with the rule making powers. Section 81 therefore provides that the Board may make regulations in the following matters:

- (a) providing for the manner of declaring the contents of any baggage;

- (b) providing for the custody, examination, assessment to duty and clearance of baggage;
- (c) providing for transit or transhipment of baggage from one customs station to another or to a place outside India.

**Baggage declaration form:** In exercise of these powers, the form of the baggage declaration has been prescribed and standardized. Transit or transhipment of baggage from one customs station to another becomes a necessity for convenient clearance of unaccompanied baggage.

In the Customs Baggage Declaration Regulations, 2013, the baggage declaration will have to be filed only by those passengers who come to India and carry dutiable or prohibited goods or have anything to declare.

**Note:** CBIC vide *Circular No. 08/2016 Cus. dated 08.03.2016* has clarified that the domestic passengers who board international flights in the domestic leg are not required to file the Customs Baggage Declaration Form.



## 11. TRANSIT AND TRANSHIPMENT

### TRANSIT AND TRANSHIPMENT OF IMPORT CARGO – AN INTRODUCTION:

A conveyance may not carry goods intended for a particular customs station only. It may carry goods intended for other Indian ports and other foreign ports. There are two distinct possibilities:

- (a) The conveyance may not call at all other Indian ports/customs stations and foreign ports for which it carries goods.
- (b) The conveyance may call at all other Indian ports/customs stations and foreign ports for which it carries goods.



In the case of the former, the goods will have to be transferred to any other conveyance onward carriage to the destination. This is called transhipment. This will cover both goods intended for Indian ports and foreign ports.

In the latter situation, the goods will continue to be carried by the same conveyance. This is called transit of goods.

In both the situations, import duty is not collected on the goods even though the liability has already accrued by the fact of import into India (which includes the territorial waters of India). It would be necessary to ensure that

- (a) in the case of goods intended for Indian ports, the goods have actually to be conveyed to the Indian port of destination and appropriate duty of customs is collected thereupon;
- (b) in the case of goods intended for foreign ports, the goods are actually conveyed out of India and are not landed in any Indian customs station.



### **DIFFERENCE BETWEEN TRANSIT AND TRANSHIPMENT**

The essential difference between transit and transhipment lies in the continuity of records and documentation.

- (a) In the case of transit of goods by the same conveyance, the record already made in the ship's/aircraft's manifest will continue. The goods would have to be shown in the manifest as same bottom cargo. The destination of the cargo consignment wise has to be shown in the same bottom cargo manifest. These entries have necessarily to figure in the departure manifest or export manifest of the conveyance. Thereafter when the conveyance calls at the next Indian customs port or airport the goods have to figure in the Import General Manifest filed there as landing cargo or same bottom cargo as the case may be. Thus, there is continuity in the record and there is no chance of the control over such transit goods being lost.
- (b) The position of the transhipment is entirely different. In the first instance, such transhipment goods are landed in the particular Indian customs station. Thereafter, they have to be shipped by a conveyance to the

**TRANSIT**

**TRANSHIPMENT**

destination to be transhipped. These are the following stages where care and caution have to be exercised to ensure that the goods are not illicitly landed and smuggled into India.

- (i) during the period when the transhipment goods lie in the Indian customs station;
- (ii) when the goods are transhipped by another conveyance to their final destination;
- (iii) where the transhipped goods are destined to another Indian customs station, care has to be taken at that station for actual landing and proper clearance.

## STATUTORY PROVISIONS

The statutory provisions relating to Transit and Transhipment of goods are covered in sections 52 to 56 of the Customs Act.

### EXCEPTIONS TO THIS CHAPTER [SECTION 52]

The provisions of this chapter shall not apply to

- (a) Baggage
- (b) Goods imported by post and
- (c) Stores

### TRANSIT OF GOODS IN THE SAME VESSEL OR AIR [SECTION 53]

Subject to the provisions of section 11 (power to prohibit import or export of goods), where any goods imported in a conveyance and mentioned in the arrival manifest or import manifest or the import report, as the case may be, as for transit in the same conveyance to any place outside India or to any customs station, the proper officer may allow the goods and the conveyance to transit without payment of duty, subject to such conditions, as may be prescribed.

### TRANSHIPMENT OF GOODS WITHOUT PAYMENT OF DUTY [SECTION 54]

- (1) Where any goods imported into a customs station are intended for transhipment, a bill of transhipment shall be presented to the proper

officer in the prescribed form. Where the goods are being transferred under an international treaty or bilateral agreement between the Government of India and Government of a foreign country, a declaration for transhipment instead of a bill of transhipment shall be presented to the proper officer in the prescribed form.

- (2) Subject to the provisions of sections 11 (power to prohibit import or export of goods), where any goods imported into a customs station are mentioned in the arrival manifest or import manifest or the import report, as the case may be, as for transhipment to anyplace outside India, such goods may be allowed to be so transhipped without payment of duty.
- (3) Where any goods imported into a customs station are mentioned in the arrival manifest or import manifest or the import report, as the case may be, as for transhipment:-
- to any major port as defined in the Indian Ports Act, 1908 (15 of 1908), or the customs airport at Mumbai, Calcutta, Delhi, or Chennai or any other custom port or customs airport which the board may, by notification in the Official Gazette, specify in this behalf, or
  - to any other customs station and the proper officer is satisfied that the goods bona fide intended for transhipment to such customs station, the proper officer may allow the goods to be transhipped without payment of duty, subject to such conditions as may be prescribed for the due arrival of such goods at the customs station to which transhipment is allowed.



#### Illustration 7

*State the difference between transit and transhipment of goods under the provisions of the Customs Act.*

**Answer**

Transit	Transshipment
(i) Section 53 of the Customs Act, 1962 provides for transit of goods.	(i) Section 54 of the Customs Act, 1962 provides for transshipment of goods.
(ii) In case of transit of goods, goods are allowed to remain on the same conveyance.	(ii) In case of transshipment of goods, the conveyance changes i.e., the goods are unloaded from one conveyance and loaded in another conveyance.
(iii) In case of transit of goods, there is continuity of records.	(iii) In transshipment of goods, continuity in the records is not maintained as the goods are transferred to another conveyance.



### **LIABILITY OF DUTY ON GOODS TRANSITED UNDER SECTION 53 OR TRANSSHIPPED UNDER SECTION 54 [SECTION 55]**

Where any goods are allowed to be transited under section 53 or transhipped under section 54(3) (transhipment within India) to any customs station, they shall, on their arrival at such station, be liable to duty and shall be entered in like manner as goods are entered on the first importation thereof and the provisions of this Act and any rules and regulations shall, so far as may be, apply in relation to such goods.



### **TRANSPORT OF CERTAIN CLASSES OF GOODS SUBJECT TO PRESCRIBED CONDITIONS [SECTION 56]**

The provisions of sections 53 and 54 apply only to goods imported at an Indian customs port/airport and transmitted or transshipped to another Indian customs port/airport. They do not cover transport by land from one Indian land custom station to another Indian land customs station.

In the case of goods destined to foreign ports/airports/custom station, the problem had been specifically faced in the case where imported goods meant for Nepal landed at any Indian customs port/airport or land customs station. Such goods had to be transported by road or rail to Indian land customs station

along the Indo Nepal Border and thereafter crossed over to the corresponding Nepalese customs station. Similarly, there was rail traffic between West and East Pakistan before the latter was liberated and named Bangladesh. The movement across the Indian territory was found to be faster and cheaper compared to movement by sea around the Indian subcontinent. Such a situation is dealt with by section 56 of the Customs Act.

Section 56 specifically provides that imported goods may be transported without payment of duty from one land customs station to another, and any goods may be transported from one part of India to another part through any foreign territory, subject to such conditions as may be prescribed for the due arrival of such goods at the place of destination.

In the first part, movement within Indian Territory is allowed without payment of customs duty, for goods imported from outside India for ultimate destination outside India.

In the second part, movement through foreign territory is allowed without payment of customs duty, for goods starting from one part of India to another part of India.

## IMPORT AND EXPORT PROCEDURES

The brief description of Import and Export Procedures is given as under:

### IMPORT PROCEDURES

The procedure for importation of goods by air, by sea, or by land has been outlined below:-

**(1) Landing/calling of aircraft/vessel:** In case goods are imported by sea/air, the goods shall be loaded in the vessel/aircraft in the exporting country and sent to India. In case of import by land, the goods shall be sent in a vehicle (rail or road vehicle).

When the vessel/aircraft carrying imported goods arrives in India, the **person-in-charge of such vessel/aircraft** [master/pilot of the vessel/aircraft respectively] entering into India from outside India shall allow calling/landing of the vessel/aircraft only at the customs port/customs airport unless otherwise permitted by CBIC.

- (2) Delivery of import manifest/report:** The person-in-charge of a vessel/aircraft shall deliver to the proper officer an **import manifest** [*detailed information about goods in vessel/aircraft*] by presenting the same electronically before the arrival of the vessel/aircraft at the customs port/customs airport. In case of import by land, the person-in-charge of the vehicle shall deliver to the proper officer an **import report** [*detailed information about goods in vehicle*] within 12 hours of the arrival of vehicle at the customs station.
- (3) Grant of Entry Inwards to the master of the vessel/permission to unload the goods:** On receiving import manifest from the master of a vessel, the proper officer shall grant Entry Inwards to the master. The master of the vessel shall not permit the goods to be unloaded until the order of Entry Inwards has been granted by the proper officer to such vessel. Date of Entry Inwards is the date on which the customs department is ready to supervise the unloading of cargo.
- (4) Unloading of goods:** Imported goods shall be unloaded:-
- only if mentioned in the import manifest/import report.
  - only at the approved places in any customs port/customs airport.
  - under the supervision of the proper officer.
  - during working hours and shall not be unloaded on Sunday/on any holiday.
- (5) Unloaded goods to be in the custody of the Custodian until their clearance:** Once the imported goods have entered the customs area, they shall remain in the custody of the **Custodian** [*a person approved by the Commissioner of Customs for this purpose*]. If the imported goods are pilfered after unloading in a customs area, while in the custody of the Custodian, then the Custodian shall be liable to pay duty on such goods.
- (6) Filing of entry for import i.e. Bill of Entry:** The importer of any goods, other than goods intended for transit or transhipment [*provisions of goods in transit/transhipment are discussed below in point (11)*], shall file a Bill of Entry electronically for clearance of goods from the custom station port/airport.

In case the goods are to be cleared for home consumption, importer would file Bill of Entry for home consumption. However, if the importer does not

need the goods immediately, he may request the goods to be warehoused. In that case, an Into-Bond Bill of Entry (for warehousing) would be filed. When subsequently, the goods are to be cleared from warehouse for home consumption, an Ex-Bond Bill of Entry is required to be filed.

- (7) **Timing of filing of Bill of Entry:** Bill of entry may be presented before the end of the day (including holidays) preceding the day on which the aircraft/vessel/vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing. However, Board may, in such cases as it may deem fit, prescribe different time limits for presentation of the bill of entry, which shall not be later than the end of the day of such arrival.

Further, a bill of entry may be presented at any time not exceeding 30 days prior to the expected arrival of the aircraft/vessel/vehicle by which the goods have been shipped for importation into India.

- (8) **Assessment of duty on the imported goods:** Assessment is the procedure of quantifying the amount of liability. The importer will self-assess the duty considering the applicable rate of exchange and rate of import duty. This self-assessment is subject to verification by the proper officer of the Customs and may lead to reassessment by such officer if the assessment made by the importer is found to be incorrect. The proper officer shall return the Bill of Entry to the importer after determination of the duty amount.

- (9) **Payment of duty:** If the goods are cleared to be stored in a warehouse, payment of duty is deferred till the time of clearance from such warehouse. However, in case the goods are cleared for home consumption, customs duty has to be paid. The benefit of deferred payment of duty has also been permitted in respect of certain class of importers (discussed in preceding paragraphs).

The importer has to pay the duty within the prescribed time-limit as discussed under section 47. In case he fails to do so, he is required to pay interest on the duty till the time he actually pays the duty and clears the goods.

- (10) **Maximum Time for clearance of imported goods from the custom station:** The goods lying under the custody of the custodian have to be cleared either for home consumption or for warehousing or for transhipment

within 30 days (or such extended time as the proper officer may allow) from the date of unloading of goods at the customs station. Otherwise, the goods would be subject to auction by the person having custody thereof as per section 48 of the Customs Act, 1962.

**(11) Mandatory documents for imports:** The following documents are mandatory-

1. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt
2. Commercial Invoice cum Packing List (or separate invoice and packing list)
3. Bill of Entry

For import of specific goods or in specific cases of import, additional documents may be notified/sought.

**Note:** There are separate import procedures for import of baggage and import by post.

### EXPORT PROCEDURES

The procedure for exportation of goods by air, by sea or by land has been outlined below:

**(1) Filing of shipping bill/ bill of export:** The exporter is required to present electronically to a proper officer of customs a **shipping bill** [in case of export by a vessel or by air] and a **bill of export** [in case of export by a vehicle].

An exporter entering any export goods self-assesses and pays the duty, if any, leviable on such goods subject to verification by the proper officer.

**(2) Order permitting clearance and loading of goods for exportation:** Where the proper officer is satisfied that:

- ◆ goods entered for export are **NOT prohibited goods and**
- ◆ exporter has **paid duty, if any**, on them,

he passes order permitting clearance and loading of goods for exportation called '**Let Export Order**'.

**(3) Grant of Entry Outwards:** A vessel intending to start loading of export goods must be first granted an 'Entry Outwards' by the proper officer. The master of a vessel shall not permit the loading of any export goods, until the proper officer grants entry-outwards to such vessel.

**Note:** Entry outwards is the permission granted by the Customs authorities to a vessel to go on a foreign voyage to the port of consignment.

- (4) **Loading of goods on conveyance for exportation:** The export goods shall be loaded on the conveyance for exportation with the permission of person-in-charge. He shall not permit the loading at a customs station unless a shipping bill/bill of export/bill of transhipment, as the case may be, duly passed by the proper officer, has been handed over to him by the exporter.

**Note:** In case of goods exported in a vessel, grant of entry outwards is also mandatory requirement before loading of goods.

- (5) **Delivery of export manifest/report:** The person-in-charge of a conveyance carrying export goods shall, before departure of the conveyance from a customs station, deliver to the proper officer in the case of a vessel or aircraft, an export manifest electronically, and in the case of a vehicle, an export report.
- (6) **No conveyance to leave without written order:** The person-in-charge of a conveyance which has loaded any export goods at a customs station shall not cause or permit the conveyance to depart from that customs station until a written order to that effect has been given by the proper officer.
- (7) **Mandatory documents for exports:** The following documents are mandatory-

- 1 Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt
- 2 Commercial Invoice cum Packing List (or separate invoice and packing list)
- 3 Shipping Bill/Bill of Export/ Postal Bill of Export

For export of specific goods or in specific cases of export, additional documents may be notified/sought.

**Note:** There are separate export procedures prescribed for export of baggage and export by post.



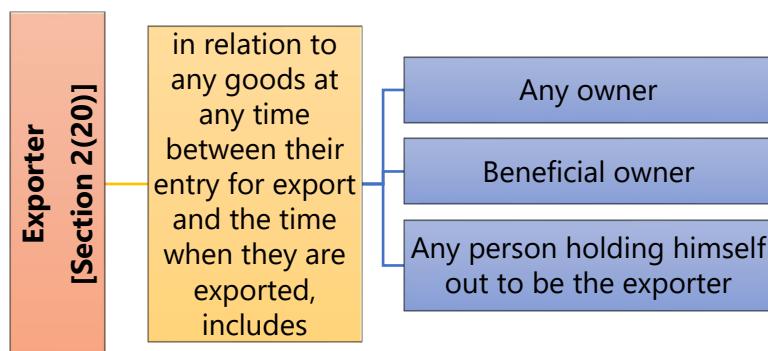
## LET US RECAPITULATE

### Important Definitions

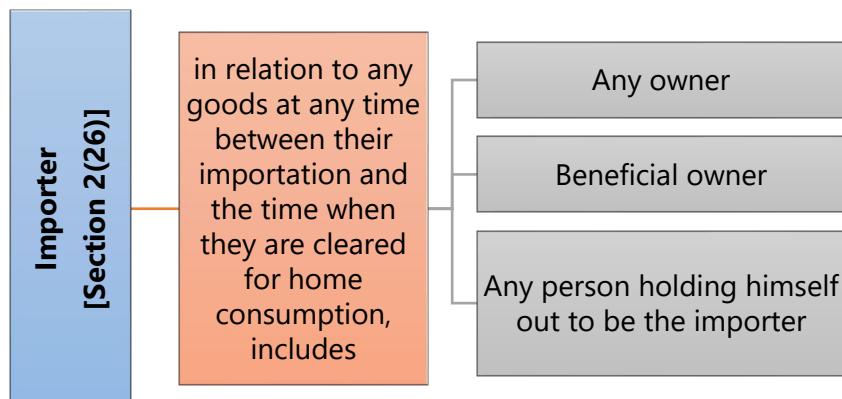
#### Conveyance



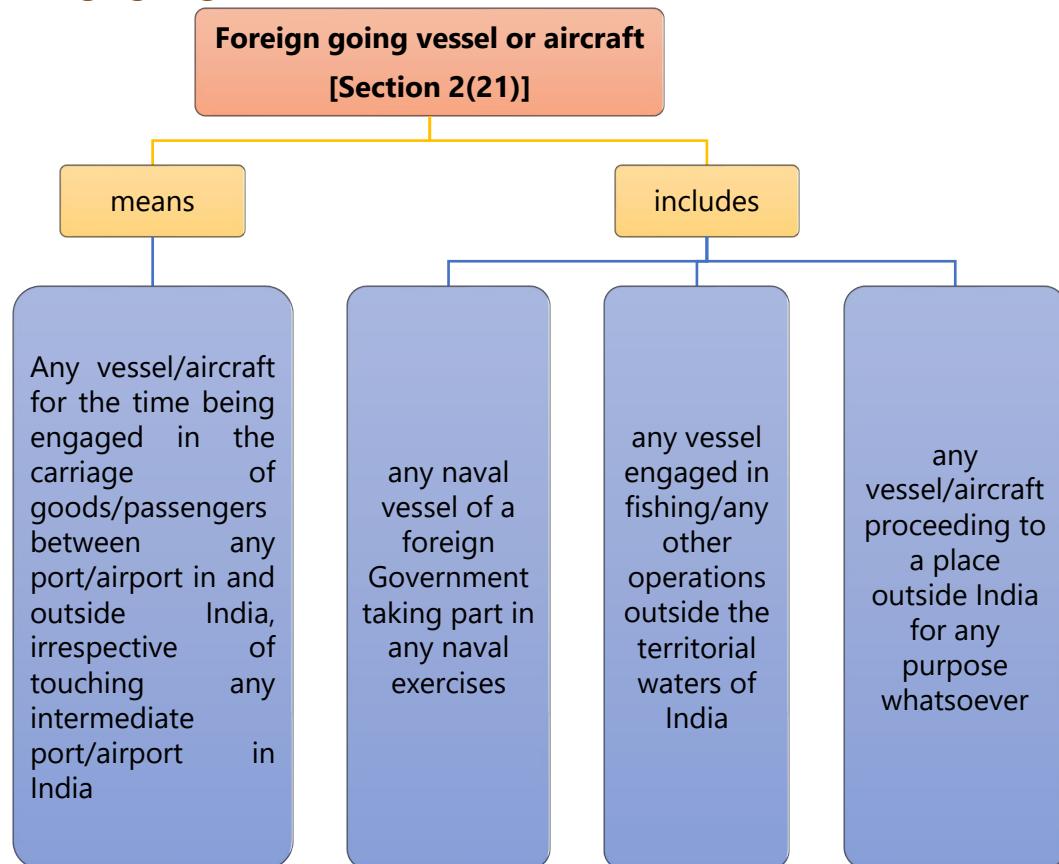
#### Exporter



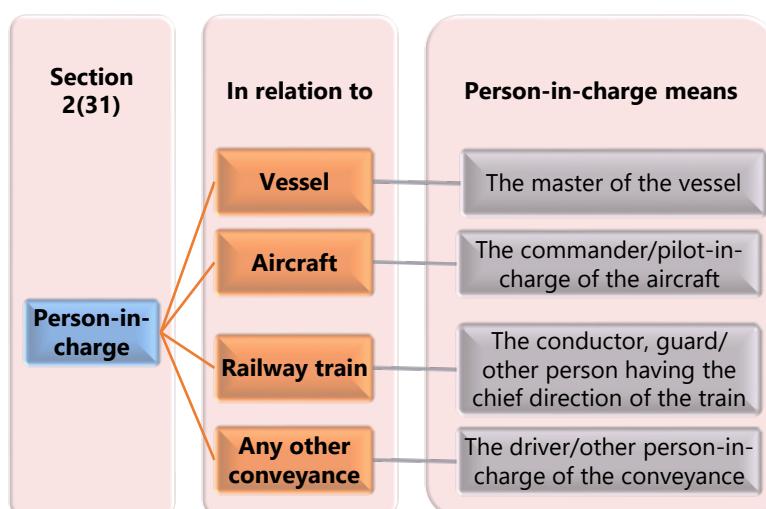
#### Importer

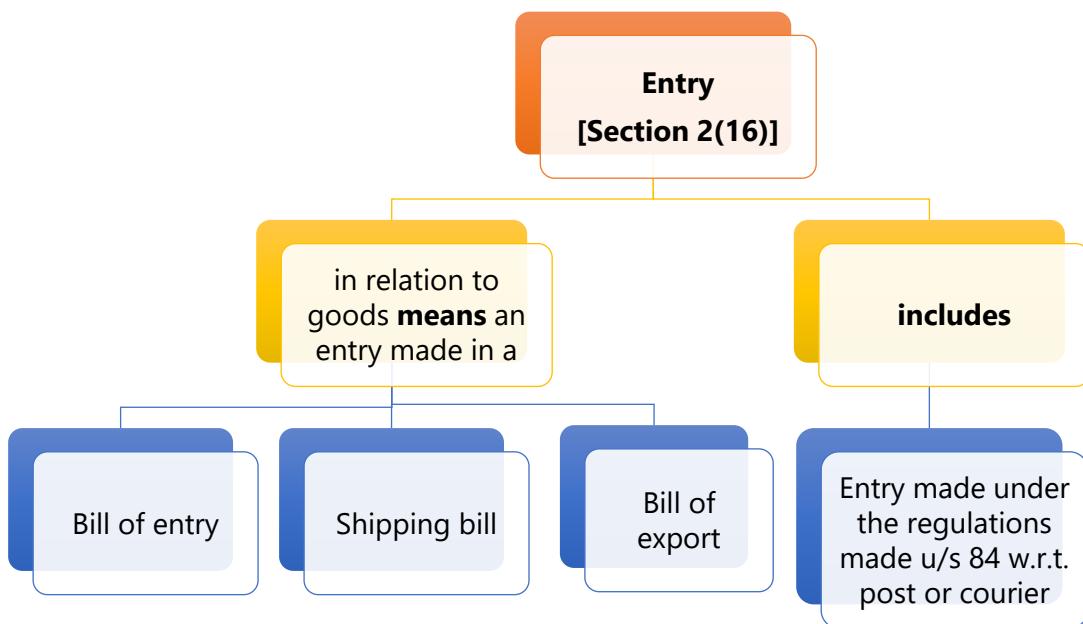


### Foreign going vessel or aircraft



### Person in Charge



**Entry****Arrival of vessels and aircrafts in India [Section 29]**

Person-in-charge of vessel/aircraft entering India not to permit the vessel/aircraft to call/land at any place other than customs port/customs airport

for the first time after arrival in India or

at any time while carrying passengers/cargo unless permitted by the Board

Allowed to call/land at other place if compelled by accident, stress of weather/other unavoidable cause

## Obligations of Person in charge

Obligations of person-in-charge of such vessel/aircraft:-

- (i) To report arrival of vessel/landing of aircraft to the nearest customs officer/officer in charge of police station & produce log book if demanded
- (ii) W/o consent of such officer - not permit unloading of goods & any passengers/crew to leave the vicinity of vessel/aircraft
- (iii) Comply with all the directions given by such officer

**Exception:-** Goods can be unloaded or passengers/crews can leave w/o consent due to health, safety/preservation of life or property

## Delivery of Arrival manifest/ Import manifest/Import report [Section 30]

Imported goods brought in	Import Document to be presented by person-in-charge	Time limit for presentation of IM/IR	Mode of presentation
Vessel/Aircraft	Arrival manifest (AM)/import manifest (IM)	Any time prior to its arrival	Electronic filing
Vehicle	Import Report (IR)	Within 12 hours after its arrival	Prescribed manner

Principal Commissioner/ Commissioner of Customs may allow AM/IM to be delivered in any other manner, if not feasible to present electronically.

## Penalty

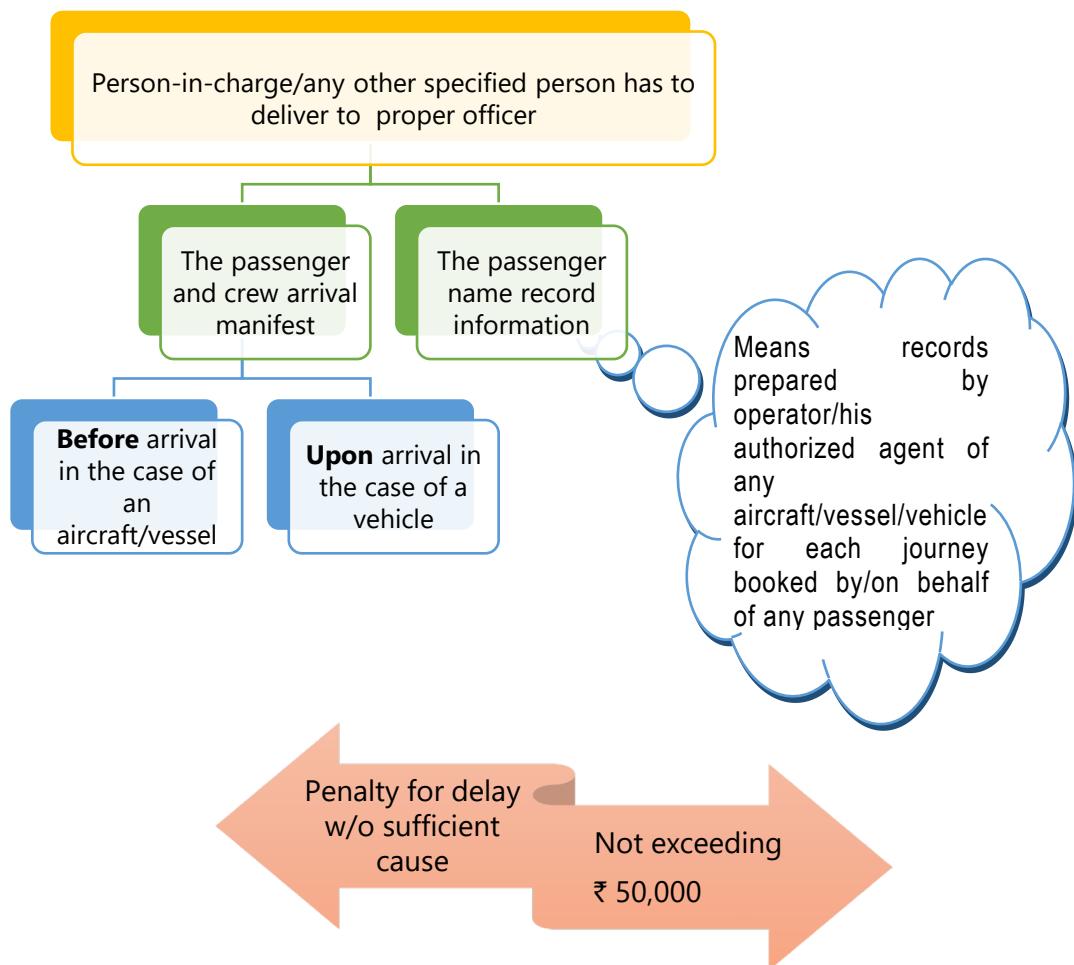
Penalty for delay w/o sufficient cause

- Not exceeding ₹ 50,000

Proper officer satisfied that AM/IM/IR is in any way incorrect/incomplete & no fraudulent intention

- May permit it to be amended or supplemented.

## Passenger and crew arrival manifest and passenger name record information [Section 30A]



**Imported goods not to be unloaded from vessel until entry inwards granted [Section 31]**

Master of vessel not permitted for unloading of any imported goods until order granting entry inwards given by proper officer

Order to be given only if arrival manifest/ import manifest delivered or proper officer satisfied of valid reason for non-delivery.

Exception:-

Unloading of baggage accompanying passenger/member of the crew,  
mail bags,  
animals,  
perishable goods & hazardous goods

**Imported goods not to be unloaded unless mentioned in arrival manifest or import manifest or import report [Section 32]**

W/o permission of proper officer

- Imported goods not to be unloaded
- Unless mentioned in arrival manifest, import manifest/import report for being unloaded in that customs station

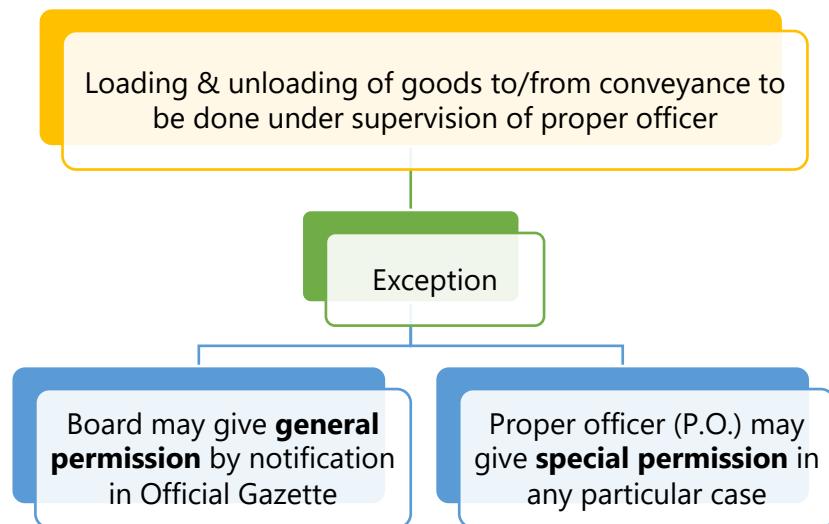
**Loading and unloading of goods at approved places only [Section 33]**

Loading & Unloading of goods to be undertaken

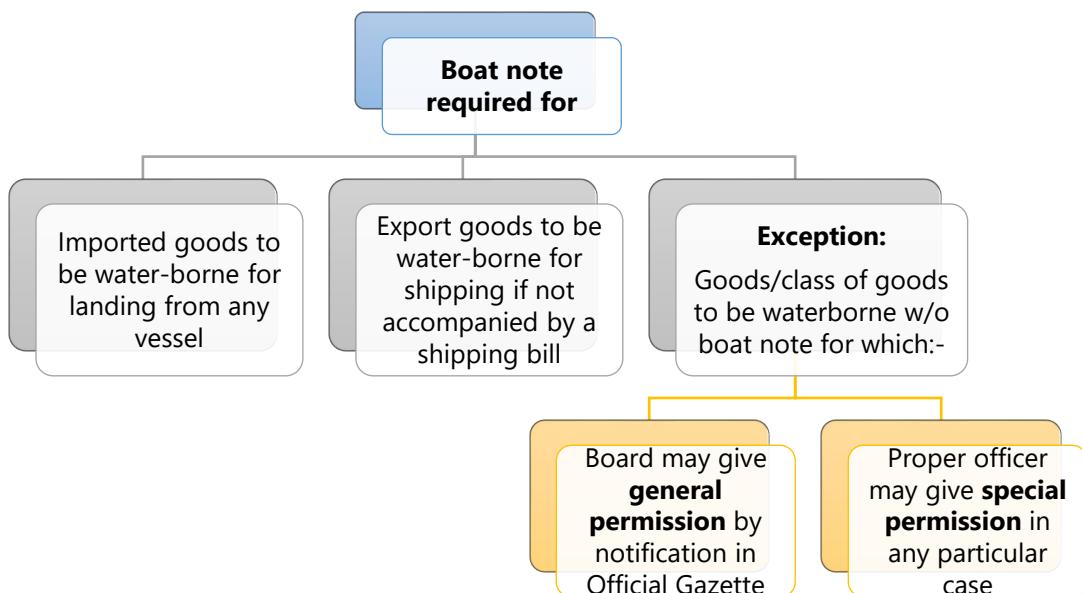


Only at approved places

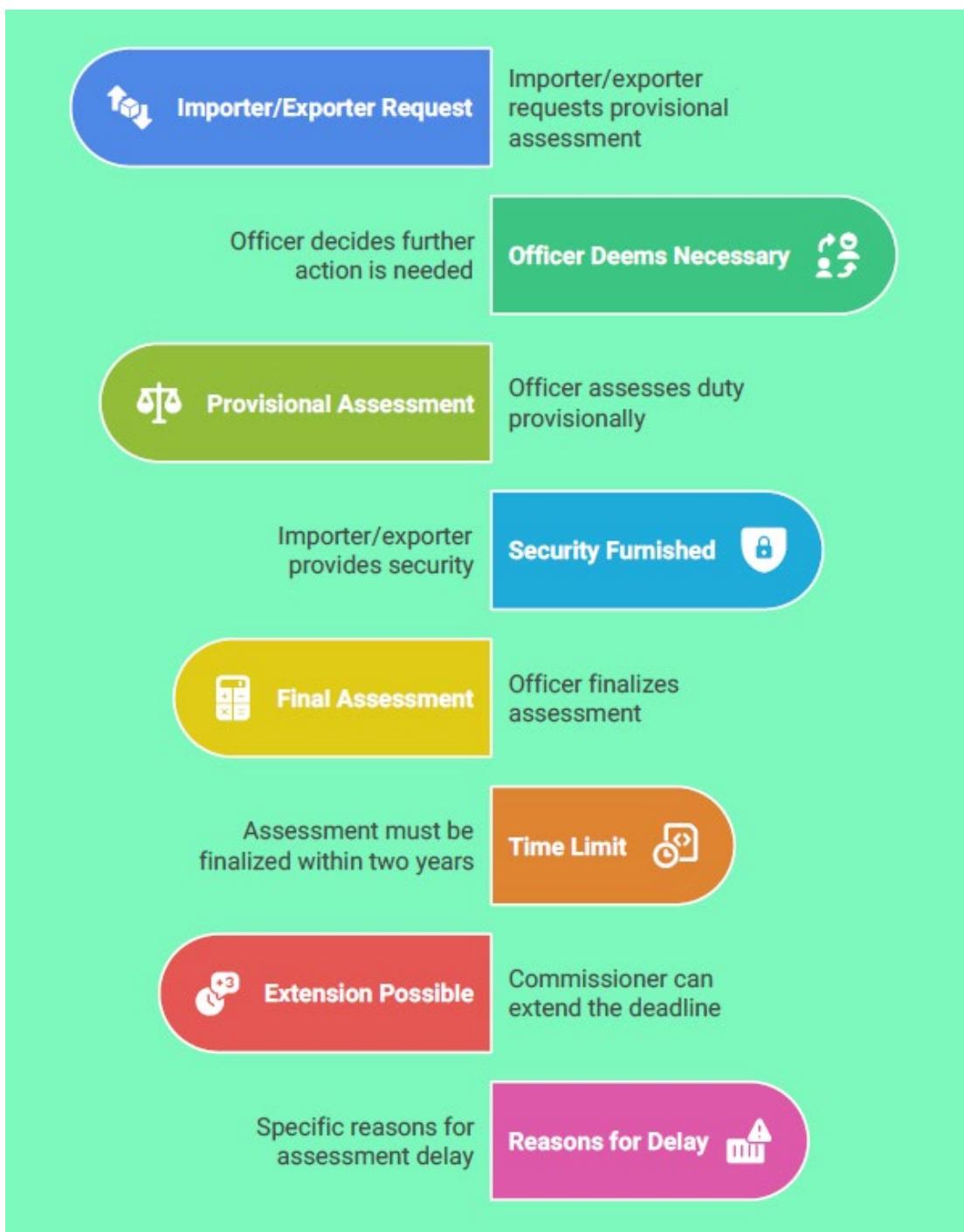
## Goods not to be loaded or unloaded except under the supervision of Customs Officer [Section34]



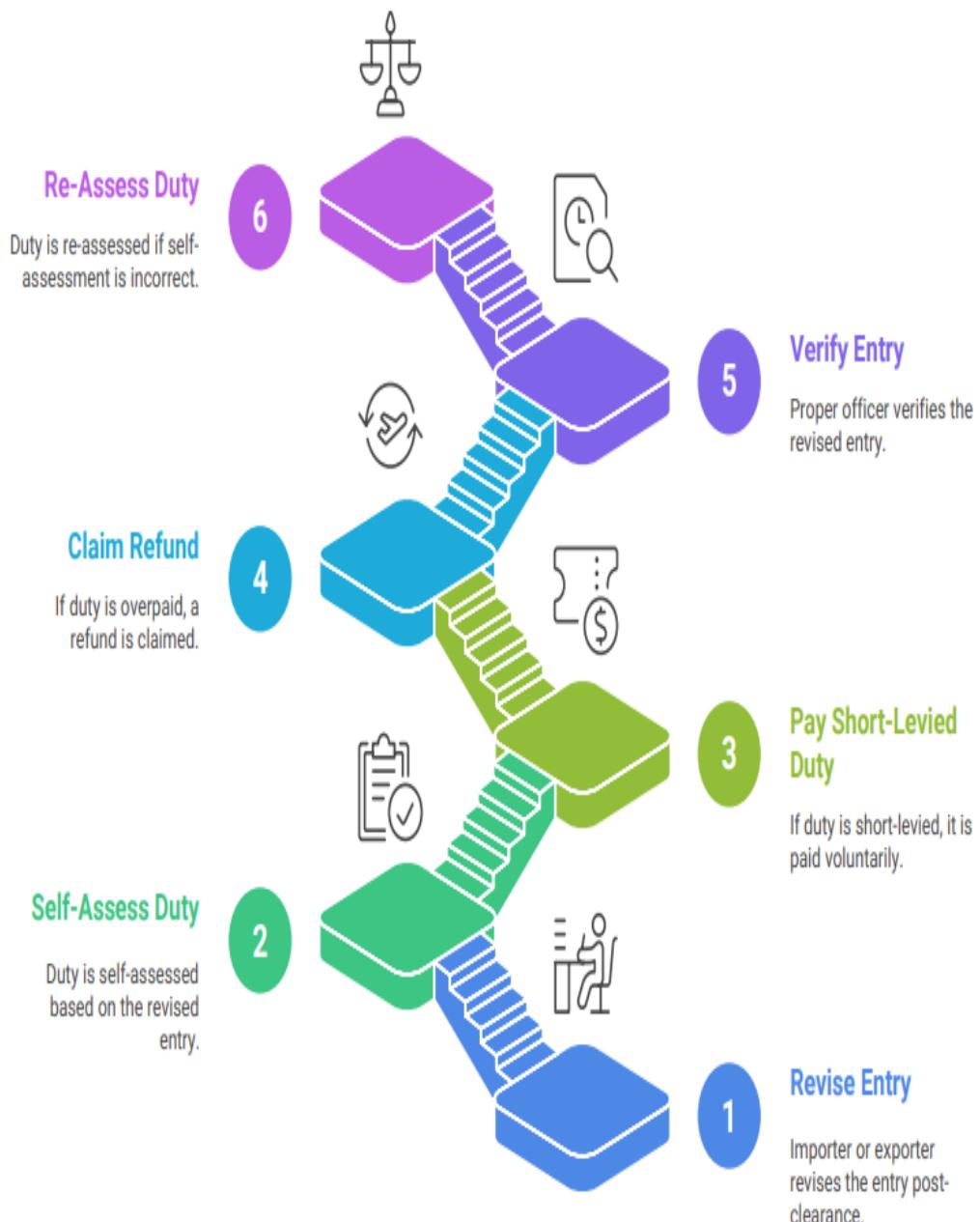
## Restrictions on goods being water-borne [Section 35]



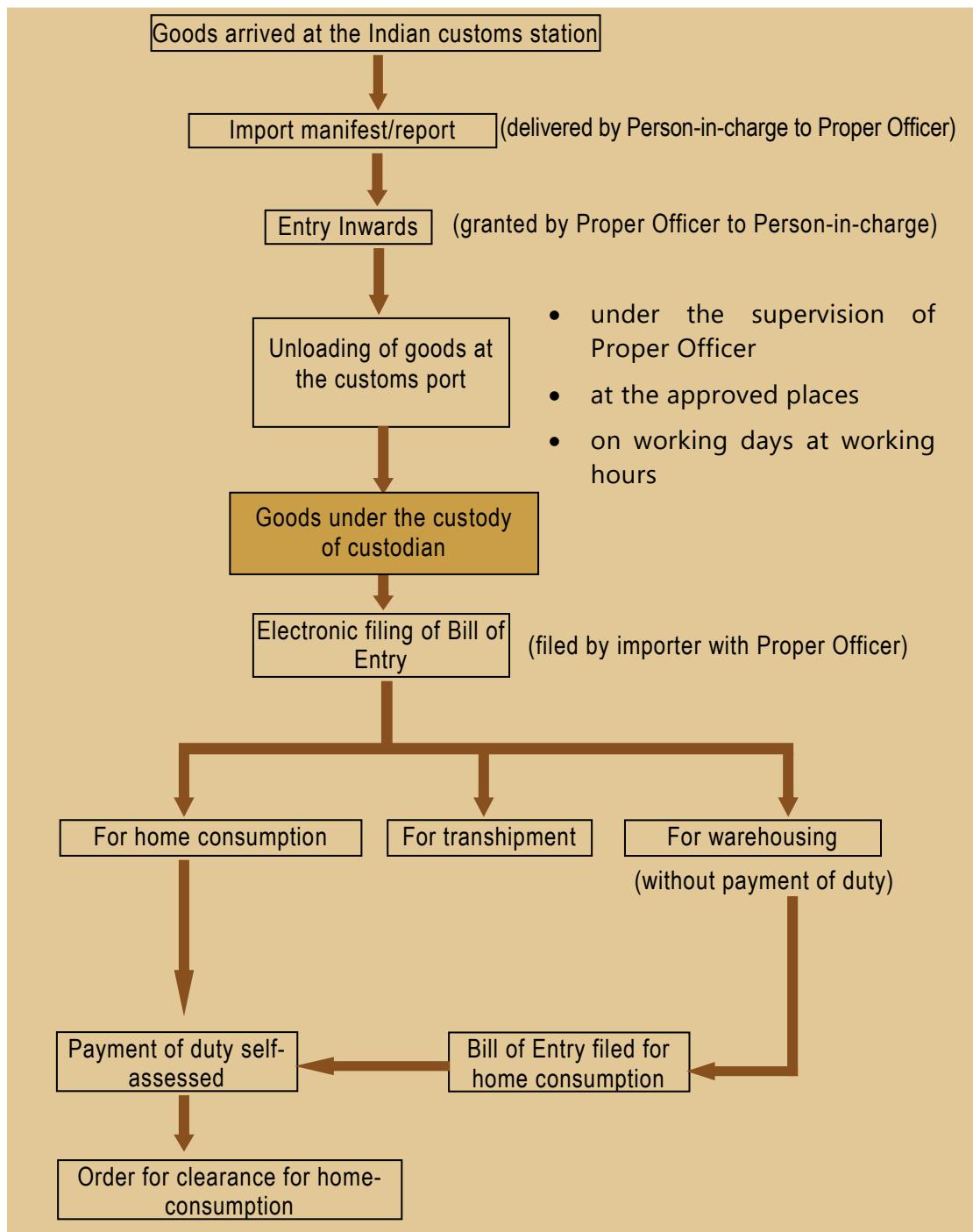
## Provisional assessment of duty [Section 18]



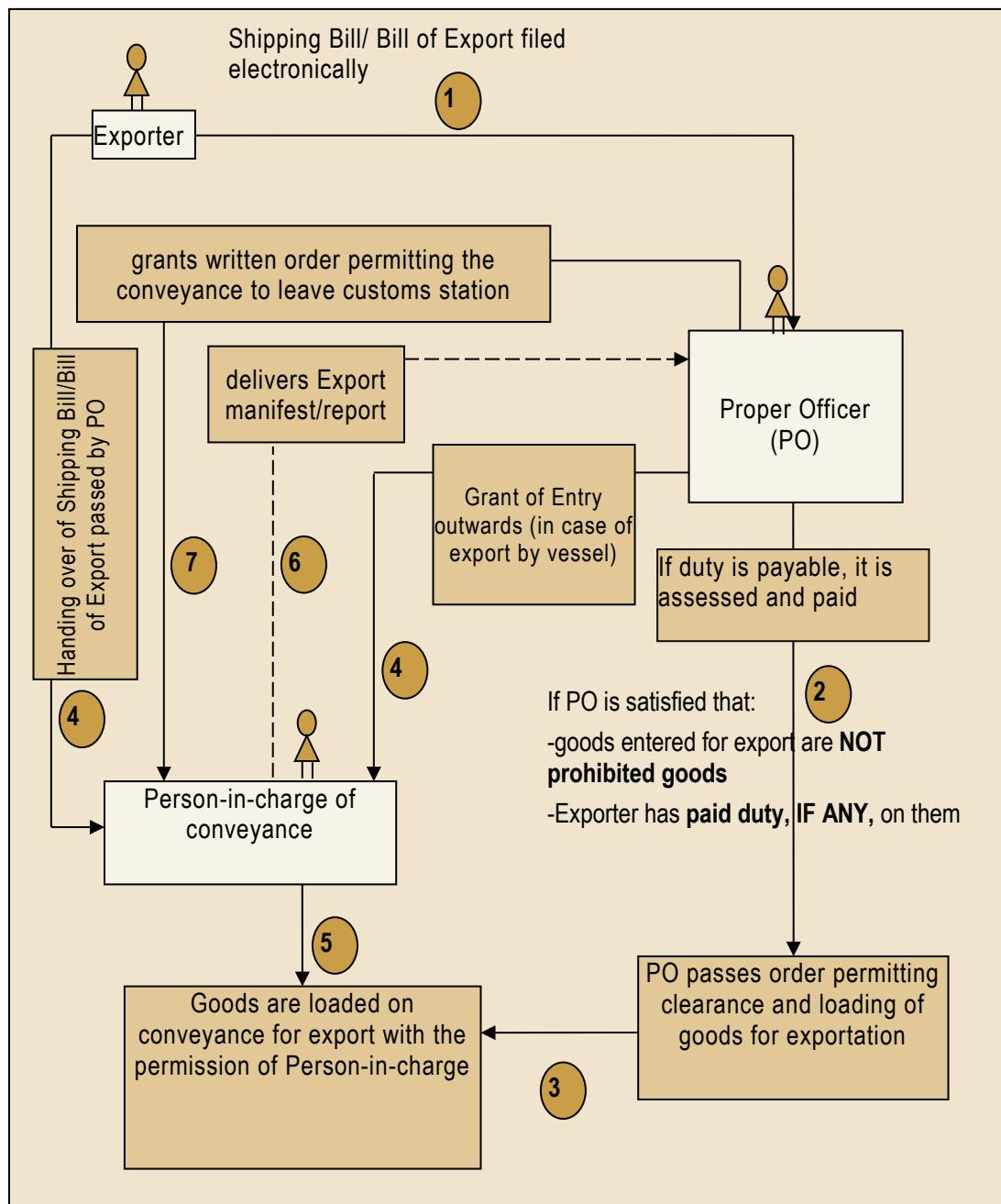
## Voluntary revision of entry post clearance [Section 18A]



## Import Procedure



## Export Procedure



**BAGGAGE RULES, 2016**

General duty free baggage allowance (GFA)						
Rule No.	Class of passenger	Origin country from which passenger is coming	Articles allowed free of duty			
3	Indian resident (IR)/ Foreigner residing in India (FR)/ Tourist of Indian origin, excluding an infant	Any country other than Nepal, Bhutan or Myanmar (NBM)	(i) Used personal effects (UPE) & travel souvenirs (TS) ; and	₹ 50,000		
	Tourist of foreign origin excluding infant	Any country other than NBM	(ii) Articles (excluding Annexure I articles), if carried on in person/ in accompanied baggage, up to value of	₹ 15,000		
4	IR/ FR/ Tourist, excluding an infant	NBM	₹ 15,000 <b>Arriving by land:</b> only UPE			
<b>Note:</b> <u>Infant passenger</u> : only UPE allowed duty free. GFA of a passenger cannot be pooled with GFA of any other passenger.						
Jewellery Allowance						
5	Passenger residing abroad for more than 1 year	Any country	Passenger	Jewellery		
			Gentlemen	upto 20 gms with a value cap of ₹ 50,000		
			Lady Passenger	upto 40 gms with value cap of ₹ 1,00,000		
Transfer of residence						
6	Duration of stay abroad	Articles allowed free of duty	Conditions	Relaxation		
	3-6 months	Personal and household articles,	₹ 60,000	Indian passenger		
	6 months-1 year		₹ 1,00,000	Indian passenger		

	Minimum stay of 1 year during 2 PYs	other than those mentioned in Annexure I/ II, including Annexure III articles upto an aggregate value of	₹ 2,00,000	Indian passenger should not have availed this concession in 3 PYs	-
	Minimum stay of 2 yrs or more	Annexure III articles upto an aggregate value of	₹ 5,00,000	(i) Minimum stay of 2 years abroad, immediately preceding date of his arrival on transfer of residence  (ii) Total stay in India on short visit during 2 PYs should not exceed 6 months; &  (iii) Passenger has not availed this concession in 3 PYs	The shortfall of upto 2 months in stay abroad can be condoned by AC/DC if early return is on account of -  (i) terminal leave/vacation availed by passenger; or  (ii) any other special circumstances.  The Principal Comm/ Comm may condone short visits in excess of 6 months in special circumstances for reasons to be recorded in writing.  No relaxation
9	<b>Crew Members:</b> Baggage rules also apply to crew members engaged in foreign going conveyance for importation of their baggage, when they are finally paid off on termination of their engagement.  However, other crew members of a vessel and aircraft are allowed to bring items like chocolates, cheese, cosmetics & other petty gift items for their personal/family use for a value ≤ ₹ 1500.				

Annexure I (See rule 3, 4 and 6)	Annexure II (See rule 6)	Annexure III (See rule 6)
•Fire arms [& their cartridges≤ 50]	•Colour Television/ Video Home Theatre System.	•VCR/VCP/VTR/VCDP
•Cigarettes > 100 sticks, cigars>25, tobacco > 125 gms.	•Dish Washer.	•Digital Video Disc player/ Music System.
•Alcoholic liquor/wines> 2 ltrs.	•Domestic Refrigerators ≥ 300 ltrs	•Air-Conditioner & Microwave Oven.
•Gold/silver [other than ornaments]	•Deep Freezer.	•Word Processing Machine.
•Flat Panel (LCD/LED/Plasma) television.	•Video camera/ combination thereof	•Fax/Portable Photocopying Machine.
	•Cinematographic films ≥ 35 mm	•Washing Machine/ Electrical/LPG Cooking Range
	•Gold/silver [other than ornaments]	•Personal Computer/ Laptop Computer
		•Domestic Refrigerators≤ 300 ltrs

- **Unaccompanied baggage (UB):** Above provisions are also applicable to UB, unless specifically excluded, if UB had been in possession, abroad, of passenger & is dispatched within 1 month [extended period] of his arrival in India.
- UB can also land in India upto 2 months before arrival of the passenger. However, if passenger is not able to arrive in India within 2 months due to circumstances beyond his control, AC/DC may extend said period of 2 months upto 1 year.

Owner of the baggage is required to make a declaration [**Baggage Declaration Form**] of its contents to PO of customs, for clearing it. Duty is payable on such baggage **at the rate in force on the date of such declaration. Rate of duty on baggage is 35% ad valorem.**



## TEST YOUR KNOWLEDGE

**Note:** The rates of duties, wherever mentioned in the illustrations/questions/examples may not always be the actual rate prevalent during the period in question. They may be hypothetical rates assumed to explain the provisions of law with more clarity.

1. 'Queen Marry', is a vessel containing the goods imported by XML Ltd. The events relating to its entry into India and the discharge and onward movement and storage of the goods are as follows.

24<sup>th</sup> May              Vessel entered the Indian territorial waters.

25<sup>th</sup> May              Import manifest was delivered to the customs authorities

27<sup>th</sup> May              XML Ltd filed bill of entry for the goods

29<sup>th</sup> May              Entry inwards granted to the vessel

The rate of customs duty on the goods was increased from 8% to 10% on 28<sup>th</sup> May.

At what rate should XML Ltd. pay the customs duty on the goods imported by it?

2. Write a brief note on self-assessment in customs under the Customs Act, 1962.
3. State briefly the provisions of the Customs Act, 1962 relating to payment of interest in case of provisional assessment.
4. What is meant by 'boat notes'?
5. Discuss the provisions regarding transit of goods and transhipment of goods without payment of duty under the Customs Act.
6. Explain in brief the duty exemption to baggage under section 79(1) of the Customs Act, 1962.
7. What is the relevant date for determining the rate of duty and tariff valuation in respect of goods imported/exported by post?
8. Explain the obligation cast on person-in-charge on arrival of vessels or aircrafts in India under section 29 of the Customs Act, 1962.

9. Explain briefly the meaning of entry inwards and entry outwards with reference to the customs law.
10. Which class of importers is required to pay customs duty electronically? Name the dedicated payment gateway set up by the Board (CBIC) to use e-payment facility easily by an importer.
11. Mr. Anil and his wife (non-tourist Indian passengers) are returning from Dubai to India after staying there for a period of two years. They wish to bring gold jewellery purchased from Dubai. Please enumerate provisions of customs laws for jewellery allowance in their case.
12. Can the customs audit cover a person who is not an exporter or importer?
13. A fishing trawler is operating 10 nautical miles from the baseline. Is it entitled to duty-free stores?
14. What are the circumstances under which assessment is done provisionally under section 18?
15. State the provisions of transhipment of goods without payment of duty under section 54 of the Customs Act, 1962.
16. Explain the procedure prescribed in Customs Act, 1962 in case of goods not cleared, warehoused or transhipped within 30 days after unloading.
17. Write short notes on:
  - (a) Export general manifest
  - (b) Boat note (or restriction on goods being water borne)
18. Discuss briefly:
  - (a) Temporary detention of baggage
  - (b) Relevant date for rate of duty and tariff valuation in respect of goods imported and exported by post
19. What is the permissible time limit with respect to the following- :
  - (i) for filing a bill of entry
  - (ii) for paying the assessed duty

- (iii) for delivery of arrival manifest or import manifest/report and departure manifest or export manifest/report
20. State in brief the provisions of the Customs Act, 1962 relating to filing of "Arrival manifest or import manifest/ Report".
21. Write a brief note on the declaration made by the owner of baggage.
22. State and summarise the provisions and procedure in the Customs Act, 1962 governing preparation and filing of a bill of entry.
23. Under what situations the amount of duty and interest refundable under section 18 of the Customs Act, 1962 shall be paid to the importer/exporter instead of being credited to the Consumer Welfare Fund?
24. State the procedure for clearance of goods imported by post.
25. Briefly explain the following with reference to the provisions of the Customs Act, 1962:
- (i) Bill of export
  - (ii) Import report
  - (iii) Imported goods
  - (iv) Entry
  - (v) Prohibited goods
  - (vi) Customs port
  - (vii) Goods
  - (viii) Stores
  - (ix) Conveyance
  - (x) Dutiable goods
  - (xi) Customs area
  - (xii) Adjudicating Authority
  - (xiii) Foreign going vessel or aircraft
  - (xiv) Assessment

26. With reference to the facility, 'Clear first-Pay later' extended to importers under the customs law, answer the following questions:
- What is the objective of the facility?
  - Who is eligible to avail this scheme?
  - What are the due dates for payment of duty under this facility?
  - What are the circumstances when the deferred payment facility will not be available?
27. Gregory Peg of foreign origin has come on travel visa, to tour in India. He carries with him, as part of baggage, the following:

Particulars	Value in ₹
Travel Souvenir	85,000
Other articles carried on in person	1,50,000
120 sticks of cigarettes of ₹100 each	12,000
Fire arm with 100 cartridges (value includes the value of cartridges at @ ₹ 500 per cartridge).	1,00,000

Determine customs duty payable, if the effective rate of customs duty is 38.50% inclusive of social welfare surcharge, with short explanations where required. Ignore Agriculture infrastructure and development cess.

28. An importer filed a bill of entry after 60 days of filing Import General Manifest. The Deputy Commissioner of Customs imposed a penalty of ₹ 10,000 for late filing of the bill of entry. Since, importer wanted to clear the goods urgently, he paid the penalty. Can penalty be imposed for late filing of the bill of entry? Can bill of entry be filed in advance? Examine the issue regarding period available for filing bill of entry in the light of relevant statutory provisions?
29. Laxmi Company imported goods valued at ₹ 10,00,000 vide a Bill of Entry presented before the proper officer on 15<sup>th</sup> December, 2024, on which date the rate of customs duty was 20%. The proper officer decided that the goods should be subject to chemical or other test and therefore, the same were provisionally assessed at a value of ₹ 10,00,000 and Laxmi company paid provisional duty of

₹2,00,000 on the same date. Laxmi Company wants to voluntarily pay duty of ₹1,50,000 on 20<sup>th</sup> January, 2025.

- (1) Can Laxmi Company provisionally pay the duty and what are the conditions which are to be complied before such payment is made?
  - (2) Determine the amount of interest payable, if any, under section 18 of the Customs Act, 1962 assuming that the payment of ₹1,50,000 as stated above is made on 20<sup>th</sup> January, 2025 and that the final duty is assessed on 31<sup>st</sup> January, 2025 at ₹4,00,000 and the balance duty is paid on the same day.
30. After visiting USA for a month, Mrs. and Mr. Iyer (Indian residents aged 35 and 40 years respectively) brought to India a laptop computer valued at ₹70,000, used personal effects valued ₹1,40,000 and a personal computer for ₹58,000. Calculate the custom duty payable by Mrs. & Mr. Iyer, if any. Ignore Agriculture infrastructure and development cess.
31. Mrs. X, an Indian resident (36 years old) who was on a visit to China, returned after 6 months. She was carrying with her the following items:

(i)	Personal effects	₹ 75,000
(ii)	Laptop computer	₹ 60,000
(iii)	Jewellery - 25 grams (purchased in China)	₹ 75,000
(iv)	Music system	₹ 50,000

Compute the customs duty payable by Mrs. X with reference to the Baggage Rules, 2016. Ignore Agriculture infrastructure and development cess.



## ANSWERS/HINTS

1. Rate of duty will be 10%, because the bill of entry is deemed to have been filed on the date of entry inward though it was actually filed before the rate of duty increased.
2. Refer section 17.

3. Interest is payable from the first day of the month in which the provisional assessment began. Refer section 18.
4. Boat notes are issued to cover transport of cargo to or from vessels that cannot come into the port. Refer 'Restrictions on goods being water-borne'. (section 35)
5. Refer sections 53 and 54.
6. Refer section 79 and Baggage Rules.
7. Refer Section 83.
8. Vessel / aircraft must call or land only at a notified customs port or airport, unless otherwise permitted, and except in an emergency. Refer section 29 of the Customs Act.
9. Entry inwards is permission to begin unloading of the imported goods, and entry outwards is permission to begin loading of export goods. Refer section 31 and section 39.
10. Authorised economic operators and those importers who are paying ₹ 10,000 or more per bill of entry. They will pay through ICEGATE. Refer para "Mandatory E-payment of duty".
11. As per rule 5 of the Baggage Rules, 2016, a passenger who has been residing abroad for more than one year and returns to India shall be allowed duty free clearance of jewellery in *bona fide* baggage as under:
  - Jewellery upto a weight of 20 grams with a value cap of ₹ 50,000 for a gentlemen passenger
  - Jewellery upto a weight of 40 grams with a value cap of ₹ 1,00,000 for a lady passengerThus, in the given case, Mr. Anil would be allowed duty free jewellery upto a weight of 20 grams with a value cap of ₹ 50,000 and his wife would be allowed duty free jewellery upto a weight of 40 grams with a value cap of ₹1,00,000.  
Further, in addition to the jewellery allowance, Mr. Anil and his wife would also be allowed duty free clearance of jewellery worth ₹ 1,00,000 (₹ 50,000 per person) as part of free baggage allowance.
12. Yes, persons dealing with the goods can also be audited. Refer section 99A and related regulations.

- 13.** No. Refer definitions of Foreign going vessel and 'India'.
- 14.** Refer provisional assessment of duty under para 5.
- 15.** Refer transit and transhipment of goods under para 11.
- 16.** Refer section 48: The goods can be auctioned.
- 17.** (a) EGM: Refer section 41;(b) boat note: Refer section 35
- 18.** (a) Refer section 80 (b) Refer section 83
- 19.** (i) Refer section 46: 30 days prior to arrival, & not later than the end of the day of arrival.  
(ii) Refer section 47: day of filing bill of entry (self-assessment) or within a day of receiving re-assessed bill of entry.  
(iii) Refer section 30: import manifest: before arrival; import report: within 12 hours of arrival of conveyance at customs station; section 41: departure or export manifest / report: before departure of conveyance.
- 20.** Refer section 30
- 21.** Refer section 77 read with Baggage Declaration Regulations 2013
- 22.** Refer section 46
- 23.** Refer section 18
- 24.** Refer section 84
- 25.** Refer para 3
- 26.** (i) 'Clear first-Pay later' i.e., deferred duty payment is a mechanism for delinking duty payment and customs clearance. The aim is to have a seamless wharf to warehouse transit in order to facilitate just-in-time manufacturing.  
(ii) Central Government has permitted importers certified under Authorized Economic Operator programme as AEO (Tier-Two) and AEO (Tier-Three) to make deferred payment of import duty (eligible importers).

As a part of the ease of doing business focus of the Government of India, the CBIC has rolled out the AEO (Authorized Economic Operator) programme.

It is a trade facilitation move wherein benefits are extended to the entities who have demonstrated strong internal control systems and willingness to comply with the laws administered by the CBIC.

- (iii)** The due dates for payment of deferred duty are -

S. No.	Goods corresponding to bill of entry returned for payment from	Due date of payment of duty, inclusive of the period (excluding holidays) as mentioned in section 47(2)
1.	1 <sup>st</sup> day to 15 <sup>th</sup> day of any month	16 <sup>th</sup> day of that month
2.	16 <sup>th</sup> day till the last day of any month other than March	1 <sup>st</sup> day of the following month
3.	16 <sup>th</sup> day till the 31 <sup>st</sup> day of March	31 <sup>st</sup> March

Further, where the Central Government considers it necessary and expedient, it may, under exceptional circumstances, and for reasons to be recorded in writing, allow payment to be made on a different due date.

- (iv)** If there is default in payment of duty by due date more than once in three consecutive months, the facility of deferred payment will not be allowed unless the duty with interest has been paid in full.

Further, the eligible importer shall be permitted to make the deferred payment if he has—

- (i) paid the duty for a bill of entry within due date and
- (ii) paid the differential duty for the same bill of entry along with the interest on account of reassessment within one day (excluding holidays).

The benefit of deferred payment of duty will not be available in respect of the goods which have not been assessed or not declared by the importer in the bill of entry.

27. As per rule 3 of Baggage Rules, 2016, tourist of foreign origin, excluding infant, is allowed duty free clearance of
- travel souvenirs; and
  - Articles up to the value of ₹ 15,000 (excluding *inter alia* fire arms, cartridges of fire arms exceeding 50 and cigarettes exceeding 100 sticks), if carried on in person.

<b>Computation of customs duty payable</b>	₹
Travel souvenir	Nil
Articles carried on in person	1,50,000
Cigarettes [100 sticks can be accommodated in General Free Allowance (GFA)]	10,000
Fire arms cartridge (50 cartridges can be accommodated in GFA)	25,000
Baggage than can be accommodated in GFA	1,85,000
Less: GFA	15,000
Baggage on which duty is payable	1,70,000
Duty payable @ 38.50% (including 10% Social welfare surcharge)	<u>65,450</u>

**Note:** Fire arms, cartridges of firearms exceeding 50 and cigarettes exceeding 100 sticks are not chargeable to rate applicable to baggage [Notification No. 26/2016 Cus. dated 31.03.2016]. These items are charged @ 100% applicable to baggage under Heading 9803 of the Customs Tariff.

28. Yes, charges are payable for late filing of bill of entry if an importer fails to present the bill of entry before the end of the day (including holidays) preceding the day on which the aircraft/vessel/vehicle carrying the goods

arrives at a customs station at which such goods are to be cleared for home consumption or warehousing, and the proper officer is satisfied that there was no sufficient cause for such delay [Section 46(3) of the Customs Act, 1962]. However, the Board may, in such cases as it may deem fit, prescribe different time limits for presentation of the bill of entry, which shall not be later than the end of the day of such arrival.

Yes, a bill of entry can be filed in advance. It can be presented within 30 days of the expected arrival of the aircraft/vessel/vehicle by which the goods have been shipped for importation into India vide proviso to section 46(3) of the Customs Act, 1962.

In the given case also, the time period as described above will be available - with reference to the date of arrival of vessel/aircraft - for filing the bill of entry.

- 29. (1)** Provisional assessment of duty is permitted in case where the proper officer deems it necessary to subject any imported goods or export goods to any chemical or other test [Section 18 of the Customs Act, 1962]. Thus, Laxmi Company can pay the duty on provisional basis.

Before, the provisional assessment of duty, the importer must furnish such security as the proper officer deems fit for the payment of the deficiency, if any, between the duty finally assessed/re-assessed and the duty provisionally assessed.

- (2)** Section 18 of the Customs Act, 1962 further stipulates that the importer is liable to pay interest, on any amount payable consequent to the final assessment order @ 15% p.a. from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.

Accordingly, amount of interest payable will be

$$\begin{aligned} &= [\text{₹ } 1,50,000 \times 15\% \times 51/365] + [\text{₹ } 50,000 \times 15\% \times 62/365] \\ &= \text{₹ } 3,144 + \text{₹ } 1,274 = \text{₹ } 4,418 \end{aligned}$$

- 30.** (1) As per the Baggage Rules, 2016, an Indian resident arriving from a country other than Nepal, Bhutan, or Myanmar, is allowed duty free clearance of-
- (i) Used personal effects and travel souvenirs without any value limit.
  - (ii) Articles [other than certain specified articles] up to a value of ₹ 50,000 carried as accompanied baggage [General duty free baggage allowance].
  - (iii) Further, such general duty free baggage allowance of a passenger cannot be pooled with the general duty free baggage allowance of any other passenger.
- (2) One laptop computer when imported into India by a passenger of the age of 18 years or above (other than member of crew) is exempt from whole of the customs duty [*Notification No. 11/2004 Cus. dated 08.01.2004*].
- (3) (i) Accordingly, there will be no customs duty on used personal effects (worth ₹ 1,40,000) of Mrs. and Mr. Iyer and laptop computer brought by them will be exempt from duty.
- (ii) Duty payable on personal computer after exhausting the duty free baggage allowance will be ₹58,000 – ₹ 50,000 = ₹ 8,000.
- (iii) Effective rate of duty for baggage = 38.50% [including Social Welfare Surcharge]
- (iv) Therefore, total customs duty = ₹ 3,080.

**31. Computation of customs duty payable by Mrs. X**

Particulars	₹
Personal effects [Duty free clearance is allowed]	Nil
Laptop computer [One laptop computer is exempt when imported into India by a passenger ≥ 18 years of age]	Nil

Jewellery	75,000
[Duty free jewellery allowance is not available to Mrs. X since she did not reside abroad for more than 1 year]	
Music system	50,000
Total value	1,25,000
Less: General duty free baggage allowance of ₹ 50,000	50,000
Value of baggage liable to customs duty	75,000
Rate of Duty	38.50%
<b>Customs duty @ 38.50% (including social welfare surcharge)</b>	<b>28,875</b>

