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FAQ & ANSWERS ON RELATED PARTY TRANSACTION :SVB

**Special Valuation Branch (SVB) – Frequently Asked Questions1. What is the Special Valuation Branch (SVB)?**

The Special Valuation Branch is a specialized wing of Indian Customs that examines imports between related parties or cases involving royalties, technical collaboration, or license fees.

It ensures that the declared transaction value of imported goods is not influenced by relationships between the importer and supplier and is compliant with Customs Valuation Rules, 2007.

**2. When is SVB applicable?**

SVB applies when:

* The importer and foreign supplier are related (parent company, subsidiary, group entity, or common directors).
* Imports involve royalty or license fees (directly or indirectly related to imported goods).
* There is a technical collaboration agreement affecting the price.
* Transfer pricing agreements impact the declared invoice value.

Not applicable for:

* Purely independent party transactions.
* One‑time imports without long-term collaboration.
* Import of goods without any price influence or royalty/license conditions.

**3. Which laws govern SVB?**

* Section 14 of the Customs Act, 1962 (transaction value determination).
* Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.
* CBEC Circulars 4/2016-Cus and 5/2016-Cus (Feb 2016) – revamped SVB procedures.

**4. Who has to file with SVB?**

Importers who:

* Import from related parties.
* Have royalty/license fee agreements linked to imports.
* Are under technical collaboration agreements with suppliers.

**5. Where do I file SVB applications?**

At the Custom House where your goods are regularly cleared (called the port of import).

For example: If your imports arrive at Air Cargo Complex, Mumbai, you file with the SVB section of Mumbai Customs at Ballard Pier-New Customs House, 8th Floor, Mumbai 01.

**6. What is the SVB process?**

1. Filing application: Submit SVB questionnaire (Annexure A) with supporting agreements (pricing, royalty, technical collaboration, etc.).
2. Provisional assessment: Customs may assess imports provisionally while SVB is pending. Importer executes a Provisional Duty (PD) Bond and deposits security.
3. Examination: SVB scrutinizes documents, may seek additional clarifications.
4. SVB Order: Final findings are issued confirming whether the transaction value is acceptable or requires adjustments.

**7. What documents are required for SVB?**

* Application (Annexure A) with importer & supplier details.
* Copy of agreements: Royalty, technical collaboration, license agreements.
* Price list & invoice samples.
* Transfer pricing documents (if any).
* Company relationship proof (shareholding pattern, board structure).
* Previous import details (last 3 years).

**8. How long does SVB take?**

* Typically 2–3 months from filing, depending on query responses and document completeness.
* Imports can continue provisionally during the pendency of SVB clearance.

**9. What happens if I don’t file SVB when required?**

* Your imports may be provisionally assessed with extra duty deposits.
* Penalties may be imposed for non-compliance.
* Delays in clearance of goods.

**10. Is SVB a one-time or recurring process?**

SVB is usually a one-time registration for a particular importer-supplier relationship & agreement.

However:

* If a new agreement (e.g., new royalty/license terms) is signed, you must update SVB.
* Periodic reviews may be undertaken by Customs.

**11. How much security deposit is needed for provisional clearance?**

As per CBEC Circular 4/2016, provisional assessments require:

* PD Bond for the differential duty amount.
* No extra duty deposit (EDD) is generally collected now (earlier it was 1–5%).

**12. Can I import goods while SVB is pending?**

Yes. Imports are allowed under provisional assessment after executing the PD Bond and fulfilling Customs conditions.

**13. How long is an SVB order valid?**

Usually valid for the duration of the underlying agreement (e.g., license/royalty agreement).

Customs may review periodically or when agreements are modified.

**14. Do I need to reapply if my supplier changes?**

Yes, if the new supplier is also related or there’s a new agreement impacting value. Each importer-supplier relationship requires a separate SVB filing.

**15. Does SVB affect my transfer pricing?**

Customs and Income Tax have separate valuation mechanisms. SVB focuses on Customs valuation under Section 14 and Rules, which may differ from Income Tax transfer pricing norms.

**16. Can I appeal against an SVB order?**

Yes. If dissatisfied, you can file an appeal with the Commissioner (Appeals) under Section 128 of the Customs Act, 1962.

**17. Key tips for smooth SVB clearance?**

* File early (soon after signing agreements).
* Respond promptly to queries.
* Maintain updated documentation (agreements, invoices, pricing details).
* Work with a customs consultant for compliance. Inspiration Global renders pre & post SVB including submission of an application, registration & representation as a turnkey solution provider.