MARITIME ENVIRONMENT

UNIT IV

4.1 Customs - Central Excise

Excise duty is an indirect tax imposed on goods for their production, licensing and sale. Excise duty paid to the Government of India by producers of goods. Excise duty applies to goods manufactured domestically in the country, while Customs duty is levied on those coming from outside of the country.

At the central level, excise duty earlier used to be levied as Central Excise Duty, Additional Excise Duty, etc. However, the Goods and Services Tax (GST), introduced in July 2017, subsumed many types of excise duty. Today, excise duty applies only on petroleum and liquor. Excise duty was levied on manufactured goods and levied at the time of removal of goods, while GST is levied on the supply of goods and services.

After GST was introduced, excise duty was replaced by central GST because excise was levied by the central government. The revenue generated from CGST goes to the central government.

GST vs. Excise Duty: What's the Difference?

The following are the primary distinctions between the GST and the Excise Duty:

Excise duty is collected on product manufacturing, while GST is charged at every level of the supply chain, from product manufacture to product sale.

Excise duty is levied when things are removed to the market, whereas GST is charged when products and services are supplied.

Tax rate: The rates for excise duty are determined by the central excise tariff rules. Excise tax was imposed at 12.36 per cent, however, it fluctuated depending on the kind of goods. GST, on the other hand, has standard rates of 0%, 5%, 12%, 18%, and 28%, depending on the kind of goods.

4.2 The Customs Act

The Customs Act, was enacted by the Parliament in the year 1962. The Customs Act, 1962 is the basic statute which governs entry or exit of different categories of goods, vessels, aircrafts and passengers into or from the country. The Act extends to the whole of India.

For the purpose of smooth functioning and effective administration of the Act, the Central Government is empowered to make rules under section 156 of Customs Act, 1962,. As per section 157 of the Act, the Central Board of Excise and Customs (CBE&C), now renamed to Central Board of Indirect Tax and Customs (CBIC), has been empowered to make regulations, consistent with provisions of the Act.

The Commissioner of Customs is the power to issue the Public notices which are also called trade notices.

Customs Act, 1962 is primarily for the levy and collection of duties but at the same time it has the equally important other objectives such as:

(i) regulation of imports and exports;

(ii) protection of domestic industry;

(iii) prevention of smuggling;

(iv) conservation and augmentation of foreign exchange

(v) Section 12 of the Custom Act provides that duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or other applicable Acts on goods imported into or exported from India.

The Custom Act is divided into XVII chapters comprising of 161 sections.

Table 1 The Customs Act

Chapter No. and Title	***Sections***	***Contents***
I. Preliminary	Section 1 to 2	Short title, extent and commencement and Definitions
II. Officers of Customs	Section 3 to 6	Appointment and powers of officers of customs
III. Appointment of Customs Ports, Airports, Ware- housing Stations etc.	Section 7 to 10	Appointments of Customs Ports, Airports, Warehousing Stations etc.
IV. Prohibitions on importation and exportation of goods	Section 11	Powers to prohibit import and export of goods

Chapter No. and Title	*Sections*	*Contents*
IVA. Detection of illegally imported goods and prevention of the disposal thereof	Sections 11A to 11G	illegal importation of notified goods and prevention of the disposal thereof
IVB. Prevention or Detection of Illegal Export of Goods	Sections 11H to 11M	illegal export of specified goods
IVC. Power to exempt from the provisions of Chapters IVA and IVB	Section 11N	Power to exempt
V. Levy of, and Exemption from, Customs Duties	Sections 12 to 28BA	Chargeable section, valuation of goods, Recovery and refund of duty
VA. Indicating amount of duty in the price of goods, etc., for purpose of refund	Section 28C to 28D	Price of goods and incidence of duty passed on to the buyer
VB. Advance Rulings	Section 28E to 28M	Provisions for advance ruling such as authority, application, procedure and powers of authority
VI. Provisions relating to conveyances carrying imported or exported goods	Sections 29 to 43	Arrival or departure of goods, delivery of export manifest or export report
VII. Clearance of imported goods and export goods	Sections 44 to 51	Clearance of import and export goods other than by way of baggage and postal articles.
VIII. Goods in Transit	Sections 52 to 56	Transit and transshipment of goods
IX. Warehousing	Section 57 to 73	Provision relating to public and private warehouse
X. Drawback	Sections 74 to 76	Duty drawback on re-export of duty paid goods or material used in the manufacture of goods

Chapter No. and Title	*Sections*	*Contents*
XA. Special Provisions relating to Special Economic Zone	Sections 76A to 76N	Omitted in view of the introduction of a special Act, namely, Special Economic Zones Act, 2005
XI. Special provisions regarding baggage, goods imported or exported by post, and stores	Section 77 to 90	Special provisions regarding baggage, goods imported or exported by post, and stores
XII. Provisions relating to coastal goods and vessels carrying coastal goods	Section 91 to 99	Provisions relating to coastal goods and baggage and stores
XIII. Searches, seizure and arrest	Section 100 to 110A	Power to search, inspect, examine persons and seizure of goods, documents and things
XIV. Confiscation of goods and conveyances and imposition of penalties	Section 111 to 127	Adjudication proceedings and confiscation of goods.
XIVA. Settlement of cases	Sections 127A to 127N	Provisions relating to Settlement Commission
XV. Appeals and Revision	Sections 128 to 131C	Procedure and time limits for appeals and revisions
XVI. Offences and Prosecutions	Section 132 to 140A	Offences and cognizance of offences
XVII. Miscellaneous	Section 141 to 161	Conveyances, duty deferment, licensing of Customs house agent, appearance by authorized representative, delegation of power etc.

4.2.1 Levy of custom duty

As per Section 12, customs duty is imposed on goods imported into or exported out of India as per the rates specified under the Customs Tariff Act, 1975 or any other law.

Taxable event

The basic condition for levy of customs duty on goods is when goods are imported into or exported from India. Import is bringing into India from a place outside India [Section 2(23)]. Export means taking out of India to a place outside India [Section 2(18)]. "India" includes the territorial waters of India [Section 2(27)]. The limit of the territorial waters is the line every point of which is at a distance of twelve nautical miles from the nearest point of the appropriate baseline.

TYPES OF DUTIES UNDER CUSTOMS

IMPORT DUTY

There are various types of Customs import duties:

(1) BASIC CUSTOM DUTY

Basic Customs Duty is the primary tax on imported goods entering India. The Indian Customs Tariff Act defines the rate based on the type of imported commodity. Normally, it is levied as a percentage of Value as determined under section 14(1). There are different rates for different goods. The general basic rate varies from 5% to 40% and can significantly impact the total landed cost of the imported items. This basic duty may be exempted by Government under a notification under Section 25.

The basic duty may have two rates viz. standard rates and preferential rates.

Standard and Preferential Rates

Duty at the standard rate is charged where there is no provision for preferential treatment. To be eligible, for the preferential treatment the goods should be the one which are imported from any preferential area covered under the Government of India Agreements for charging preferential rate of duty. The Central Government has the power to increase or reduce or discontinue the preferential rate in respect of any article provided it considers it to be necessary in the public interest.

(2) ADDITIONAL CUSTOMS DUTY OR SPECIAL COUNTERVAILING DUTY

In order to equalize imports with locals taxes which are imposed from time to time, a special countervailing duty is imposed on imported goods. Hence, is imposed to bring imports on an equal track with the goods produced or manufactured in India. This is to promote fair trade & competition practices in our country. The countervailing duty is imposed when excisable articles are imported in order to counter balance the excise duty, which is leviable on similar goods if manufactured in India. This is levied under Section 3(1) of the Customs Tariff Act, 1975. When excise duty is exempt, no Countervailing Duty is levied . Exemption of basic customs duty doesn‘t automatically mean exemption of Countervailing Duty.

(3) Countervailing Duty (CVD)on subsidized articles

This duty is imposed by the Central Government when a country is paying the subsidy to the exporters who are exporting goods to India. This amount of duty is equivalent to the subsidy paid by them. This duty is applicable under Sec 9 of the Customs Tariff Act. (This is not to be confused with the Special CVD). Subsidy shall be deemed to exist if there is financial contribution by a government, or any public body in the exporting or producing country or territory. The amount of countervailing duty shall not exceed the amount of subsidy paid or bestowed as aforesaid.

(4) Anti-Dumping Duty under Section 9A of the Customs Tariff Act

Anti-dumping duty is imposed on foreign goods exported to India at a price lower than their “normal value” in the home country. The primary objective is to protect domestic industries from unfair competition and potential market failures. When a foreign country is found to be “dumping” its products at rock-bottom prices into India, the Indian Government can levy Anti-Dumping Duty on those imports to level the playing field. An example of an anti-dumping duty is when India imposed an anti-dumping duty earlier on Chinese products, such as aluminum products and certain chemicals, to protect local manufacturers from competing against cheap imports.

(5) Safeguard Duty

Under Section 8B of the Customs Tariff Act, Safeguard Duty protects domestic industries from a sudden and unexpected import surge. This duty is a bulwark, providing the domestic industry time to adjust and achieve stability against external market pressures. Safeguard duty is product specific i.e. the safeguard duty is applicable only for certain articles in respect of which it is imposed. Safeguard duty is in addition to any other duty in respect of such goods levied under this Act or any other law for the time being in force. Education Cess and Secondary and Higher Education Cess are not payable on safeguard duty.

(6) Protective Duties Under Section 6 & 7 Of the Customs Tariff Act, 1975

Protective Duties, as the name suggests, these duties are meant to protect indigenous or nascent industries from foreign competition. The Indian Government usually prescribes these duties after thoroughly investigating the market dynamics, competitive landscape, and the potential impact on domestic industry. The protective duties usually are not very stiff so as to discourage imports. It should be sufficiently attractive to encourage imports to bridge the gap between demand and supply of those articles in the market.

Education Cess

Education Cess is an additional charge imposed on customs duties to fund educational initiatives within India. As a developing nation, India recognises the importance of education. The rate of Education Cess is generally 2% on the aggregate customs duties.

4.2.3 Valuation of Goods for Levy of Customs Duty

Customs duty is imposed on goods imported into or exported out of India as per the rates specified under the Customs Tariff Act, 1975. Levy of custom duty on ad valorem (i.e. as a percentage to the value) basis is the predominant mode of levy.

The method of valuation of goods for both import and export for the purposes of levy of customs duty on the basis of transaction value has been set out under Section 14 of the Customs Act, 1962. The transaction value is the price actually paid or payable for the goods when sold for export to India for delivery at the time and place of importation, or for export from India for delivery at the time and place of exportation, where the price is the sole consideration for sale.

Section 14(1) provides that the value of imported goods shall include various items of costs and services to the extent provided by the rules. T he price shall be calculated as per the rate of exchange as in force on the date of presentation of bill of entry or shipping bill or bill of export. Further, if transaction value is not determinable (in case of no sale or buyer or seller being related or price not being sole consideration), value is determined in accordance with valuation rules. Hence, the value of imported goods shall be computed in accordance with section 14(1) read with the Customs Valuation (Determination of Value of imported Goods) Rules, 2007.

Likewise, in respect of export goods the value is determined as per provisions of section 14 of the Customs Act, 1962 read with the Customs Valuation (Determination of value of Export Goods) Rules, 2007.

4.2.4 Assessment of Customs duty

Section 17 of the Customs Act, 1962 provides that an importer entering any imported goods under section 46 or an exporter entering any export goods under section 50 shall self-assess the duty. Thus, under self-assessment, it is the importer or exporter who will ensure that he declares the correct classification, applicable rate of duty, value, benefit of exemption notifications claimed, if any, etc. in respect of the imported / export goods while presenting Bill of Entry or Shipping Bill.

In cases, where the importer or exporter is not able to determine the duty liability or make self assessment for any reason, except in cases where examination is requested by the importer under proviso to Section 46(1), a request shall be made to the proper officer of customs for provisional assessment of duty under Section 18 (1)(a) of the Customs Act, 1962. In such a situation an option is available to the proper officer to resort to provisional assessment of duty by asking the importer / exporter to furnish security for payment of the deficiency, if any, between the duty as may be finally assessed and the duty provisionally assessed.

4.2.5 Examination of Goods:

All imported goods are required to be examined for verification of correctness of description given in the bill of entry. However, a part of the consignment in the Import Shed is selected on a random selection basis and is examined.

After assessment by the appraising group or for cases where examination is carried out before assessment, a bill of entry (B/E) needs to be presented by importer for registration for examination of imported goods in the import shed. The proper officer of customs examines the goods along with requisite documents. The shipments, found in order are given clearance order by the customs.

Wherever necessary, for availing duty free assessment or concessional assessment under different schemes and notifications, execution of end use bonds with Bank Guarantee or other surety is required to be furnished.

Payment of duty:

The duty can be paid in the designated banks. Following the payment of the assessed duty for the import goods, the Customs gives the clearance or ‘ out of charge’. The goods can be taken out of customs area after receipt of ‘out of charge’.

The importer shall be liable to pay interest, on the amount payable consequent to the final assessment order from the first day of the month in which the duty is provisionally assessed till the date of payment thereof [Section 18(3)].

Subject the section 18(5), if any refundable amount referred to in clause (a) of section 18(2) is not refunded within three months from the date of assessment of there shall be paid an interest on such un-refunded amount at such rate fixed by the Central Government.

4.2.6 Power to Grant Exemption from Duty (Section 25)

Under the section, exemptions are of two kinds. One type which is in common use, is under Sub-section (1), in public interest, where there is a general exemption in respect of any article or class of articles. Such exemptions may be absolute or subject to certain conditions specified in the relevant notifications. Other is under Sub-section (2), the exemptions granted may be applicable to specific cases and these will be by a special order. These have to be done in respect of any goods of strategic or secret nature or for charitable purpose, which are stated in such order.

Examples of cases where exemptions are given

(i) in accordance with the International Agreements on Trade certain concessions agreed to by India have to be implemented through exemption notifications;

(ii) in cases, where indigenously manufactured finished products using imported raw materials are placed at a disadvantageous position vis-a-vis imported finished products on account of high incidence of import duties leviable on imported articles, the industries concerned may be given tariff assistance by bringing down the import duty on raw materials through exemption notifications.

(iii) in cases where component/raw materials required for the initial setting up, assembly or manufacture of machinery/finished product are assessable to duty at a very high rate the tariff anomaly may be set right through exemption notifications.

(iv) certain raw materials/semi-finished products are imported for producing finished products which are to be exported later. In such cases, exemptions from import duties may be given in the interest of export promotion; and

(v) some exemptions may be given on humanitarian grounds like relief, rehabilitation, and repatriation of Indians, etc.

Export Duties in India

Export duties are taxes levied by a country on goods and services that are shipped out of its borders. In the context of India, export duties are not as prevalent as import duties, given that the country aims to promote exports to boost its economy. However, there are a few goods on which export duties are imposed, mainly to conserve domestic resources, meet domestic demand, or achieve some other policy objectives.

The types of export duties in India are as follows:

Ad Valorem Duty: This is calculated as a percentage of the value of the goods. For instance, if a 10% ad valorem duty is levied on an item valued at INR 1000, the duty payable would be INR 100.

Specific Duty: This is a fixed amount of duty levied on a per-unit basis, regardless of the value of the goods. For example, if a specific duty of INR 15 is levied on each unit of a product, then for 10 units, the duty payable would be INR 150.

Compound Duty: This is a combination of ad valorem and specific duties. It has components of both value and quantity. For instance, a compound duty might entail a 5% ad valorem duty plus INR 15 per unit.

In the case of export, the duty is assessed after filing the shipping bill and on payment the "Let Export Order" is issued by the Customs.

4.2.7 Refund and recovery provisions (section 26 to 28d)

REFUND OF EXPORT DUTY IN CERTAIN CASES (SECTION 26)

Where on the exportation of any goods any duty has been paid, such duty shall be refunded to the person by whom or on whose behalf it was paid, if -

a) the goods are returned to such person otherwise than by way of re-sale;

b) the goods are re-imported within one year from the date of exportation; and

REFUND OF IMPORT DUTY IN CERTAIN CASES (SECTION 26A)

Section 26A provides for refund of import duty in certain cases.

As per sub section (1) of section 26A, where on the importation, any duty has been paid on clearance of such goods for home consumption, such duty shall be refunded to the person by whom or on whose behalf it was paid, if;

(a) the goods are found to be defective or otherwise not in conformity with the specifications agreed upon between the importer and the supplier of goods subject to the conditions therein:

An application for refund of duty shall be made before the expiry of six months from the relevant date in such form and in such manner as may be prescribed [section 26(2)].

As per section 26(3), no refund shall be allowed in respect of perishable goods and goods which have exceeded their shelf life or their recommended storage-before-use period.

Trade Facilitation initiatives

Indian Customs have initiated various Trade Facilitation reforms to improve the ease of Doing Business. The impact of these reforms is targeted to reduce transaction costs and reduce time so as to make India's exim logistics more competitive. Some of the initiatives are listed below.

Direct Port Delivery (DPD): Direct Port Delivery (DPD) is a trade facilitation measure introduced by Indian Customs to expedite clearance of goods directly from the port thereby reducing transaction time and cost. In traditional import process, all containers were mandatorily moved from port terminals to a nearby Container Freight Station (CFS) which is an off-dock facility notified by the Customs department for Customs clearances. To fasten the delivery of containerized cargo, Indian Customs introduced the Direct Port Delivery (DPD) facility, which allows the importers to take delivery of the facilitated cargo directly from the Port terminals to their factory/warehouse, obviating the need of taking the containers to CFS for Customs clearances, thereby significantly reducing the release time and costs by cutting down the processes of movement from terminal to CFS and inside the CFS. Earlier, this facility was available only to facilitated cargo of AEO clients. Now DPD facility has also been extended to larger number of importers approved by the customs who are not AEO clients. (Authorized Economic Operator (AEO) is a party engaged in the international movement of goods who is approved by Customs as compliant with the supply chain security standards, and given benefits, such as simplified Customs procedures)

Direct Port Entry (DPE): DPE is a trade facilitation scheme of CBIC, in the Export side, which enables direct movement of containers from factories to port terminals, without intermediate handling at any CFS, thus facilitating the shippers to Gate-In their factory stuffed exports directly to the Container Terminal on 24x7 basis. The Let Export Order (LEO) in DPE facility is granted at Terminal itself after checking that the container seal is intact. DPE facility is given to Refrigerated Containers, Over Dimensional Cargo (ODC), Motor Vehicles, Perishable non-refrigerated cargo, Factory Stuffed Cargo of Status Certificate 100% EOUs, units of SEZs and Manufacturer Exporters.

Authorised Economic Operator (AEO) Programme: Under the aegis of WCO's SAFE Framework of Standards (FoS), Indian Customs has initiated the Authorised Economic Operator (AEO) programme with an aim to enhance the international supply chain security and facilitate cross border movement of legitimate goods. AEO is a voluntary compliance programme. It enables Customs to enhance and streamline cargo security through close cooperation with the principal stakeholders of the international supply chain viz. importers, exporters, logistics providers, custodians or terminal operators, Customs brokers, and warehouse operators.(World Customs Organization- WCO)

4.2.8 Goods and Services Tax

India had several erstwhile indirect taxes such as service tax, Value Added Tax (VAT), Central Excise, etc., which used to be levied at multiple supply chain stages. Some taxes were governed by the states and some by the Centre. There was no unified and centralised tax on both goods and services. Hence, GST was introduced. Under GST, all the major indirect taxes were subsumed into one. It has greatly reduced the compliance burden on taxpayers and eased tax administration for the government.

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. GST is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

The advantage of having one single tax means every state follows the same rate for a particular product or service. Tax administration is easier with the Central Government deciding the rates and policies. Common laws can be introduced, such as e-way bills for goods transport and e-invoicing for transaction reporting. Tax compliance is also better as taxpayers are not bogged down with multiple return forms and deadlines. Overall, it’s a unified system of indirect tax compliance.

One of the primary objectives of GST was to remove the cascading effect of taxes. Previously, due to different indirect tax laws, taxpayers could not set off the tax credits of one tax against the other. For example, the excise duties paid during manufacture could not be set off against the VAT payable during the sale. This led to a cascading effect of taxes. Under GST, the tax levy is only on the net value added at each stage of the supply chain. This has helped eliminate the cascading effect of taxes and contributed to the seamless flow of input tax credits across both goods and services.

GST laws in India are far more meticulous compared to any of the erstwhile indirect tax laws. Under GST, taxpayers can claim an input tax credit only on invoices uploaded by their respective suppliers.

This way, the chances of claiming input tax credits on fake invoices are minimal. The introduction of e-invoicing has further reinforced this objective. Also, due to GST being a nationwide tax and having a centralised surveillance system, the clampdown on defaulters is quicker and far more efficient. Hence, GST has curbed tax evasion and minimised tax fraud from taking place to a large extent.

GST has helped in widening the tax base in India. Previously, each tax law specified a different turnover as threshold limit for registration. As GST is a consolidated tax levied on both goods and services both, it has enhanced the number of businesses under tax-registration. Besides, the stricter laws surrounding input tax credits have helped bring certain unorganised sectors under ambit of the taxation.

Previously, taxpayers had to deal with different tax authorities under each tax law. Even though the filing of return was online, most of the assessment and refund procedures had to be done offline. Now, GST procedures are carried out almost entirely online. Everything is done with a click of a button, from registration to return filing to refunds to e-way bill generation. It has contributed to the overall ease of doing business in India and simplified taxpayer compliance.

A single indirect tax system reduces the need for multiple documentation for the supply of goods. GST minimises transportation cycle times, improves supply chain and turnaround time, and leads to warehouse consolidation, among other benefits. With the e-way bill system under GST, the removal of interstate checkpoints is most beneficial to the sector in improving transit and destination efficiency. Ultimately, it helps in cutting down the high logistics and warehousing costs.

Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Even between states, the lower VAT rates in certain states led to an imbalance of purchases in these states. Having uniform GST rates have contributed to overall competitive pricing across India and on the global front. This has hence increased consumption and led to higher revenues, which has been another important objective achieved.

GST has mainly removed the cascading effect on the sale of goods and services. Removal of the cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases.

Also, GST is mainly technologically driven. All the activities like registration, return filing, application for refund and response to notice needs to be done online on the GST portal, which accelerates the processes.

Figure 4.1: The merger of Taxes - GST

There are three taxes applicable under this system: CGST, SGST & IGST.

CGST: It is the tax collected by the Central Government on an intra-state sale (e.g., a transaction happening within Maharashtra)

SGST: It is the tax collected by the state government on an intra-state sale (e.g., a transaction happening within Maharashtra)

IGST: It is a tax collected by the Central Government for an inter-state sale (e.g., Maharashtra to Tamil Nadu)

8. What are the New Compliances Under GST?

Apart from online filing of the GST returns, the GST regime has introduced several new systems along with it.

Table 2 The incidence of Taxes

Transaction	**New Regime**	**Old Regime**	**Revenue Distribution**
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

Illustration:

Let us assume that a dealer in Maharashtra had sold the goods to a dealer in Karnataka worth Rs. 1,00,000. The tax rate is 18% comprising of only IGST.

In such a case, the dealer has to charge IGST of Rs.18,000. This revenue will go to Central Government a share of which is paid to the destination state.

The same dealer sells goods to a consumer in Maharashtra worth Rs. 1,00,000. The GST rate on goods is 18%. This rate comprises CGST at 9% and SGST at 9%.

The dealer has to collect Rs.18,000 as Goods and Service Tax, Rs.9,000 will go to the Central Government and Rs.9,000 will go to the Maharashtra government since the sale is within the state.

Hence, the total tax amount remains the same irrespective of whether it is an interstate or intrastate supply.

Table 3 Difference in application of GST between Interstate and Intrastate

Parameters	**Interstate Supplies**	**Intrastate Supplies**
Applicable on	Supply of goods and services between different states and Union Territories.	Supply of goods and services within the same state or union territory.
Levied by	Central Government	CGST by the Central Government and SGST/UTGST by the state/Union Territory government
Tax rate	IGST rate is applicable at the rates in force based on the good or service	CGST and SGST rates are applied equally and separately at the applicable rate in force based on the good or service

Destination state	Receives a share of the IGST collected	Receives the full amount of SGST collected
Place of supply	Different state than the location of the supplier	Same state as the location of the supplier

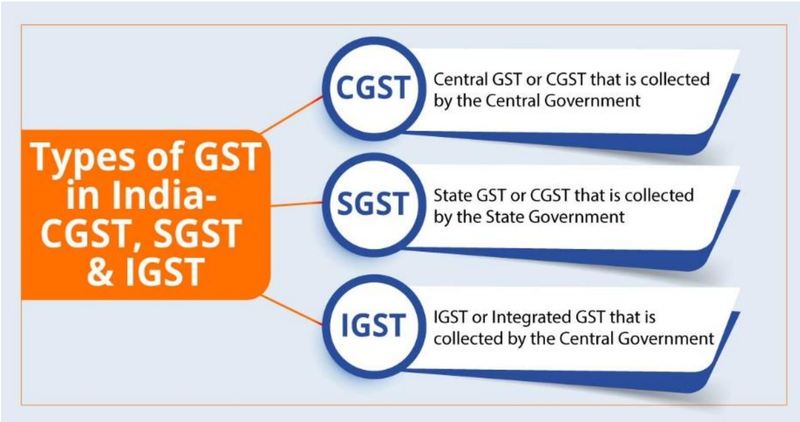

Figure 4.2

e-Way Bills

GST introduced a centralised system of waybills by the introduction of "E-way bills". This system was launched on 1st April 2018 for inter-state movement of goods and on 15th April 2018 for intra-state movement of goods in a staggered manner.

Under the e-way bill system, manufacturers, traders and transporters can generate e-way bills for the goods transported from the place of its origin to its destination on a common portal with ease. Tax authorities are also benefited as this system has reduced time at check -posts and helps reduce tax evasion.

In the earlier indirect tax regime, there were many indirect taxes levied by both the state and the centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations.

Inter-state sale of goods was taxed by the centre. CST (Central State Tax) was applicable in case of inter-state sale of goods. The indirect taxes such as the entertainment tax, octroi and local tax were levied together by state and centre. These led to a lot of overlapping of taxes levied by both the state and the centre.

For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above the excise duty, VAT was also charged by the state. It led to a tax on tax effect, also known as the cascading effect of taxes.

Service provider and service receiver

The legal difference between a service provider and a service receiver lies in their respective roles and responsibilities in a contractual or legal relationship. These terms are commonly used in the context of contracts where one party provides services, and the other party receives those services.

Service Provider:

A service provider is the party that offers, renders, or delivers services to another entity or individual.

This role typically involves performing certain tasks, delivering a product, or offering expertise in a particular area.

The service provider may be an individual, a company, or an organization.

Service Receiver:

The service receiver, also known as the client or customer, is the entity or individual that accepts or consumes the services provided by the service provider.

This party is the beneficiary of the services and is usually the one for whom the services are performed.

The service receiver may be an individual, a business, or another organization.

In legal terms:

Contractual Relationship:

The service provider and service receiver are typically linked through a contractual agreement. This agreement outlines the terms and conditions under which the services will be provided and received.

Obligations and Rights:

The service provider is obligated to fulfill the terms of the agreement, delivering the specified services in accordance with the agreed-upon conditions.

The service receiver is obligated to pay for the services as outlined in the contract and may have other responsibilities, depending on the nature of the agreement.

Legal liabilities and responsibilities may differ based on the terms of the contract. Service providers may be liable for the quality and timely delivery of services, while service receivers may be responsible for payment and providing necessary information or cooperation.

The contract may specify conditions under which either party can terminate the agreement. Breach of contract by either party could lead to legal consequences.

It's important to note that the specific legal distinctions can vary depending on the jurisdiction, the type of services involved, and the terms outlined in the contractual agreement between the parties. It's advisable for both parties to clearly define their roles, responsibilities, and expectations in a written contract to avoid misunderstandings and legal issue.

4.2.8 GST and Logistics

When GST was implemented in July 2017, the new taxation system under GST brought substantial benefits to the logistics industry. The period had also coincided with the expansion of e-commerce in India, which resulted in a significant increase in demand for logistics services in India. Major advantages to the logistics industry post the implementation of GST can be summed up as under.

Ease of transactions and procedure

Earlier, logistics companies were beset with confusion owing to different taxes charged in different states, entry tax, VAT, Octroi, CSR etc. This lead to increased costs and logistical challenges. But now they have been subsumed under one tax, that is, GST, which has ensured a smooth supply of goods. GST has reduced the number of tax systems that businesses deal with, making it simpler for them to comprehend and follow tax laws. This has also aided in lowering corruption and tax avoidance.

One of the key benefits of GST across industries is the simplification of tax procedures. It has replaced multiple taxes with a single tax, thereby reducing the burden of compliance for logistics companies. As a result, it takes less time and money to transport goods across state borders, leading to faster delivery and increased efficiency in the supply chain.

Entry tax was charged by states when transport vehicle carrying goods enter their borders. GST has eliminated the need for warehousing and distribution centers in each state, leading to cost savings for logistics companies. Earlier this was done to save tax, but with a simplified nationwide taxation system, this cumbersome process is out of the way.

Post-implementation Goods and Services Tax, logistics company have to deal with lot less paperwork compared to before, as the e-way bills under GST has also enabled a trouble-free supply of goods. It is the only document which is required with transport vehicles, making documentation lot less complicated. The reduction of paper work is significant.

Input credit system

With the implementation of GST, companies can now claim tax credit for the taxes paid on inputs such as raw materials, equipment, and services. This has reduced the overall tax burden on logistics companies, leading to a reduction in the cost of goods transported, thus, making logistics more affordable for businesses. This helps companies to source raw materials from longer distances and send finished products to more distant markets. When logistics companies pass on the savings to their customers, their services becomes more competitive and affordable.

Nature of the industry

The interstate taxation had resulted in a large number of unorganized players in this industry resulting in fragmented industry. With the introduction of GST, major consolidation in the industry occurred. The emergence of major large players who can span the entire logistics chain. The consequence was a more organised industry and economy of scale in operations.

Smooth flow of cargo across state borders

The check points at state boundaries were choke points for transporters. With introduction of GST, there are no longer any check points at the state gateways where vehicles can be stopped and inspected, hence, the process of transporting goods across state borders has become more streamlined and cargo is delivered more quickly. Therefore, businesses that depend on prompt transportation of goods have benefited from the decrease in transit times and speedier delivery of goods as a result.

Better Supply Chain Management through consolidation of warehouses

The logistics industry depends on robust warehouses. With the implementation of the GST, the companies could focus on overall operational efficiency than mere tax efficiency. Companies now find the hub-and-spoke model for freight movement much more feasible. This means fewer warehouse centres in strategic locations instead of smaller ones scattered in each and every state; in turn, leading to less time wasted at multiple points, less paperwork and faster movement of goods.

The new tax regime has thus worked advantageously for the logistics industry. The lesser extent of compliance requirements at the inter-state check posts has reduced the transportation time; introduction of e-way bill and digitization of the entire system has reduced the burden of paperwork; simplified tax procedure without having to worry about different states having different tax rates, and the facility of input tax credit system has reduced costs, making logistics more efficient. The new taxation policy has incentivised investment in the sector. It has significantly increased the growth potential in the logistics industry in coming years.

4.3 Regulatory Authorities in Maritime Sector in India

In India, the import procedures involve the participation of various government agencies to ensure compliance with regulatory requirements, safety standards, and trade policies. The key government agencies involved in import procedures in India include:

Table 4 Regulatory Authorities in Exim Trade

Food Safety and Standards Authority of India (FSSAI)	The Food Safety and Standards Act, 2006 was enacted in 2006 in order to consolidate all the laws relating to food and to establish the FSSAI, for laying down science-based standards for articles of food and for regulating their manufacture, storage, distribution, sale and import, for ensuring availability of safe and wholesome food for human consumption in the Country. Act enabled establishment of a single statutory body for food laws, standards setting and enforcement thus avoiding any confusion in the minds of consumers, manufacturers, traders and others due to multiplicity of food laws prevailing earlier. It is the duty of the Food Authority to regulate and monitor the manufacture, processing, distribution, sale and import of food so as to ensure safe and wholesome food.
Textile Committee	Promote quality and excellence in the Indian textile industry to make it globally competitive. Provide basic infrastructure and guidance to support and enhance quality in the textile industry.

	Provide facilities for testing of textiles, chemicals, dyes and effluents to the textile trade and industry. Generate consciousness about quality, especially eco-friendly textiles in the industry. H. S. Classification Assist the exporters by way of quality appraisal of the textile products and Export certification.
Plant Quarantine	To prevent the entry, establishment and spread of exotic pests in India as per the provisions of The Destructive Insects & Pests Act, 1914 and the notifications issued there under.
Drug Controller General	The Central Drugs Standard Control Organization (CDSCO) is the Central Drug Authority for discharging functions assigned to the Central Government under the Drugs and Cosmetics Act. CDSCO has six zonal offices, four sub-zonal offices, 13 port offices and seven laboratories under its control.
Animal Quarantine & Certification Services	The purpose and scope of setting up of QUARANTINE Stations is to prevent the ingress of dangerous exotic diseases into the country through imported livestock and livestock products. The increased and faster international trade and travel exposed every country to the danger of infiltration of known and unknown transmissible diseases which have the potential of very serious and rapid spread, adverse socio-economic and human/animal health consequences.
Directorate General of Foreign Trade (DGFT)	The DGFT is responsible for formulating and implementing the Foreign Trade Policy with the main objective of promoting India's exports. The DGFT also issues scrips/authorisation to exporters and monitors their corresponding obligations.
Wildlife Crime Control Bureau (WCCB)	Collect and collate intelligence related to organized Wildlife Crime activities and to disseminate the same to State and other enforcement agencies for immediate action so as to apprehend the criminals and to establish a centralized Wildlife Crime data bank; (ii) Co-ordination of actions by various officers, State Governments and other authorities in connection with the enforcement of the

	provisions of this Act, either directly or through regional and border units set up by the Bureau; (iii) Implementation of obligations under the various international Conventions and protocols that are in force at present or which may be ratified or acceded to by India in future; (iv) Assistance to concerned authorities in foreign countries and concerned international organizations to facilitate co-ordination and universal action for wildlife crime control;
Central Drugs Standard Control Organization (CDSCO)	CDSCO, under the Ministry of Health and Family Welfare, regulates the import of pharmaceuticals and medical devices. It ensures that imported drugs and medical devices comply with safety and quality standards..

India's Foreign Trade Policy

India's Foreign Trade Policy (FTP) regulates international trade and is updated to adapt to economic changes. The latest policy, FTP 2023, focuses on promoting exports and simplifying procedures for businesses. It stands on four pillars: Incentive to Remission, Export Promotion through Collaboration, Ease of Doing Business, and Emerging Areas.

FTP 2023 introduces new schemes like the Amnesty Scheme for exporters, Towns of Export Excellence, and the Status Holder Scheme. It streamlines existing schemes, encourages merchanting trade, and aims for process re-engineering and automation to facilitate business. The policy reduces fees and adopts IT-based systems for easy access, especially for MSMEs. The policy emphasizes the use of automated IT systems with risk management systems for various approvals and codifies implementation mechanisms in a paperless, online environment.

It promotes exports from districts through the Districts as Export Hubs initiative, creating partnerships with state governments. The policy strengthens India's integration with export control regime countries, ensuring compliance with international regulations for Special Chemicals, Organisms, Materials, Equipment, and Technologies (SCOMET). Overall, FTP 2023 aims to boost India's exports, enhance growth, and create a favorable environment for businesses, emphasizing ease of doing business and collaboration.

The FTP 2023 is a dynamic policy document that aims to boost India's exports and promote its growth manifold in the coming years. With its emphasis on ease of doing business, technology interface, and collaboration, the policy is expected to facilitate the growth of the export industry, while also creating a favourable environment for MSMEs and other businesses to access export benefits. The FTP 2023 is a roadmap for India's exports to reach new heights and emerge as a global leader in the export industry.

Trade facilitation

Trade facilitation refers to the simplification, streamlining, and coordination of international trade processes to make the movement of export and import goods more efficient and cost-effective. The goal of trade facilitation is to reduce enhance transparency, and improve the overall efficiency of global trade. India, like many other countries, has implemented trade facilitation measures in logistics to enhance the efficiency and effectiveness of its international trade processes.

Key components of trade facilitation include:

Customs Procedures: Simplifying and standardizing customs procedures helps expedite the clearance of goods at borders. This can include implementing electronic customs documentation and pre-arrival processing.

Automation and Technology: The use of technology, such as electronic data interchange (EDI), automated data capture systems, and online platforms, can help reduce manual processes and paperwork, leading to faster and more accurate transactions.

Trade Information Portals: Providing easy access to information related to trade regulations, tariffs, and procedures helps traders understand and comply with requirements, reducing delays and uncertainties.

Infrastructure Development: Efficient transportation infrastructure, including ports, roads, and rail networks, is crucial for the smooth flow of goods. Investment in infrastructure can significantly enhance trade facilitation.

Single Window Systems: Implementing a single electronic platform where traders can submit all necessary information and documentation for customs clearance and other regulatory requirements streamlines the process and reduces duplication of efforts.

Capacity Building: Providing training and capacity-building programs for customs officials, traders, and other stakeholders helps ensure that they are well-equipped to navigate and comply with trade regulations.

Risk Management: Implementing risk-based approaches to customs clearance allows authorities to focus resources on high-risk shipments, expediting the clearance of low-risk goods.

Efforts to improve trade facilitation are often part of broader international initiatives, such as the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO). The TFA aims to create a more transparent, predictable, and facilitative trading environment by addressing various trade facilitation measures.

Overall, effective trade facilitation contributes to economic development, reduces transaction costs, and fosters increased trade volumes between countries.

Short Answer questions

1. Describe the objective of Additional Customs duty
2. Describe the express or implied agreement with examples
3. Describe the advantages of DPD
4. Explain the advantage of using 'eway bill'
5. Explain the term 'input credit'

Long Answer question

1. Explain the main functions of Customs department
2. Explain how the introduction of GST helped logistics sector
3. Describe the different categories of import duties.

4.5 References

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