WHAT IS THE CALCULATION METHOD OF IMPORT DUTY AFTER GST IN INDIA?

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After the implementation of GST in India, the method to calculate the import duty of your product has been changed. The customs duty charged in India is defined under the Customs Act, 1962 and the Central Board of Excise & Customs is the regulatory body responsible for formulating the policies and measures regarding it. The changes have been made to the import duty on various products after GST. You will also know about all other duty included in it like Basic Customs Duty, IGST, Compensation Cess, Specific Duty and Preferential Duty of your product.

Let's understand how to calculate import duty after GST in India with these examples.

Example 1

Suppose the assessable value of an article imported into India is Rs. 100/-. Basic Customs Duty is 10% ad-valorem. Integrated tax rate is 18%.

The taxes will be calculated as under:

- Assessable Value= Rs. 100
- Basic Customs Duty (BCD) = Rs. 10
- Value for the purpose of levying integrated tax= Rs. 100- + Rs.10= Rs. 110
- Integrated Tax = 18% of Rs.110 =Rs. 19.80
- Total taxes = Rs. 29.80

On the top of it, in case the goods are also leviable to cess under the Goods and Services Tax (Compensation to States) Cess Act, 2017, the same will be collected on the value taken for levying integrated tax. Thus, in the above example, in case, cess is leviable, the same would be levied on Rs. 110.

Example 2

Suppose assessable value of Hair Oil imported into India is INR 500/-. The rates of taxes on hair oil (HS Code 330590) are – Basic Customs Duty (12.5%), IGST Rate (18%) and Compensation Cess (Nil).

Calculation of Total Import Duty on Hair Oil –

(A) Basic Customs Duty: 12.5% of 500 = INR 62.5/-

(B) IGST: 18% of (A.V. + BCD) = 18% of (500 + 62.5) = 18% of 562.5 = INR 101.25/-

(C) Compensation Cess: 0% of (A.V. + BCD) = 0% of (500 + 62.5) = 0% of 562.5 = 0 (Nil)

(D) Total Taxes: [(A) + (B) + (C)] = 62.5 + 101.25 + 0 = INR 163.75/-

Example 3

Calculation of Import Duty on Cigar and Cheroots.

(a) Basic Custom Duty: 60% of 1000 = INR 600

1. b) IGST: 28% of (A.V.+ BCD) = 28% of 1600 = INR 448/-

(c) Compensation Cess: 21% of (A.V.+ BCD) = 21% of 1600 = INR 336/-

(d) Total Taxes: [(a)+(b)+(c)] = 600+448+336= INR 1384/-

What is Assessable Value?

Import duty in India is calculated on assessable value, which is the sum of CIF value of goods imported and 1% landing charges. Now what is CIF value? CIF value is the sum of Cost, Insurance and Freight. For example, suppose cost, insurance and freight of a product is INR 70/-, INR 10/- and INR 20/- respectively. 1% is the Landing Charge. Calculation of Assessable Value is as under:

- CIF value = Cost + Insurance + Freight = 70+10+20 = INR 100/-·
- Assessable Value (A.V.) = CIF value + 1% Landing Charge on CIF = 100 + 1% of 100 = 100 + 1 = INR 101/-
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Types of Import Duty in India after GST

Under GST regime, Basic Custom Duty (BCD) and Integrated Goods and Services Tax (IGST) are the two main import duties. However, additional import duties like Compensation Cess, Safeguard Duty and Anti-Dumping Duty are levied on some goods.

Basic Customs Duty

Basic Customs Duty or BCD is a rate of duty, which is charged on products importing in India from other country.

IGST

IGST stands for Integrated Goods and Services Tax, is a component under GST law, which is levied on goods being imported into India from other country. It has been subsumed various customs duties including Countervailing Duty (CVD) and Special Additional Duty of Customs (SAD).

Compensation Cess:

Compensation Cess will be charged on luxury products like high-end cars and demerit commodities like pan masala, tobacco and aerated drinks for the period of 5 years in order to the compensate states for loss of revenue.

Safeguard Duty

Safeguard Duty is other type of custom duty, which is levied on goods when sudden rise in the imports of any product has caused serious problem to the domestic industries.

Anti-Dumping Duty

Anti-dumping duty is a tariff, levied by government on goods that are believed to be dumped in national market. Basically, dumping is a process where a company exports a commodity at a price lower than the price it normally charges on its own home market.

Which Existing Taxes are proposed to be subsumed under GST?

GST would replace the following taxes:

- Central Excise Duty
- Excise Duties on Medicinal and Toilet Preparations

- Additional Excise Duties on Goods of Special Importance
- Additional Excise Duties on Textiles and Textile Products
- Additional Customs Duties (commonly known as CVD)
- Special Additional Duty of Customs (SAD)
- Service Tax
- Central Surcharges and Cesses so far as they relate to supply of goods & services

State taxes would be subsumed under GST:

- State VAT
- Central Sales Tax
- Luxury Tax
- Entry Tax (all forms)
- Entertainment and Amusement Tax (except when levied by the local bodies)
- Advertisement Tax
- Purchase Tax
- Taxes on Lotteries, Betting & Gambling