**COMPLIANCE FOR IMPORT OF GOODS IN INDIA**

Imports and exports are the two important parts of a foreign trade. Foreign trade is the exchange of goods and services between the two countries, across their international borders. 'Imports' imply the movement of goods into a country from another country in a legal manner. In India, the import and export of goods is governed by the Foreign Trade (Development & Regulation) Act, 1992 and India’s Export Import Policy(EXIM). India’s Directorate General of Foreign Trade (DGFT) is the main governing authority responsible for all matters related to EXIM Policy.

If an import has to be made, the concerned person must register with the DGFT to obtain an Importer Exporter Code Number (IEC) issued against their Permanent Account Number (PAN), before engaging in EXIM activities. After getting an IEC, the source of items for import must be identified and declared.

The Indian Trade Classification – Harmonized System (ITC-HS) allows for the free import of most goods without a special import license. However certain goods that fall under the following categories require special permission or licensing.

1. Licensed (Restricted) Items – Licensed items can only be imported after getting an import license from the DGFT. These include some consumer goods such as precious and semi-precious stones, products related to safety and security, seeds, plants, animals, insecticides, pharmaceuticals and chemicals, and some electronic items.
2. Canalized Items – Canalized items can only be imported through specified transportation channels and methods, or through government agencies such as the State Trading Corporation (STC). These include petroleum products, bulk agricultural products such as grains and vegetable oils, and some pharmaceutical products.
3. Prohibited Items – These goods are strictly prohibited from import and include tallow fat, animal rennet, wild animals, and unprocessed ivory.

All importers must follow detailed customs clearance formalities when importing goods into India. First, a bill of entry must be filed with a Business Identification Number. Then in order to clear the goods from the warehouse, the rate of duty for the clearance must be determined. After that the required documents must be filed with the customs department and the report of import or manifest must be submitted.

Every importer is required to begin by submitting a Bill of Entry under Section 46[[1]](#footnote-2). This document certifies the description and value of goods entering the country. The Bill of Entry should be submitted as follows:

1. The original and duplicate for customs
2. A copy for the importer
3. A copy for the bank
4. A copy for making remittances

Bills of Entry can be one of three types:

1. Bill of Entry for Home Consumption: This form is used when the imported goods are to be cleared on payment of full duty. Home consumption means use within India. It is white colored and hence often called the ‘white bill of entry’.
2. Bill of Entry for Housing: If the imported goods are not required immediately, importers may store the goods in a warehouse without the payment of duty under a bond and then clear them from the warehouse when required by paying duty. This will enable the postponement of payment of the customs duty until goods are actually required. This Bill of Entry is printed on yellow paper and is thus often called the ‘yellow bill of entry’.
3. Bill of Entry for Ex-Bond Clearance: The third type is for ex-bond clearance. This is used for clearance from the warehouse on payment of duty and is printed on green paper.

It is important to note that the rate of duty applicable is as it exists on the date a good is removed from a warehouse. Therefore, if the rate changes after goods have been cleared from a customs port, the customs duty as assessed on a yellow bill of entry (Bill of Entry for Housing) and paid on the value listed on the green bill of entry (Bill of Entry for Ex-Bond Clearance) will not be the same.

If a Bill of Entry is filed without using the Electronic Data Interchange system, the following documents are also generally required:

Signed invoice; Packing list; Bill of lading or delivery order/air waybill; GATT declaration form; Importer/CHA declaration; Import license wherever necessary; Letter of credit/bank draft; Insurance document; Industrial license, if required; Test report in case of chemicals; Adhoc exemption order; DEEC Book/DEPB in original, where applicable; Catalogue, technical write up, literature in case of machineries, spares or chemicals as may be applicable; Separately split up value of spares, components, and machinery; and, Certificate of Origin, if preferential rate of duty is claimed.

The Indian government levies several types of import duties on goods. These include:

* Basic Customs Duty (BCD) is the standard tax rate applied to goods, or the standard preferential rate in the case of goods imported from specified countries. The rates of customs duties are outlined in the First and Second Schedules of the Customs Tariff Act, 1975.
* Additional duties of customs, commonly referred to as the Countervailing Duty (CVD) and Special Additional Duty of Customs (SAD), has been be replaced by the levy of the Integrated Goods and Services Tax (IGST), with a few exceptions, such as pan masala and certain petroleum products. The IGST replaces the previous system of federal and state categories of indirect taxation.

Further, a few items such as aerated water products, tobacco products, and motor vehicles, among others, will attract an additional levy of the GST Compensation Cess, over and above IGST. The Cess is calculated on the the price at which the goods are sold.

* The central government may impose an anti-dumping duty if it determines a good is being imported at below fair market price, and an importer will be notified if this is the case. The duty cannot exceed the difference between the export and normal price (margin of dumping).
* Safeguard Duty is imposed if the government decides that a sudden increase in exports is causing, or threatens to cause, serious damage to a domestic industry. A notification regarding the imposition of Safeguard Duty is valid for four years with the possibility of being extended to 10 years.
* A protective duty is sometimes imposed to protect domestic industry from imports. If the Tariff Commission issues a recommendation for the imposition of a Protective Duty, the central government may choose to impose this at a rate that does not exceed that recommended by the Tariff Commission. The federal government can specify the period up to which the protective duty will remain in force, reduce or extend the period, and adjust the effective rate.
* The Education Cess and Secondary and Higher Education Cess on imported goods is now abolished and replaced by the Social Welfare Surcharge. This surcharge will be levied at the rate of 10 percent of the aggregate duties of customs, on imported goods.

An importer has to comply with all the above procedures laid down by the Directorate General of Foreign Trade in accordance with the Foreign Trade (Development & Regulation) Act, 1992 and India’s Export Import Policy. In order to have compliance, the above customs clearance formalities must be taken care of when importing goods into India.

1. [↑](#footnote-ref-2)