BUSINESS ENVIRONMENT

UNIT-2

PART-X

IMPORT POLICY

GOALS AND OBJECTIVES OF IMPORT POLICY FOR A COUNTRY

No country is fully self-sufficient today as it cannot produce everything required by it. The purchase of goods and services of a foreign country is called import trade. In a country, import procedures are conducted properly following the import policy. This policy is issued by the government normally for 2 years. The goals and objectives of import policy are given below.

- To improve the industry and economy and to create strong economic infrastructure. Developing countries import certain raw materials, which are scarce, and other capital goods.
- To implement the economic and social commitment of the government. This enables the country to ensure its sovereignty and territorial integrity.
- Imposing necessary restrictions on the importing of unnecessary goods. A country can import food grains and other essential commodities to overcome starvation at the time of famine.
- Trade policy is declared to make the real industrialization of the country. Advanced technology is also imported for rapid industrial development.

- Import policy is declared to stabilize the exchange rate.
- To save the interest of small importers. Imports enable consumers in the home country to enjoy a wide variedly of products of high quality.
- Import policy is essential for creating a new market. Goods in short supply arc also imported to make up the deficiency.
- To enhance employment by involving young people with the activities of import.
- To make the balance of the price of goods and services within the country. Imports enable consumers in the home country to enjoy a wide variety of products of high quality.
- To identify and remove the problems to the procedure of import. During drought, flood, earthquake and other natural calamities country import food grains and other essential commodities to prevent starvation.
- Encouraging established agricultural industry to export agricultural products.
- To increase the production of the industries that are involved in exporting.
- To help the government to implement and to issue a new policy for the trade of the country. The importer must get the receipt of credit from his concerned bank and send it to the foreign supplier.
- By proper import policy, the country can earn more money. It helps in improving the standard of living of masses.
- Import policy identifies the demand for the country and import goods and services to fulfil that demand.
- The goods which are in demand but are not available within the country to meet consumer demand are imported.

At last, it is to be said that, import policy is very much essential for the country. Otherwise, unnecessary goods and services will be imported. For this reason, the cost will be increased but the actual demand will not be fulfilled.

INDIA'S IMPORT POLICY: PROCEDURES AND DUTIES

In India, the import and export of goods is governed by the Foreign Trade (Development & Regulation) Act, 1992 and India's Export Import (EXIM) Policy.

India's Directorate General of Foreign Trade (DGFT) is the principal governing body responsible for all matters related to EXIM Policy.

Importers are required to 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 an IEC has been obtained, 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.

Certain goods that fall under the following categories require special permission or licensing.

1) Licensed (Restricted) Items – Licensed items can only be imported after obtaining 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 via 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.

IMPORT PROCEDURES

All importers must follow detailed customs clearance formalities when importing goods into India. A comprehensive overview of EXIM procedures can be found on the Indian Directorate of General Valuation's website.

Bill of Entry

Every importer is required to begin by submitting a Bill of Entry under Section 46. 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

Under the Electronic Data Interchange (EDI), no formal Bill of Entry is required (as it is recorded electronically) but the importer is required to file a cargo declaration after prescribing particulars required for processing of the entry for customs clearance. 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 coloured 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 on payment of duty. This will enable the deferment 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'. It is also called the 'into bond bill of entry' as the bond is executed for the transfer of goods in a warehouse without paying duty.

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.

Other non-EDI documents

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.

IMPORT DUTIES

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

Basic Customs Duty

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.

The First Schedule specifies rates of import duty and the Second specifies rates of export duty. BCD is divided into standard and preferential rates, with goods imported from countries holding trade agreements with the Indian central government eligible for lower preferential rates.

IGST and Compensation Cess

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), barring 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.

A Customs Duty calculator is made available on the online portal of excise and customs, the ICEGATE website. There are seven rates prescribed for IGST– Nil, 0.25 percent, 3 percent 5 percent, 12 percent, 18 percent, and 28 percent. The actual rate applicable to an item will depend on its classification and will be specified in Schedules notified under Section 5 of the IGST Act, 2017.

Impact of GST on Imports and Exports in India

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 transaction value or the price at which the goods are sold.

The Goods and Services Tax (Compensation to States) Act, 2017 was enacted to levy Compensation Cess for providing compensation to Indian states for the loss of revenue arising on account of implementation of the Goods and Services Tax from July 1, 2017.

The Compensation Cess on goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975, at the point when duties of customs are levied on the said goods under Section 12 of the Customs Act, 1962, on a value determined under the Customs Tariff Act, 1975.

Anti-Dumping Duty

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).

This does not apply to goods imported by 100 percent Export Oriented Units (EOU) and units in Free Trade Zones (FTZs) and Special Economic Zones (SEZs).

If an importer is notified by the federal government, then an Anti-Dumping duty is to be imposed, the notification will remain valid for five years with the possibility of being extended to 10 years.

Safeguard Duty

Unlike Anti-Dumping Duty, the imposition of Safeguard Duty does not require the central government to determine a good is being imported at below fair market price.

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.

Protective Duty

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.

Social Welfare Surcharge

The Education Cess and Secondary and Higher Education Cess on imported goods is now abolished and replaced by the Social Welfare Surcharge.