

# CBIC floats norms to curb undervaluation of goods

SHRIMI CHOUDHARY

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In a clampdown on the undervaluation of goods shipped into the country, the government has proposed measures including an intense physical verification of imported products.

The move comes after the Customs observed a rising trend of consignments from countries including China, Taiwan, and Vietnam misusing rules-of-origin norms and the free trade agreement (FTA) route to evade duties by undervaluing them.

The Central Board of Indirect Taxes and Customs (CBIC) on Tuesday floated a public consultation paper pertaining to the valuation of imported goods, seeking stakeholders' comments till October 14.

The draft paper suggests declaring goods "identified goods" if there are reasons to believe that disclosures made by importers are not true or accurate. The paper proposed to constitute two committees—first a screening committee for a preliminary examination of goods to be covered under these rules and then an evaluation committee for a detailed examination.

The importer of such "identified goods" is required to follow processes such as declaring technical or other specifications while filing in the bill of entry and giving additional information at the Customs Automated System.

These committees will follow rigorous procedures. For instance, they will see trends in international prices, keeping in view the quality and nature of the goods; and cite



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information received through stakeholder consultation or disclosures, reports or certificates of experts, academic papers, research papers, published reports, open-source intelligence, reports from source countries or despatch ports, including reports of overseas enquiry or verification, etc.

Sources say the draft is focused mainly on preventive measures. However, a new class of goods and related tariffs will be notified separately, a senior official said.

"Importers need to be cautious in the valuation of notified goods once these rules come into force. Any concern on the draft rules needs to be flagged within the time frame, said MS Mani, partner, Deloitte India.

At present, FTAs provide benefits of concessions in duties, making this a convenient way to evade duties.

"It is common practice in consignments from Southeast Asian nations.

Recent cases show importers are shipping in finished goods in the garb of raw material and the intermediates," an official in the know said.

This is being observed in consignments such as shoes, plastic products, suitcases, handbags, furniture, household items, and electronic goods, the official said.

The draft paper has also given a negative list of items on which the norms would not apply.

"Given that the rules are not applicable in the case of manufacturing in the 'Other Operations and Warehousing and Project Import scheme', industry may explore some of them for importing specified goods which will get covered as part of these rules. This would help in promoting these schemes meant for ease of doing business," said Saurabh Agarwal, tax partner, EY.

The norms are in line with the announcements in Union Budget 2022.