

India Updates: CBEC revamps the Customs Special Valuation Branch mechanism

SVB processes streamlined and revamped

The Indian government has been taking steps towards improving the 'ease of doing business in India'. Simplifying the Special Valuation Branch (SVB) process is one such initiative.

The SVB was developed to deal with investigation of transactions involving special relationships between suppliers and importers and other features such as royalties, license fees, and other payments made directly or indirectly by the importer to the supplier related to the imports.

The Central Board of Excise and Customs (CBEC) has felt the need to streamline the SVB procedures, mainly considering:

- The large numbers of SVB investigations pending in the five appointed dedicated Customs Houses (Bengaluru, Chennai, Kolakata, Delhi, and Mumbai), as well as
- The fact that the basis for previous circulars - the Customs Valuation Rules, 1998 - has been superseded by the Customs Valuation Rules, 2007,

Consequently, there has been a need to amend the circulars. On 9 February 2016, the CBEC issued two circulars that revamp the way of conducting SVB proceedings which were previously prescribed under circular No. 11/2001-Customs., i.e.

- No. 4/2016-Customs on procedures for renewal of SVB orders and ongoing inquiries under circular no.11/2001-Cus dated 23 February 2001, and
- No. 5/2016-Customs on procedures for investigation of related party import cases and other cases by the SVB

A summary of the key impact is as follows:

For ongoing SVB proceedings:

- The renewal process if there are no changes will be simplified, discontinuing extra duty deposits and finalising the provisional assessment;
- A renewal process that includes changes will be treated as new case;
- Reassessment for EDD determination and collection for ongoing non-renewal proceedings;
- All existing cases commenced by 31 December 2015 are to be disposed of by 31 October 2016.

For new SVB proceedings:

- No longer used for import of samples and prototypes, imports with no duty liability, and imports below INR 0.1 million individually and cumulatively below INR 2.5 million in any financial year;
- The importer can select the SVB of the Customs House at the location of import or on the basis of proximity to its corporate office;
- Amendments to the process for reference to SVB by the assessing officer;
- Amendments to the SVB investigation process, key ones being:
 - No EDD during the investigation;
 - security deposit of 5% after 60 days for at most three months if the importer does not submit the required information for SVB proceedings;
 - The SVB proceedings have to be completed within 2 months from the submission of required information, extendable by a further 2 months. Thereafter, the matter has to be referred to the jurisdictional Chief Commissioner, who can extend the time as he deems fit.

Both circulars came into immediate effect.

To discuss in further detail, please do not hesitate to contact **Nitin Vijaivergia** (nitin.vijaivergia@in.pwc.com) / +91 9820239915) or reach out to your usual PwC contact.



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