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CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

Customs valuation in India: transaction value and related parties

Customs valuation in India starts from the transaction value: the price actually paid or payable for goods sold for export to India (Customs Act, section 14(1)). Rule 10 of the Customs Valuation Rules, 2007 adds royalties and licence fees tied to the goods, assists, freight and insurance. A related-party price stands if the relationship didn't influence it (rule 3(3)).

THE CUSTOMS VALUE of imported goods is their transaction value: the price actually paid or payable when they're sold for export to India, for delivery at the time and place of importation (section 14(1)). That holds when buyer and seller aren't related and price is the only consideration. Rule 10 then adds the costs the price leaves out.

KEY FACTS

LAW
Customs Act, 1962

TARIFF
Customs Tariff Act, 1975

VALUATION
Customs Valuation Rules, 2007

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What is the customs value of imported goods?

The customs value of imported goods is their transaction value: the price actually paid or payable when they're sold for export to India, for delivery at the time and place of importation (section 14(1)). That holds when buyer and seller aren't related and price is the only consideration. Rule 10 then adds the costs the price leaves out.

Section 14 of the Customs Act, 1962 sets the rule, and the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 fill it in. Valuation is one part of customs in India.

Customs converts a foreign currency price at the exchange rate in force on the date your bill of entry is presented (section 14(1), third proviso). The Central Board of Indirect Taxes and Customs (CBIC) sets that rate, or how it's worked out (Explanation (a)).

Which costs are added to the price?

Rule 10 of the Customs Valuation Rules, 2007 adds costs the buyer bears that the price leaves out. They include commissions other than buying commissions, assists such as tools and molds, and royalties and licence fees paid as a condition of sale. Resale proceeds that reach the seller, and freight and insurance to the place of importation, are added too.

Additions to the transaction value under rule 10 of the Customs Valuation Rules, 2007

Cost	When it is added	Source
Commissions and brokerage	When the buyer pays them, except buying commissions	Rule 10(1)(a)(i)

Assists: materials, parts, tools, molds, and design work done abroad	When the buyer supplies them free or at reduced cost for making the goods	Rule 10(1)(b)
Royalties and licence fees	When they relate to the goods and the buyer must pay them as a condition of sale	Rule 10(1)(c)
Proceeds of resale, disposal or use	When any part reaches the seller	Rule 10(1)(d)
Other payments	When paid as a condition of sale, to the seller or for the seller	Rule 10(1)(e)
Freight and handling to the place of importation	Always. 20% of FOB value if not known; by air, at most 20% of FOB value	Rule 10(2)(a), first and fifth provisos
Insurance to the place of importation	Always. 1.125% of FOB value if not known	Rule 10(2)(b), third proviso

Most additions apply only to the extent the price leaves them out. Additions rest on objective and quantifiable data, and customs may add nothing outside rule 10 (rule 10(3) and (4)).

For used machinery from a plant abroad, see importing second-hand machinery into India.

When can customs doubt your declared value?

Customs can doubt your declared value when the officer assessing it has reason to doubt its truth or accuracy (rule 12(1)). The officer can ask for more information. If reasonable doubt remains, the value is worked out under rules 4 to 9, in order. On request, you get the grounds in writing and a hearing first (rule 12(2)).

Rule 12, Explanation (1)(iii), lists reasons an officer may rely on:

- Identical or similar goods assessed at a significantly higher value at about the same time
- An abnormal discount or reduction from the ordinary competitive price
- Special discounts limited to exclusive agents
- Misdeclared description, quality, quantity or origin, or undeclared brand or grade
- Fraudulent or manipulated documents

After a rejection, rules 4 to 9 run in order: identical goods, similar goods, deductive value, computed value, then a residual method. To settle valuation principles before you import, you can seek a customs advance ruling (section 28H(2)(c)).

What are identified goods for customs valuation?

Identified goods are imported goods that CBIC, by order, marks as at risk of being declared below their true value. The Customs (Assistance in Value Declaration of Identified Imported Goods) Rules, 2023, Notification No. 03/2023-Customs (N.T.), set the procedure. The rules came into force on February 11, 2023, under section 14(1), second proviso, clause (iv).

Under the 2023 rules, each order names the goods by 8-digit HS code and runs one to two years at first (rule 10(1)). If you import identified goods:

- You declare value in the order's Unique Quantity Code, with its listed specifications (rule 11(1))
- If the customs system asks, you meet the order's extra obligations, such as the manufacturer's invoice or costing. The officer gives ten days for any not yet met (rule 8(4)(f), Explanation; rules 11(2) and (3))
- You can ask for provisional assessment against security (rule 11(5))
- If doubt remains, rule 12 applies (rule 11(7))

What are tariff values in Indian customs?

Tariff values are values CBIC fixes by notification for some goods, and duty is charged on them instead of the invoice price (section 14(2)). CBIC sets them with regard to the trend of value of such or like goods. In 2026 they cover edible oils, brass scrap, areca nut, gold and silver.

Each revision amends Notification No. 36/2001-Customs (N.T.) of August 3, 2001. The values are in US dollars: per metric tonne for edible oils and brass scrap, per 10 grams for gold, per kilogram for silver. Our tracker records 39 such notifications from January 13 to October 30, 2026, the latest Notification No. 89/2026-Customs (N.T.). The values change often: the Customs tracker lists each one.

When are buyer and seller related?

Buyer and seller are related under rule 2(2) of the Customs Valuation Rules, 2007 in eight cases. They include when one controls the other, when a third person controls both, and when anyone owns, controls or holds 5% or more of the voting shares of both. A foreign parent and the Indian subsidiary it controls fall under the first.

The other five cases in rule 2(2): officers or directors of each other's businesses, business partners, employer and employee, joint control of a third person, and members of the same family. A sole agent, sole distributor or sole concessionaire is related only if it also meets one of these tests (Explanation II).

Every importer declares at import whether the seller is related (Circular No. 5/2016-Customs, paragraph 4). Foreign sellers: see Indian customs for foreign companies.

When does customs accept a related-party price?

Customs accepts a related-party price on either of two grounds in rule 3(3) of the Customs Valuation Rules, 2007. Either the circumstances of the sale show the relationship didn't influence the price (rule 3(3)(a)), or you show the price closely approximates a test value from about the same time (rule 3(3)(b)).

The test values in rule 3(3)(b) are, for identical or similar goods, the transaction value in sales to unrelated buyers in India, the deductive value and the computed value. They're for comparison only, never substitute values (rule 3(3)(c)). The interpretative note quoted in Circular 5/2016 (paragraph 5.2) rules out a fixed percentage for "closely approximates".

A transfer pricing study answers an income tax question; the customs test is rule 3(3). The Special Valuation Branch (SVB) asks for the study (Circular 5/2016, Annexure B), but neither the rules nor the circular says it settles the customs value.

What is the Special Valuation Branch, and when does a case go to it?

The Special Valuation Branch (SVB) is the customs unit that investigates related-party imports and payments such as royalties, under Circular No. 5/2016-Customs of February 9, 2016. The circular lists SVBs at the Custom Houses in Bengaluru, Chennai, Kolkata, Delhi and Mumbai. Not every related-party import goes to one: the Commissioner decides, after reading your Annexure A questionnaire.

Circular 5/2016 has customs consider two kinds of import for the SVB: related-party imports, and royalties, resale proceeds and other payments under rule 10(1)(c) to (e) (paragraphs 4 and 4.1). Assists are settled in routine assessment (paragraph 4.2).

SVBs do not take up (paragraph 3.5):

- Samples and prototypes from related sellers
- Goods whose duty is unconditionally fully exempt or nil
- Imports under ₹1 lakh each that total no more than ₹25 lakh in a financial year

Your SVB is the one covering your corporate office. If you import through one of the five Custom Houses, you may choose its SVB or the one nearest your corporate office (paragraph 3.1 and Annexure F).

Annexure A asks how the price was set and about royalty agreements. Your authorized signatory, Director (Finance) or CFO signs it.

What happens during an SVB inquiry?

An SVB inquiry runs while your goods are assessed provisionally and released. You file Annexure A, the Commissioner refers the case, you answer Annexure B within 60 days, and the SVB ends with an Investigation Report. Circular 5/2016 says the SVB is to finish within two months of Annexure B, as far as possible.

1. File early, with Annexure A

CBIC advises a prior bill of entry, preferably 15 days before the first import. Later imports don't need it (paragraph 5).

2. Wait for the Commissioner

The officer examines your case within 3 days of your bill of entry and reports to the Commissioner. The Commissioner then refers the case to the SVB, or values it under rule 3 or rules 4 to 9 (paragraphs 5.1 and 5.4).

3. Expect provisional assessment

Your goods are assessed provisionally under section 18 and released, with no extra duty deposit (paragraphs 3.2 and 6).

4. Send Annexure B within 60 days

It asks for import documents, up to three years of annual reports, your transfer pricing report and any Advance Pricing Agreement. Miss the 60 days and a security deposit of 5% of the declared assessable value applies for up to three months (paragraphs 3.2 and 6.1).

5. Answer the SVB

The SVB may ask for more, and you can submit evidence (paragraph 8.1). Past the two-month target, the SVB needs the Commissioner's approval, and past four months the Chief Commissioner's (paragraph 8.2).

6. Read the Investigation Report

If your value meets rule 3, the assessment is finalized. If the price was influenced, a show cause notice follows within 15 days (paragraphs 9 and 9.1).

7. Declare changes in Annexure C

SVB orders are no longer renewed. Declare new sale terms or royalty-type payments in Annexure C (paragraphs 10 and 10.1).

A provisional assessment must now be finalized within two years, extendable by one (section 18(1B), Finance Act, 2025). Orders can be appealed (paragraph 9.4): see customs show cause notices, penalties and appeals.

Do transfer pricing adjustments change the customs value?

Transfer pricing adjustments at year end are not addressed by any customs rule or circular read for this guide, as of November 7, 2026. Customs asks about them. The SVB questionnaire asks whether the price will be settled with the seller at the end of a defined period by debit or credit notes (Circular 5/2016, paragraph 5.1(x) and Annexure A).

The questionnaire also asks about any Advance Pricing Agreement with the income tax authorities (Annexure A; paragraph 5.1(ix)).

How IndusDesk helps with customs valuation

We watch the authorities, tell you what each change means for your products and plans, represent you while a decision is still open, and carry the work through, with every step on record in your workspace.

On valuation, we review intercompany pricing and royalty terms against rules 3(3) and 10 before customs does, and prepare SVB submissions with your team and counsel.

Regulatory & trade advisory →

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Frequently asked questions

Has the Special Valuation Branch been abolished?

No. SVBs still work under Circular No. 5/2016-Customs. The circular ended the renewal of SVB orders and the extra duty deposit, not the branches (paragraphs 3.2 and 10.1).

Is there a 1% extra deposit during an SVB inquiry?

No, not since February 9, 2016. Circular 5/2016 dropped the 1% extra duty deposit. A 5% security deposit applies only if you miss the 60-day deadline for Annexure B documents, and for no more than three months (paragraph 3.2).

Are royalties paid to a foreign parent always added?

No. Rule 10(1)(c) adds a royalty or licence fee only when it relates to the imported goods and the buyer must pay it as a condition of sale. Customs considers such payments for an SVB reference (Circular 5/2016, paragraph 4.1).

Sources

- Customs Act, 1962, section 14: valuation of goods, sub-sections (1) and (2) and the Explanation (CBIC consolidated text, read November 7, 2026)
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- Customs Act, 1962, section 28H: application for advance ruling, sub-section (2)(c) (CBIC consolidated text, read November 7, 2026)
- Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, rule 2: definitions, sub-rule (2) and Explanation II
- Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, rule 3: determination of the method of valuation, sub-rules (1) and (3)

- Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, rule 10: cost and services, sub-rules (1) to (4)
- Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, rule 12: rejection of declared value, and its Explanation
- CBIC, Circular No. 5/2016-Customs, February 9, 2016: Procedure for investigation of related party import cases and other cases by the Special Valuation Branches, paragraphs 3.1 to 10.1 and Annexures A, B and F
- Ministry of Finance, Notification No. 03/2023-Customs (N.T.), January 11, 2023: Customs (Assistance in Value Declaration of Identified Imported Goods) Rules, 2023, rules 1, 2, 5, 8, 10 and 11
- CBIC, Notification No. 89/2026-Customs (N.T.), October 30, 2026: Fixation of Tariff Value of Edible Oils, Brass Scrap, Areca Nut, Gold and Silver (PDF, 379 KB)

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