Module 22 · IGCR rules P19 · topic 22

SM pp. 1197–1211 (exercise 1212). Past: only MCQs, both copied from the SM exercise — D24 full form of IIN (= SM MCQ 3), J26 "once a ___ is cleared the bond is debited automatically" (= SM MCQ 2 → Bill of Entry). Expected ~0.7 marks; the one sum is SM Illus. 1 (capital goods cleared after use).

WHAT AND WHO

- For importers claiming a **s.25(1)** exemption that depends on **end use** (manufacture or output service). Rules from 01.07.2017 (N. 68/2017-Cus (NT)); automated from 1st March 2022 — all on the common portal (ICEGATE), no transaction-wise permissions. [SM 1197–1198, SM 1204]
- Definitions: **capital goods** = value capitalised in the books; **date of import** = date of the s.47 order; **job work** excludes gold, jewellery, precious metals / stones; **output service** excludes after-sales service; jurisdictional officer = Superintendent / Appraiser. [SM 1198]

STEP BY STEP (RULES 4–6B)

Step	What
Rule 4(1)	one-time information in **IGCR-1**: importer, job worker, goods made / services, imported goods, notification, ports
Rule 4(2)	portal generates the **IIN** — Import of Goods at Concessional Rate Identification Number (D24 → (B))
Rule 4(3)	**continuity bond** with surety / security to the AC / DC of the premises
Rule 5	IIN + bond details in the **bill of entry**; on clearance the bond is **debited automatically** (J26 → (C))
Rule 6	records of quantity, receipt, use, job work, re-export, stock by BE; short / non-receipt → **IGCR-2**; statement **IGCR-3** by the **10th**
Rule 6A / 6B	job work / unit transfer under invoice or e-way bill; goods may stay with a job worker **six months** from the invoice

[SM 1199–1201]

UNUSED, DEFECTIVE, USED CAPITAL GOODS (RULE 7)

- Use the goods as the notification says within **six months** of import; unused / defective goods may be **re-exported** (value at least the assessed value) or **cleared for home** on paying duty + interest. [SM 1201]
- **Capital goods** used for the purpose may be cleared on paying the difference between full duty and duty paid, on the **depreciated value** (straight line), with interest u/s 28AA. Part of a quarter = full quarter; depreciation from first use to clearance. [SM 1201]

Period of use	Depreciation per quarter
first year	4%
second year · third year	3% · 3%
fourth and fifth years	2.5%
after that	2%

[SM 1201]

- **Rule 8**: recovery by the AC / DC if goods are not used / not paid for under rule 7; the importer stays liable even for job-worker failures. **Rule 8A**: penalty up to **₹2 lakh** (s.158(2)(ii)) on importer or job worker. [SM 1203]

⚠ AMENDMENT 2025 v SM TEXT

N. 07/2025-Cus (NT), from 2nd February, 2025 (rules now "... or for Specified End Use"): statement becomes **quarterly** (quarter = three calendar months ending March / June / September / December); "**six months**" becomes "**one year**" in the use / clearance periods. The SM rule text and its MCQ 5 still say "monthly ... by the tenth". Write quarterly for Dec'26; answer "tenth" if the option set forces it. [SM 1201–1202, SM 1212]

PROBLEMS BOX · CAPITAL GOODS CLEARED AFTER USE (RECOMPUTED BY SCRIPT m22_patterns.py)

WORKED PATTERN · SM ILLUS. 1

Capital goods ₹2 crore; duty paid ₹20 lakh on 10th October 2024 (concession ₹10 lakh); used from 1st January 2025; cleared 15th June 2025; rate @15%; paid 30th June 2025. [SM 1202]

Depreciated value: ₹2 crore − (₹2 crore × 4% × 2 quarters)	₹1.84 crore
Duty ₹1.84 crore × 15%	₹27,60,000
Less duty already paid	₹20,00,000
Difference duty to be paid	**₹7,60,000**

[SM 1202]

INTEREST

15% p.a. from the first day of the month after the duty was due till payment: 1st November 2024 to 30th June 2025 = 242 days → ₹7,60,000 × 15% × 242/365 = **₹75,584**. [SM 1203]

FORMAT

(1) quarters of use from first use to clearance, part = full; (2) depreciation % per quarter from the table; (3) duty at the full (non-exempt) rate on the depreciated value; (4) less duty paid; (5) interest at the s.28AA rate.

Hook: "IGCR-1 → IIN → bond in the BE → auto-debit → IGCR-3 statement."

PRACTISE THESE

D24 Q1(xv) · J26 Q1(xi) · SM M22 MCQs 1–5 (SM 1212) · SM Illus. 1 · **ICMAI Practice Workbook Ch14 illus. 18–19** (end-use breach: differential duty and interest) · MCQ bank Q89–Q92.