

Inverted Customs Duty are making Manufacturing Segments uncompetitive against finished product imports and discouraging domestic value addition.

FTA also leading to Duty Inversion - FICCI Survey

New Delhi, November 15, 2013: According to recent ‘**FICCI Survey on Inverted Duty Structure in Indian Manufacturing Sector**’, a number of manufacturing segments are facing inverted customs duty that is making them uncompetitive against finished product imports and discouraging domestic value addition.

In its submission to Government, FICCI has said that nine manufacturing sectors have reported duty inversion and these sectors are Aluminum products, Capital Goods, Cement, Chemicals, Electronics, Paper, Steel, Textiles and Tyres.

The findings of the survey assume importance as India is now a part of a number of regional and bilateral Free Trade Agreements (FTA) like India-Japan, ASEAN, India-South Korea etc. These FTAs aim to provide equal opportunity to Indian players in terms of market access. However, the higher import duty on raw materials due to concessions given by India under the FTAs has resulted in inverted duty structure in certain segments that makes Indian manufactured goods (those dependent on imported raw materials) uncompetitive in domestic markets.

The survey, has been submitted to respective sectoral Ministries, Tariff Commission, National Manufacturing Competitiveness Council (NMCC), Department of Industrial Policy and Promotion (DIPP) and Planning Commission for necessary action, said FICCI.

In addition to the duty anomaly created on Most Favoured Nation (MFN) basis (implying that duty inversion in general custom duty structure), the survey notes that many a times inverted duty is caused by FTAs also. The tables below show inverted duty in case of capital goods sector under India Korea Comprehensive Economic Partnership Agreement (CEPA) and on MFN basis.

Table: Duty Inversion in Capital Goods Sector

HS Code Final Product	Custom Duty on Final Product	HS Code Raw material	Custom Duty on Raw material
841989 (Pressure Vessels) and 841990 (Parts of Heat Exchangers, Pressure Vessels etc)	7.5%	7304 (Tubes)	10%
		7326 (Forged Components)	10%
		8311 (Welding Wires & Electrodes)	10%

Table: Duty Inversion in Capital Goods Sector

Under India- Korea CEPA

HS Code Final Product	Custom Duty on Final Product	HS Code Raw material	Custom Duty on Raw material
841989 (Pressure Vessels) and 841990 (Parts of Heat Exchangers, Pressure Vessels etc)	0%	7208 (Carbon Steel Plates -Non Alloy)	2.5%
		7304 (Tubes)	6.25%
		7326 (Forged Components)	2.5%
		7225 (Carbon Steel Plates- Alloy)	3.75%
		8311 (Welding Wires & Electrodes)	6.25%

Download Survey:

<http://ficci.com/SEDocument/20272/REPORT-SURVEY-ON-INVERTED-DUTY-STRUCTURE-2013.pdf>

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