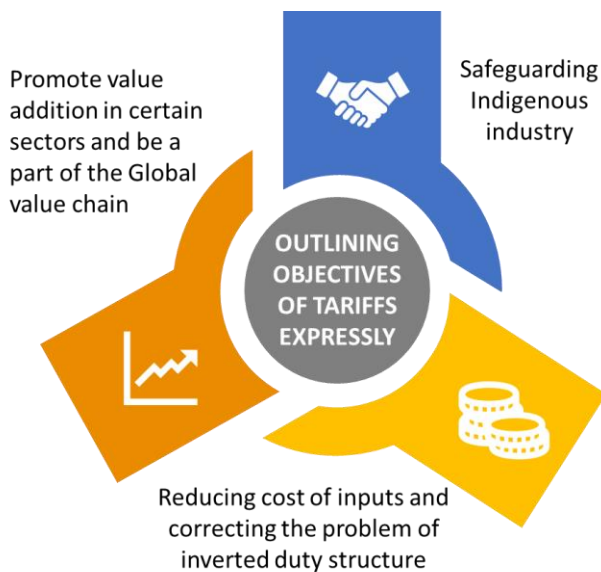


CUSTOMS & TARIFF MEASURES TO BOOST INDIAN ECONOMY

Walk the Talk!

In her Union Budget speech, the Finance Minister was intent on positioning India as a global manufacturing hub calling manufacturers world over to Make in India and Make for the World. In its bid to address this agenda through customs and tariff measures, the Finance Minister made significant policy and feasible legislative changes to secure interest of domestic manufacturers against cheap imports.



Worth Your Attention

The Union Budget 2021 seeks to ensure twin objectives of self-sufficiency and self-reliance through various measures as under:

- **PROMOTE LOCAL:** Hike in Custom duties for industries, where there is sufficient local capacity to discourage imports. Illustratively, chemicals, cut and polished stones, safety glasses and parts of signalling equipments, metal products such as screw, nuts, etc.
- **REAL VALUE ADDITION:** To promote value addition in certain sectors, import duty has been freshly imposed or hiked, in many cases. For example, solar inverters, parts of mobile phones, compressors for refrigerator/air-conditioners. This aims at seeking manufacturers to onshore majority value addition processes undertaken in course of manufacturing
- **IMPROVEMENTS:** Several sectors such as textiles, ferrous and non-ferrous metals, naptha, precious

metals, etc. were marred by factors such as inverted duty structures or tariffs causing an unwarranted increase in price of raw materials. Several tariff changes have been brought to address these scenarios. This is interesting as some of the proposals were being suggested by the industry for long and have been finally addressed in this year's budget .

- **SELF-COMPENSATING:** A peculiar feature of the budget has been its self-compensating proposals. Though a new agri-cess introduced, the same in most instances would not go on to add a duty load on importers since corresponding basic customs duty has been reduced suitably.
- **PRACTICABLE:** Revisiting 400 old exemptions on need and requirement parameters as well as ensuring that new exemptions set out with a timeline certainty is an appropriate approach. Further, the proposals assure to standardize compliance requirement for end use-based exemptions. Also, temporary revocation of ADD/CVD on certain items such as various steel products from China/Indonesia is a balancing approach to check soaring metal prices locally.
- **SENTIMENT:** It is proposed to introduce legal prescription for a definite time-period of two years (subject to certain exceptions) for completion of investigations. This would not only boost importer-exporter sentiment but also make authorities answerable.

What should the industry do?

- Amass the tariff changes directly impacting business and implement measures to address its administrative and financial impact.
- Notice the thematic message from the Union Government that India aims at higher and meaningful value addition by onshoring of critical manufacturing processes.
- Augment future plans to suit India's evolving policy towards localisation as gradually all industries would be impacted alike and the time for preparation/transition may be less.
- Identify such areas of representation/advocacy that presently hurdle the business as clearly the government is listening.