

## **GTRI Brief-Feb2,2023**

### **Union Budget 2023-24**

#### **Import duty changes focus on policy continuity and support Make in India.**

The import duty changes in Budget 2023 affect products that count for less than \$14 billion or 2% of the value in India's current merchandise import basket.

This includes products where duty was increased or reduced.

A large part of the budget exercise was devoted to reducing the number of duty slabs and exemptions.

The government continued with the current import duty structure, making changes only when it has big reason to do so.

This will allow the firms to think long-term.

#### **Details**

Customs duty changes fall into four broad groups. (I) Duty increases, (II) Duty reductions, (III) Correcting Inverted Duty Structure, and (IV) Reducing the number of duty slabs.

#### **(I) Duty increases.**

Combined Imports value for products where duty was raised is \$12 billion or 1.6% of India's total merchandise imports in CY 2022.

Significant products, along with import values for CY 2022 and details of duty increases, are:

- Silver bars and Silver dore bars. Imports \$6.6 billion, duty increased from 6.1/7.5% to 10%.
- Styrene. Imports \$1.2 billion, effective duty increased from 2% to 2.5%.
- Vinyl chloride. Imports \$580 million, duty increased from 2% to 2.5%.
- Naphtha. Imports \$1.2 billion, duty increased from 2% to 2.5%.
- Gold jewelry. Imports \$950 million, duty increased from 20% to 25%.
- Small Cars. Imports \$390 million, duty increased from 60% to 70%.
- Bicycles. Imports \$42 million, duty increased from 30% to 35%.
- Toys. Imports \$58 million, duty increased from 60% to 70%.

## **(II) Duty Reductions.**

Combined imports value for products where duty is reduced is \$2 billion or 0.27% of India's total merchandise imports in CY 2022.

Significant products, along with import values for CY 2022 and details of duty reductions, are:

- Palladium Tetra Amine Sulphate for the manufacture of parts of connectors. Imports \$1.0 billion, effective duty reduced from 7.5% to zero.
- Fish Feed to support domestic manufacture of shrimp feed. Imports \$320 million, duty reduced from 15% to 5%.
- Fish meal. Imports \$13 million, duty reduced from 15% to 5%.
- Fish lipid Oil- Imports \$9 million, duty reduced from 30% to 15%.
- Ethyl alcohol for use in Ethanol Blending Programme. Imports \$256 million, duty reduced from 5% to zero.
- Crude glycerin for use in the manufacture of epichlorohydrin. Imports \$91 million, duty reduced from 7.5% to 2.5%.
- Camera lens for mobile phone to support Mobile phone manufacturing. Duty reduced from 2.5% to zero.
- Parts for the manufacture of open cells of TV panels, duty reduced from 5% to 2.5%.
- Seeds for use in the manufacture of rough lab-grown diamonds to help India get a foothold in this new sector-Duty reduced from 5% to zero.
- Machinery for the manufacture of lithium-ion cells for batteries used in electric vehicles. Effective duty reduced to zero

## **(III) Correcting Inverted Duty Structure.**

The budget rectified the inverted duty structure for Electric kitchen chimneys by bringing duties on inputs and output at the same level.

- Effective duty on electric kitchen chimney – increased from 7.5% to 15%.
- Effective duty on heat coils used in the manufacture of electric kitchen chimneys decreased from 20% to 15%

## **(IV) Reducing the number of duty slabs.**

Basic Customs Duty slabs on goods other than textiles and agriculture have been reduced from 21 to 13. This was the most crucial exercise undertaken in this budget. Reducing the number of duty slabs without changing the final duty required rearranging effective duty and AIDC components.

Total imports under the above category are \$95 billion or 13% of India's total merchandise imports in CY 2022. Coal (Coking, steam, and Bituminous) and Gold were critical items.

In the case of Coal, effective duty was increased from 1 to 2.5% while AIDC was decreased from 1.5 to zero. So a total of both effective duty and AIDC remained unchanged at 2.5%. Coal importers will continue to pay the same duty.

For Gold Bars, effective duty was decreased from 12.5 to 10%, while AIDC was increased from 2.5 to 5%. So the total of both effective duty and AIDC remained unchanged at 15%. Gold bar importers will continue to pay the same duty.

For Gold, Dore bars effective duty was decreased from 11.85 to 10% while AIDC was increased from 2.5 to 4.35%. So a total of both effective duty and AIDC remained unchanged at 14.35%. Gold dore bar importers will continue to pay the same duty.

GTRI, in its Brief on Jan 25, 2023, had suggested "A Four Point Plan For Customs Duties ."The four points included freezing import duties for five years, reducing the number of duty slabs, retaining duties on components, and correcting inverted duty structures. GTRI is happy that Budget 2023 acted on all the suggestions.

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GTRI aims to create high-quality and jargon-free outputs for governments and industry on issues related to trade, technology and investment from the perspective of development and poverty reduction.

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### Feedback

Your feedback on this report is most welcome. Please email at [ajay@centrefortrade.com](mailto:ajay@centrefortrade.com).