

Govt hikes import duties on 19 items

ECONOMIC MEASURES Fridge, AC among non-essential items on which govt has raised duties to arrest a widening CAD, falling rupee

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NEW DELHI: The government on Wednesday raised import duties on 19 non-essential items worth ₹86,000 crore including refrigerators, air conditioners, jewellery, diamonds and stationary items to arrest a widening current account deficit and a falling rupee.

However, the imposition of a 5% import duty on aviation turbine fuel (ATF) is unlikely to impact air fares as India mostly imports crude oil and refines ATF domestically. India imported only \$181 million worth of jet fuel in 2017-18.

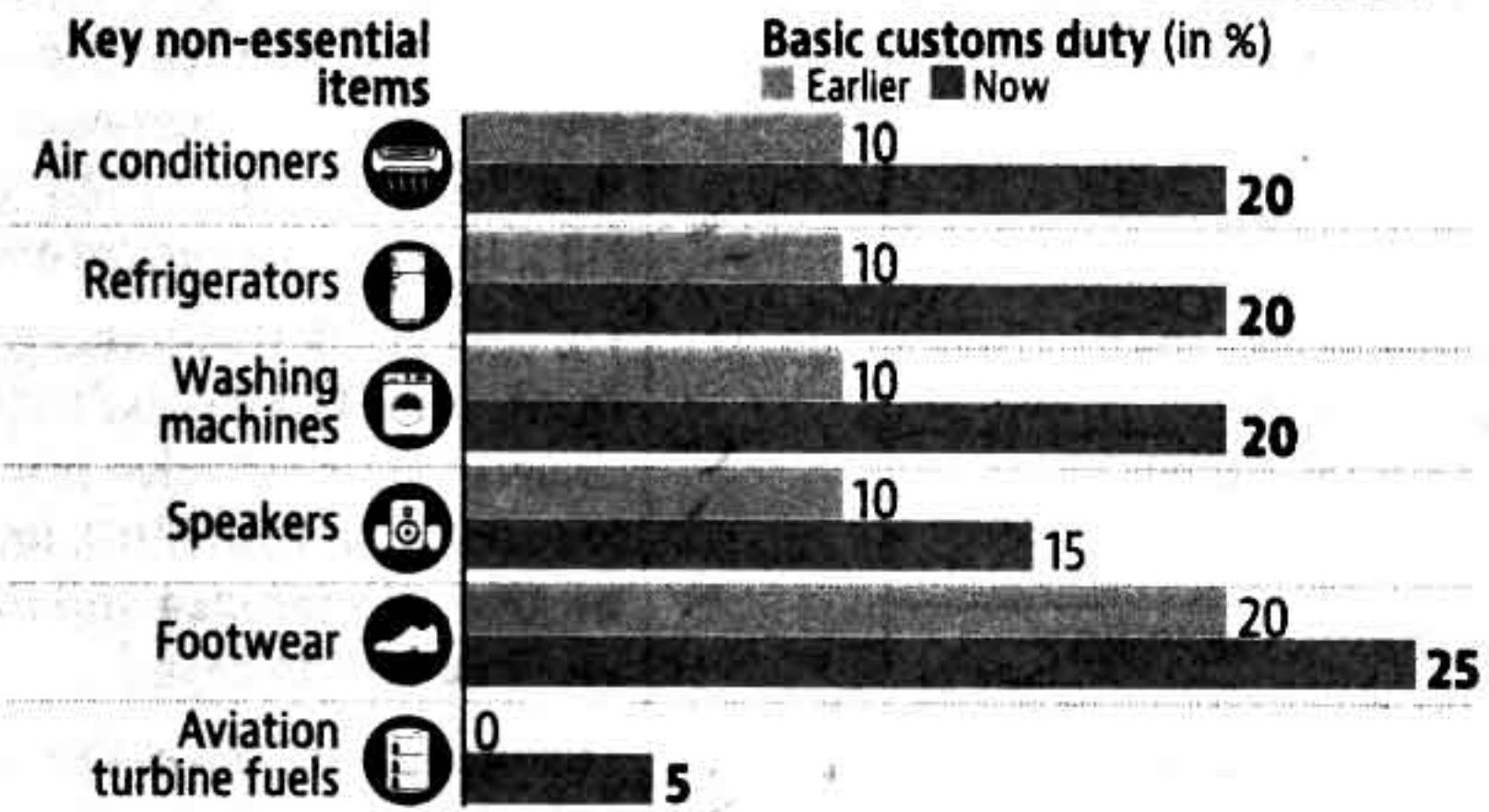
Abhishek Jain, tax partner at EY India, said the increase in import duties coupled with an already depreciating rupee would be a cause for worry for importers. "However, this hike in duty may not impact importers who procure from countries, with which India currently has beneficial free trade agreements," he added.

Earlier this month, while announcing a slew of measures to increase capital inflows and check rupee volatility, finance minister Arun Jaitley said a broad policy decision has been made to take necessary steps to cut non-essential imports and increase exports, in the backdrop of the CAD touching 2.4% in the June quarter.

The government however did not increase customs duties on imports of gold or electronic goods. While gold imports surged at an average 65% to \$3.3 billion in July and August, that

What will become costlier

The government has increased basic customs duty on a host of non-essential items ranging from ACs to shoes.



of electronic items increased 15% to \$2.47 billion during the April-August period.

With gold already attracting a high 10% customs duty, which both the commerce ministry and NITI Aayog have sought a reduction to ensure better tax compliance and cut smuggling may have weighed in favour of the yellow metal. Gold is also used as a raw material by the gems and jewellery sector whose exports have started to pick up after a prolonged weakness.

Many of the electronic items have zero customs duty under World Trade Organisation (WTO)'s first Information Technology Agreement, which limits the government's ability

to raise tariffs though imports of such items have been rising significantly.

Kamal Nandi, business head and executive vice-president at Godrej Appliances, said imports of large size white goods are very limited as compared to the overall size of the market. "For example, the large-size refrigerators with 500 litres and above capacity, sells only one lakh units which constitutes 1% of the industry volume. Moreover, as the consumers of this segment are value-driven and not price-sensitive, the increase in custom duties shouldn't impact sales in this segment," he added.

(Sapna Agarwal from Mumbai contributed to this story.)