

Govt hikes import duty on 19 items

ACs, washing machines to cost more, gold spared

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THE NEW MATRIX

Basic customs duty (%) ■ Old ■ New

	Air conditioners 10 20		Household Refrigerators 10 20
	Foot wears 20 25		Radial Car tyres 10 15
	Lab grown diamonds 5 7.5		Cut and polished Colored gemstone 5 7.5
	Articles of jewellery 15 20		Goldsmith, silversmith wares 15 20
	Household items of plastics 10 15		Aviation turbine fuel 0 5
	Washing machines less than 10 Kg 10 20		Speakers 10 15
	Bath, shower bath etc. of plastics 10 15		Suitcase, executive cases 10 15

SOURCE: PIB



New Delhi: Prices of imported air conditioners, refrigerators and washing machines are set to go up as the government has doubled the duty on these items in order to reduce imports and rein in Current Account Deficit (CAD).

The government on Wednesday hiked customs duty on 19 non-essential items, including footwear, diamonds, jewellery and jet fuel. It has, however, spared gold. The duty hike is effective from today. "The central government has taken tariff measures, by way of increase in the basic customs duty, to curb import of certain imported items. These changes aim at narrowing the CAD," the finance ministry said in a statement. The total value of imports of these items in 2017-18 was about Rs 86,000 crore.

"The hike in import duty on the identified non-essential items is likely to have a modest impact on curtailing the size of the CAD in FY19, which is estimated to touch around 2.8% of the GDP," said Aditi Nayar, principal economist at Icra.

The customs duty has been doubled to 20% on air conditioners, refrigerators and washing machines. The duty on speakers, radial car tyres, travel bags, suitcases, bath ware such as shower bath, sink and kitchenware and tableware made of plastic has been increased from 10% to 15%.

The articles of jewellery, goldsmith and silversmith ware will attract a basic customs duty of 20%, up from 15%, while duty on semi-processed, half cut or broken diamonds has been increased from 5% to 7.5%. On footwear, the customs duty has been increased from 20% to 25%. A basic duty of 5% has been brought in on the import of jet fuel.

Kamal Nandi, business head and EVP, Godrej Appliances, said large size televi-

sions and refrigerators sell only one lakh units and constitute 1% of the overall sales.

"As far as our industry is concerned, large size front-load washing machines are the ones getting imported, which are very few in numbers as compared to the overall size of the market. Moreover, as the consumers of this segment are value driven and not price sensitive, the increase in custom duties shouldn't impact the sale for this segment," he said.

Curbs on non-essential imports are part of the five-pronged steps announced by

the government to check widening of CAD which was on account of high oil prices and weakness in the rupee. "The significant increase in customs duties of selective items which the government perceives to be non-essential imports appears to be aimed at reducing the drain of currency reserves and boosting domestic demand," said Prashant Deshpande, partner at Deloitte India.

The CAD, which is the difference between forex inflow and outflow, widened to 2.4% of GDP during the first quarter of this fiscal. Turn to p2

Govt hikes import duty...

From p1

Experts said that by not boosting duty on gold the government may not be able to curb gold imports, which are in the range of Rs 2-2.20 lakh crore.

"The curbs on gold jewellery may not help much to contain CAD as the demand will shift to gold," said Surendra Mehta, National Secretary of India Bullion and Jewellers Association (IBJA). Imports of gold jewellery are estimated to be worth Rs 11,000 crore.

Meanwhile, experts are still divided over the effects of the government's plans to levy a 5% custom duty of jet fuel as India is a net exporter of it to neighbouring countries though it is sold over

import parity price.

Sharad Dhall, B2C (COO) at Yatra.com said that though announcing a 5% customs duty on ATF, there is bound to be a negative impact on the sector as the input cost borne by the carriers will increase. However, the silver lining is that with the peak season kicking in, the carriers are likely to see an increase in the prices.

As per sources, most of the airlines purchase jet fuel from Indian OMCs. Hence, the impact is likely to be marginal for the Indian carriers. Iqbal Mulla, chief counsel and Global Tourism Council (GTC), a tourism consultancy firm said that this will surely increase the air fares and will impact the fliers.

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