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TO CONTAIN WIDENING CURRENT ACCOUNT DEFICIT

# Govt raises import tariffs on 19 items

Washing machines, refrigerators, radial tyres, and ATF are some of products to see customs duty hikes

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THE GOVERNMENT on Wednesday increased customs duty on total 19 categories of "non-essential items" such as washing machines, refrigerators, radial tyres, and aviation turbine fuel (ATF) that saw an import of around Rs 86,000 crore in 2017-18. The hike in customs duty on these items will be effective Thursday, the Finance Ministry said in a statement.

While the Centre said it had taken the decision to hike tariffs "to curb import of certain imported items" and that these changes aim at narrowing the current account deficit (CAD), analysts are of the view that the move is unlikely to have any significant impact on curtailing the size of the CAD in 2018-19. For instance, in 2017-18, ATF imports were 0.03 per cent of total imports in value terms (in US dollar). Import of washing machines of less than 10 kg and radial tyres are other categories where volumes are limited.

According to the decisions, the import duty on air conditioners, washing machines having less than 10 kg capacity and house-

BASIC CUSTOMS DUTY (%)		
	Earlier	New
Aviation turbine fuel	0	5
Air conditioners, household refrigerators, washing machine	10	20
Diamonds non-industrial, lab grown, semi-processed, half cut	5	7.5
Speakers, trunks, suitcase, brief cases, travel bags, etc	10	15
Footwears	20	25

Source: Finance Ministry

hold refrigerators has been hiked from 10 per cent to 20 per cent. The government has also imposed an import duty of 5 per cent on ATF from nil earlier. All footwear categories — except parts of footwear, heel cushions, gaiters and removable in-soles — saw their import duty increase from 20 per cent to 25 per cent.

"The 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 current account deficit (CAD)," an official statement said. "These changes in rates of basic customs duty will be effective from

September 27, 2018," it added.

On September 14, Finance Minister Arun Jaitley after a meeting with Prime Minister Narendra Modi on the economic situation had said that the government would take steps to promote exports and restrict non-essential imports. Meanwhile, on Wednesday, Jaitley said India has large avenues of growth to sustain a GDP growth of 7-8 per cent for two decades, unlike any other major economy. "...when you have a consumer base of this kind, your middle class will become larger than the population of any other country other than China. And therefore every investor is com-

pelled to come to you, and are expected to put in money into the country," he said. Officials of the Finance Ministry and the Commerce Ministry have been engaged in consultations since last week to finalise the list of items for import curbs, which is being seen as an important measure to curtail the widening CAD. India's CAD had widened to a four-quarter high at 2.4 per cent of GDP in April-June from 1.9 per cent in January-March quarter.

Import duty on compressors, which are used in refrigerators and air conditioners, have been increased from 7.5 per cent to 10 per cent. Speakers, radial car tyres, tableware, kitchenware and other household items of plastics saw their import duty rise from 10 per cent to 15 per cent. Bath, shower bath, sink, wash basin and articles of plastics for conveyance and packing such as boxes, case, containers, bottles, insulated ware saw their import duty increase from 10 to 15 per cent.

Jewellery articles or their parts — which have been made from any precious metal or is made of a metal that is covered with precious metal — saw their import duty rise from 15 per cent to 20 per cent.

Experts said though the move

to hike customs duty will help India to reduce currency outflow, it could be seen as unstable tariff policy. "Though it will also boost revenue collection and domestic demand in the short term, such selective variations could be seen as unstable tariff policy and could impact investment decisions," Prashant Deshpande, partner, Deloitte India said. Some raised concerns about the impact of duty hike on ATF for aviation sector, which is already reeling under the impact of high crude prices and depreciating rupee.

Abhishek Jain, tax partner, EY said, "This increase in duty on imports with the already depreciating rupee would be quite a point of worry for the importers. However, this hike in duty may not impact importers who procure from countries, with which India currently has beneficial free trade agreements."

Economists though said the impact on CAD may be modest. Aditi Nayar, principal economist, ICRA said, "The hike in import duty on the identified non essential items is likely to have a modest impact on curtailing the size of the current account deficit in FY2019, which we currently estimate at around 2.8 per cent of GDP."