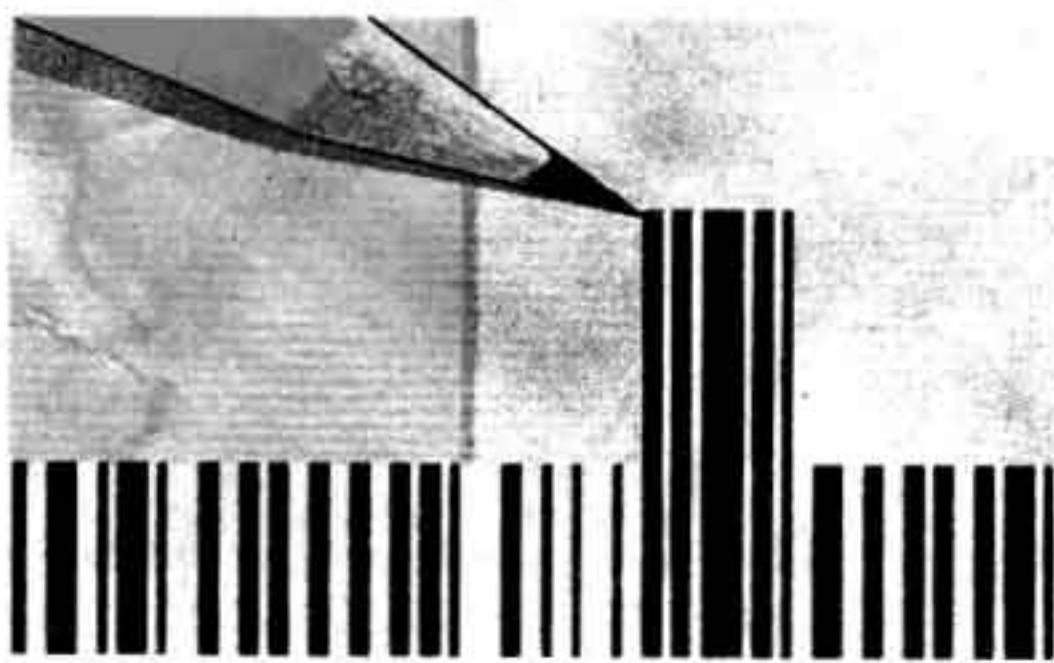


FRIDGES, ACs TO COST MORE

Import Duty Hiked on 19 Products to Stem ₹ Slide



Move also aimed at keeping CAD in check as these items accounted for an import bill of ₹86,000 crore in FY18

Our Bureau

New Delhi: India raised import duty on a range of items including air-conditioners, refrigerators, washing machines, footwear, jewellery, furniture fittings and tableware besides imposing it on aviation turbine fuel (ATF) as the government seeks to rein in the current account deficit and shore up the rupee. The move follows an announcement to this effect by finance minister Arun Jaitley earlier this month after a meeting with Prime Minister Narendra Modi in the wake of the slump in the rupee against dollar.

Basic customs duties have been raised on 19 tariff lines that accounted for an import bill of ₹86,000 crore in FY18 by 2.5-10 percentage points. Basic customs duty of 5% has been imposed on ATF. The prices of jet fuel will be increased by ₹2,000 per kilolitre from Thursday, oil refiners have communicated to airlines. The move will likely make air travel more expensive.

The moves comes into effect on Thursday, a finance ministry release said. "The central government has taken tariff measures, by way of increase in the basic customs duty, to curb import of certain imported items," it said. "These changes aim at narrowing the current account deficit (CAD)."

The prices of all these goods are expected to rise, dampening demand, lowering imports and helping local manufacturers.

₹4,000 cr in Revenue Likely

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The increased duty is likely to yield about Rs 4,000 crore in revenue.

"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% of GDP," said Aditi Nayar, principal economist, ICRA Ltd.

India's current account deficit deteriorated to 1.9% of GDP in FY18 from 0.6% in the year before and is forecast to rise to around 2.8% in the current year. Given the uncertain global environment, emerging economies running high current account deficits have seen their currencies depreciate sharply amid interest rate increases by the US Federal Reserve, higher crude prices and an intensifying global trade war.

The Indian rupee is down about 13% since January.

"The list of non-essential items will be decided in consultation with the concerned ministries to ensure that the measures we take are in consonance with our obligations under the multilateral trade agreement of the World Trade Organisation," Jaitley had said on September 14.

The advice of a committee headed by cabinet secretary PK Sinha tasked with identifying sectors that had been hurt by cheaper imports was also taken into account before deciding on the measures.

CHINESE IMPORTS

The consumer durable industry had lobbied the government for protection against Chinese imports and a number of items have seen increase in duties.

Customs duty on air-conditioners, household refrigerators and some washing machines has doubled to 20% from 10%. Duty on compressors used in air-conditioners and refrigerators has been raised to 10% from 7.5% and that on speakers to 15% from 10%. Duty on imported footwear has been raised to 25% from 20%.

"The move, though significant, is not surprising in view of the recent global developments. The government is looking to discourage import of white goods and other items perceived to be used more by affluent class. Message is clear — local is the new global and if local market is to be accessed then more value addition should take place in India," said Pratik Jain, Partner & Leader, PwC India.

Duty on radial car tyres has been raised to 15% from 10%. Non-industrial cut and polished diamonds, semi-processed or half-cut or broken diamonds, lab-grown diamonds and cut and polished coloured gemstones will face higher customs duty of 7.5% as against 5% now.

Import duty on jewellery has been raised to 20% from 15%. This pertains to "articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal" and "articles of goldsmith or silversmith wares and parts thereof of precious metal or of metal clad with precious metal."