

FICCI Survey on Inverted Duty Structure in Indian Manufacturing Sector

October 2013



FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY

TABLE OF CONTENTS

	<i>Page No.</i>
<i>Introduction</i>	1
<i>Aluminum & Articles</i>	2
<i>Capital Goods</i>	3
<i>Cement</i>	16
<i>Chemicals</i>	17
<i>Electronics</i>	24
<i>Paper</i>	25
<i>Steel</i>	26
<i>Textiles</i>	33
<i>Tyres</i>	44

INTRODUCTION

FICCI has tried to identify areas/products where inverted custom duty structure exists in manufacturing. It has been observed that in some cases the import duty applicable on the finished product is lower than the import duty on the raw material or intermediate product which discourages domestic value addition. This inversion is not solely because of basic custom duty but in some cases as a result of other additional duties.

The issue has become even more pronounced as India is now a part of number of regional/ bilateral Free Trade Agreements with countries like Japan, ASEAN and South Korea etc. Even though, FTAs aim to provide equal opportunity to Indian players in terms of exports, higher import duty on raw materials results in an inverted duty structure that makes certain Indian manufactured goods (those dependent on imported raw materials) uncompetitive.

Sometimes inverted duty structure also results from various Government Schemes where import duty reduction is provided (Nil Duty Project Imports, certain Defence purchases). Imports get the benefit of reduced duties / nil duty but for the same schemes, domestic manufacturers are not given equivalent exemptions. This creates unfavourable conditions for local manufacturers. It is therefore recommended that domestic manufacturers be given equivalent exemptions in order to create a level playing field.

In response to our survey, following sectors have reported inverted duty structure:

- ✓ Aluminium & Articles
- ✓ Capital Goods
- ✓ Cement
- ✓ Chemicals
- ✓ Electronics
- ✓ Paper
- ✓ Steel

- ✓ Textiles
- ✓ Tyres

Aluminium & Articles

- In this sector, while the additional custom duties are equal on raw material and final product but inversion exists because of basic custom duty. Whereas, aluminium ingots (HS Code- 7601), Aluminium Billets (HS Code- 7604), Aluminium Wirerods (HS Code- 7605), Aluminium Rolled Products (HS Code- 7606) are imported at 5% basic custom duty, duty on its raw materials like aluminium fluoride and coal tar pitch is higher. Aluminium Fluoride (HS Code- 28261200) attracts a basic custom duty of 7.5% and coal tar pitch (HS Code- 27081010) attracts a basic duty of 10% which leads to inverted duty structure in the sector. Also, customs duty on Alumina is at 5% whereas its one of the inputs Caustic Soda attracts a duty of 7.5%, thereby creating inversion.

Table: Duty Inversion in Aluminium Sector

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD
A	7601, 7604, 7505, 7606	1. Aluminium Ingots 2. Aluminium Billets 3. Aluminium Wirerods 4. Aluminium Rolled Products	5%	4%	12%	1	2826 12 00	Aluminium Fluoride	7.5%	4%	12%
						2	2708 10 10	Coal Tar Pitch	10%	4%	12%
B	28182000	Alumina	5%	4%	12%	1	28151200	Caustic Soda	7.5%	4%	12%

Source: FICCI Survey

- Aluminium Ingots, Aluminium Billets, Aluminium Wirerods and Aluminium Rolled Products worth \$ 1188 million were imported during 2012-13. During 2011-12 imports in this category were \$ 1011 million.

Capital Goods

- There is an inverted duty structure in capital goods falling under chapter 84 like pressure vessels, parts of heat exchangers, parts of nuclear reactors, boilers and part of boilers etc. This inversion is due to difference in the customs duty as special additional duty (SAD) and countervailing duty (CVD) are charged at same rate on raw material and finished products. The finished products attract a basic customs duty of 7.5% but certain tubes, forgings and welding consumables and other raw materials attract a duty of 10%.
- It has been reported that duty inversion exists in certain cases under India Japan CEPA and India Korea CEPA. Details of duty inversion are given in the table below:

Table: Duty Inversion in Capital Goods Sector

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Countervailing Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
A	841989	Pressure Vessels	7.50%	4%	12%	Korea @0% (151/2009 Cus)	1. Plates	7208	Carbon Steel Plates (Non Alloy)	5%	4%	12%	Korea @2.50% (152/2009 Cus) Japan @2.50% (69/2011 Cus)
						Japan @5.50% (69/2011 Cus)	2. Tubes	7304	Tubes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
							3. Forgings	7326	Forged Components	10%	4%	12%	Korea @2.50% (152/2009 Cus). However, Import of Chrome Moly Vanadium Forged components are not allowed from Korea & ASEAN Countries by Process License owners. Japan @7.30% (69/2011 Cus)
							4. Plates	7225	Carbon Steel Plates (Alloy)	5%	4%	12%	Korea @3.75% (152/2009 Cus) However, Import of Chrome Moly Vanadium plates are not allowed from Korea & ASEAN Countries by Process License owners. Japan @2.50% (69/2011 Cus)

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							5. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)
B	841990	Parts of Heat exchangers, Pressure Vesels etc	7.50%	4%	12%	Korea @0% (151/2009 Cus)	1. Plates	7208	Carbon Steel Plates (Non Alloy)	5%	4%	12%	Korea @2.50% (152/2009 Cus) Japan @2.50% (69/2011 Cus)
						Japan @5.50% (69/2011 Cus)	2. Tubes	7304	Tubes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)
							3. Forgings	7326	Forged Components	10%	4%	12%	Korea @2.50% (152/2009 Cus). Japan @7.30% (69/2011 Cus)
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							5. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)
C	847989	Reactors /Other Plant & Machinery	7.50%	4%	12%	Korea @0% (151/2009 Cus)	1. Plates	7208	Carbon Steel Plates	5%	4%	12%	Korea @2.50% (152/2009 Cus) Japan @2.50% (69/2011 Cus)
						Japan @5.50% (69/2011 Cus)	2. Tubes	7304	Tubes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)

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							3. Forgings	7326	Forged Components	10%	4%	12%	Korea @2.50% (152/2009 Cus). However, Import of Chrome Moly Vanadium Forged components are not allowed from Korea & ASEAN Countries by Process License owners. Japan @7.30% (69/2011 Cus)
							4. Plates	7225	Carbon Steel Plates (Alloy)	5%	4%	12%	Korea @3.75% (152/2009 Cus) However, Import of Chrome Moly Vanadium plates are not allowed from Korea & ASEAN Countries by Process License owners. Japan @2.50% (69/2011 Cus)

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Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
							5. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)
D	847990	Parts of Reactors /Other Plant & Machinery	7.50%	4%	12%	Korea @0% (151/2009 Cus)	1. Plates	7208	Carbon Steel Plates	5%	4%	12%	Korea @2.50% (152/2009 Cus) Japan @2.50% (69/2011 Cus)
						Japan @5.50% (69/2011 Cus)	2. Tubes	7304	Tubes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)

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							3. Forgings	7326	Forged Components	10%	4%	12%	Korea @2.50% (152/2009 Cus). However, Import of Chrome Moly Vanadium Forged components are not allowed from Korea & ASEAN Countries by Process License owners. Japan @7.30% (69/2011 Cus)
							4. Plates	7225	Carbon Steel Plates (Alloy)	5%	4%	12%	Korea @3.75% (152/2009 Cus) However, Import of Chrome Moly Vanadium plates are not allowed from Korea & ASEAN Countries by Process License owners. Japan @2.50% (69/2011 Cus)

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							5. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)
E	8401	Parts of Nuclear Reactors	7.50%	4%	12%	Korea @6.25% (152/2009 Cus)	1. Tubes	7304	Tubes	7.50%	4%	12%	Japan @7.30% (69/2011 Cus)
							2. Forgings	7326	Forged Components	10%	4%	12%	Japan @7.30% (69/2011 Cus)
							3. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Japan @7.30% (69/2011 Cus)
F	8402	Boilers	7.50%	4%	12%	Korea @6.25% (152/2009 Cus)	1. Tubes	7304	Tubes	7.50%	4%	12%	Japan @7.30% (69/2011 Cus)
							2. Forgings	7326	Forged Components	10%	4%	12%	Japan @7.30% (69/2011 Cus)

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Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
						1 Cus)							
							3. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Japan @7.30% (69/2011 Cus)
G	84021200	Industrial Steam Boiler - Bi-Drum Boiler < 45TPH	7.5		12		1	73045110	Seamless Alloy Steel Tubes	10.0%	4%	12%	NA
							2	73045110	Seamless Carbon Steel Cold Drawn Tubes	10.0%	4%	12%	NA
							3	73049000	Pipes	10.0%	4%	12%	NA
							4	73089090	Structural Steel	10.0%	4%	12%	5%(Korea -CEPA)

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							5	8311900	Welding Consumables	10.0%	4%	12%	8% Singapore
							6	73089010	Lifting Beam	10.0%	4%	12%	5% (Korea-CEPA)
							7	73079990	Flanges	10.0%	4%	12%	-
							8	73089090	Grating	10.0%	4%	12%	5% (Korea-CEPA)
							9	73079190	Orifice Flange Unions with Plates & Gaskets	10.0%	4%	12%	5% (Korea-CEPA)
							11	73079190	Elbow	10.0%	4%	12%	5% (Korea-CEPA)

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							13	73079990	Pipe Fittings	10.0%	4%	12%	-
							15	73269099	Spring Hanger (Boiler Parts) Support Assembly	10.0%	4%	12%	5% (Korea-CEPA), 8% malaysia
							17	73079990	Forged Discs, Forged Bars (Round bar, Hollow Bar)	10.0%	4%	12%	-
							19	73079190	Casting Bend	10.0%	4%	12%	5% (Korea-CEPA)

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							21	73269099	Dished End	10.0%	4%	12%	5% (Korea-CEPA), 8% malaysia
							23	90271000	Monitor (Codel)	10.0%	4%	12%	8.2% Japan, 7.8% Korea, 5% malaysia
							25	85169090	Heating Elements. Spray Nozles	10.0%	4%	12%	8.2% Japan, 5% Korea, 6% malaysia
							27	73045910	SS Tubes	10.0%	4%	12%	-
							29	73079990	Girth Fittings (Tube Sheets)	10.0%	4%	12%	-
							31	73030000	Cast Iron Tubes	10.0%	4%	12%	-
							33	73079990	Male Connector	10.0%	4%	12%	-

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							35	90271000	Analyser	10.0%	4%	12%	-		
							37	73049000	Finned Tubes	10.0%	4%	12%	8% Singapore		
H	840290	Parts of Boilers	7.50%	4%	12%	Korea @2.50% (152/2009 Cus)	1. Tubes	7304	Tubes	7.50%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)		
									2. Forgings	7326	Forged Components	10%	4%	12%	Japan @7.30% (69/2011 Cus)
									3. Welding Consumables	8311	Welding Wires & Electrodes	10%	4%	12%	Korea @6.25% (152/2009 Cus) Japan @7.30% (69/2011 Cus)

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
I	840410	Heaters	7.50%	4%	12%	Korea @6.25% (152/2009) Japan @5.50% (69/2011 Cus)	1. Tubes	7304	Tubes	10%	4%	12%	In case of High Pressure Heaters the welded & drawn tubes are procured from Europe, USA & India only since there is no approved supplier in other region.
J	84195010	Heat Exchangers	7.5%	4%	12%	No FTA			Forgings	10%	4%	12%	

Source: FICCI Survey

Cement

- Basic Customs Duty on Cement has been exempted whereas duty ranging between 2% to 10% is levied on the inputs required for manufacture of Cement creating inversion in duty structure. Duty inversion on cement sector is presented in the table below:

Table: Duty Inversion in Cement sector

FINAL PRODUCT							RAW MATERIAL						
Final Product	HSN Code	Product Description	Current Basic Custom Duty	Current SAD (%)	Current CVD (%)	Is the final product imported under an FTA in India at concessional duty	Raw Material for Final Product	HSN Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty? (mention the partner FTA country/region)%
A)	25232910	Cement - (OPC)	NIL	4	12	NA	1	25201010	Lime Stone	10%			Import from Philippines at 3%
							2	39232990	HDPE Bags	10%			
							3	27101950	Furnace Oil	5%			
B)	25232920	Cement - (PPC)	NIL	4	12	NA	4	27101980	Lubricants	5%			
							5	26219000	Fly Ash	5%			
							6	25201090	Gypsum	2.5%			
							7	27131100	Pet Coke	2.5%			
							8	26179000	Red/Brown Ore	2.5%			
9	27011920	Coal	2%										

Source: FICCI Survey

Chemicals

- In chemical sector, while the additional custom duties are equal on raw material and final product, inversion exists because of difference in basic custom duty. Details are given in the table below.

Table: Duty Inversion in Chemicals Sector

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
A) Styrene	29025000		2.50%	4.00%	12%		Ethylene	29012100		5.0%	4%	12%	
							Naphtha	27101290		5.0%	4%	14%	
B) Ethylene Dichloride (EDC)	29031500		2.50%	4.00%	12%		Ethylene	29012100		5.0%	4%	12%	
							Naphtha	27101290		5.0%	4%	14%	
C) Vinyl Chloride Monomer	29032100		2.50%	4.00%	12%		Ethylene	29012100		5.0%	4%	12%	
							Naphtha	27101290		5.0%	4%	14%	
D) Monoethylene Glycol	290531		5.00%	4.00%	12%		Ethylene Oxide	291010		7.5%	4%	12%	

FINAL PRODUCT							RAW MATERIAL						
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(MEG)													
E) Fatty Alcohol (Cetyl Alcohol)	29051700		7.50%	4%	12%	2.5% - upto Dec 2013 0% - wef Jan 2014 ASEAN Country	Palm Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country
F) Fatty Alcohol (Stearyl Alcohol)	29051700		7.50%	4%	12%	2.5% - upto Dec 2013 0% -wef Jan 2014 ASEAN Country	Palm Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
G) Stearic Acid (above 90%)	29157010		7.50%	4%	12%	6% - upto Dec 2013,	1) Palm Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country
						5% - wef Jan 2014							
							2) Crude Palm Stearine	3823 1111		20%	4%	12%	12% ASEAN Country
H) Terephthalic Acid (PTA)	29173600		5.00%	4.00%	12%		Reformate (Aromatic feedstock)	27075000 27079900		10.0%	4%	14%	
I) Refined Glycerine	29054500		7.50%	4%	12%	6% - upto Dec 2013,	Crude Glycerine	15200000		12.50%	4%	12%	12.50%
						5% - wef Jan 2014							ASEAN Country N.A.

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Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
						ASEAN Country							
J) Soap / Soap Noodles	34012000		10%	4%	12%	2.5% - upto Dec 2013 0% -wef Jan 2014 ASEAN Country	1)Palm Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country
							2)Palm Kernel Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country
							3)Crude Palm Stearine	3823 1111		20%	4%	12%	12% ASEAN Country
K) Sodium Lauryl Ether Sulph	34021190		10%	4%	12%	2.5% - upto Dec 2013 0% -wef Jan 2014 ASEAN	Palm Kernel Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country

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Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic custom duty	Current SAD (Special Additional duty)	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
ate/ Sodium Lauryl Sulphate						Country							
L) Fatty Alcohol (Ceto-Stearyl)	38237090		15%	4%	12%	5% - upto Dec 2013 0%- wef Jan 2014 ASEAN Country	Palm Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country
M) Lauryl Alcohol	38237090		15%	4%	12%	5% - upto Dec 2013 0%- wef Jan 2014 ASEAN Country	Palm Kernel Fatty Acid Distillate	38231900		15%	4%	12%	11% ASEAN Country

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N) Linear Low Density Polyethylene (LLDPE)	39011010		1.70%	4.00%	12%	Singapore	Naphtha	27101290		5.0%	4%	14%	
O) Polyethylene (having a specific gravity of 0.94 or more)	39012000		1.70%	4.00%	12%	Singapore	Naphtha	27101290		5.0%	4%	14%	
P) Polypropylene	39021000		1.70%	4.00%	12%	Singapore	Naphtha	27101290		5.0%	4%	14%	

Source: FICCI Survey

Electronics

- Industry has reported that in products like desktops and notebooks total duty on final product is 4 percentage points less than the key components for the product which is discouraging domestic value addition in the country. This is mainly due to the special additional duty of 4% on components like memory, chassis, battery etc (see table below). Also, it was reported that inverted duty exists in case of smart cards (HS Code- 85235290) as the final product attracts a total duty of 6.18% vis-à-vis the total duty on its components ranging from 12.36% to 26.36%.

Table: Duty Inversion in Electronic Sector

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD
Smart Card	85235290	Smart card	Nil	Nil	6.18%	PVC Plastic Sheet	39219091	PVC Plastic Sheet	10%	4%	12.36%
						Intigrated Circuit	85423100	Intigrated Circuit	0%	0%	12.36%
Desktop	84715000	Desktop	0	0	12	1	84733010	Processor	0	0	6
						2	84733020	Planar	0	4	12
						3	84733030	Memory	0	4	12
						4	84717020	Hard Disk	0	0	6
						5	84733099	Chasis	0	4	12
						6	84717060	DVD ROM/Writer	0	0	6
Notebook	84713010	Notebook	0	0	12	1	84735000	Top & Bottom Shell	0	4	12
						2	84733010	Processor	0	0	6

						3	84717020	Hard Disk	0	0	6
						4	84733030	Memory	0	4	12
						5	85068090	Battery	10	4	12.36

Source: FICCI Survey

(Note: \$710 million worth of desktops and \$1566 million worth of personal computers were imported during 2012-13. During 2011-12, desktops and personal computers worth \$667 million and \$1354 million respectively were imported. \$80 million worth of smart cards were imported in 2012-13 vis-à-vis \$79 million in 2011-12).

Paper

- Paper sector is facing inverted duty structure as final products namely Art paper and other paper attract 10% basic custom duty, 4% SAD and 6% CVD whereas the raw material namely modified starch attracts 20% customs duty, 4% SAD and 12% CVD and Bamboo attracts 30% basic customs duty and 4% SAD on MFN basis. Here, inversion exists because of customs duty and CVD. A detailed description of inversion is mentioned in the table below:

Table: Duty Inversion in Paper sector

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
A Paper	48101920/48101990	Coated /W&P Paper	10%	4%	6%	<ul style="list-style-type: none"> ASEAN (Indonesia) at 2.5% ASEAN (Korea) at 6.25% ASEAN 	Starch	35051090	Modified Starch	20%	4%	12%	<ul style="list-style-type: none"> 12% under ASEAN (Thailand, Malaysia, Vietnam, Myanmar, Singapore) 16% under

						(Japan) at 7.30%							ASEAN (Phillipine)
							Bamboo	14011000	Bamboo	30%	4%	-	No FTA

Source: FICCI Survey

- Due to preferential treatment under India ASEAN FTA we are importing art paper and other paper at customs duty ranging from 2.5% to 7.3% from different countries (SAD and CVD being constant at 4% and 6% respectively). But inversion exists under FTAs for starch because of higher customs duty and CVD.
- Coated paper and other papers worth \$172 million were imported during 2012-13. During 2010-11 imports in this category were \$106 million.

Steel

- Stainless steel products under the HS code 7219 & 7220 attract 3.30% basic customs duty under India Japan Comprehensive Economic Partnership Agreement (CEPA) whereas the raw materials for these products falling under the HS code 7202 attract a basic customs duty of 4.10% under the same agreement thereby causing inversion. However, the CVD and SAD are same on finished goods and raw materials. Duty inversion exists in the case of India- Korea Comprehensive Economic Agreement also as finished goods under HS code 7219 and 7220 attract basic customs duty at 3.75% and its raw material under HS code 7202 attract customs duty at 5%.

Table: Duty Inversion in Steel Sector

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
India-Japan Comprehensive Economic Partnership Agreement	FINISHED GOODS	7219 & 7220	FLAT ROLLED PRODUCTS OF STAINLESS STEEL OF ALL WIDTHS	2.5%	12%	4%	RAW MATERIAL	72021100	Ferro Manganese containing by weight more than 2% of carbon	3.6%	12%	4%
								72021900	Other Ferro Manganese	3.6%	12%	4%
								72023000	Ferro Silico Manganese	3.6%	12%	4%
								72025000	Ferro Silico Chromium	3.6%	12%	4%
								72026000	Ferro Nickel	3.6%	12%	4%
								72028000	Ferro Tungsten and Ferro Silico Tungsten	3.6%	12%	4%
								72029100	Ferro titanium and ferro silico titanium	3.6%	12%	4%
								72029200	Ferro Vanadium	3.6%	12%	4%
								72029300	Ferro Niobium	3.6%	12%	4%
								72029911	Ferro Phosphorus	3.6%	12%	4%
								720299	Ferro Selenium	3.6%	12%	4%

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
								12				
								72029913	Ferro Cobalt	3.6%	12%	4%
								72029914	Ferro Columbium	3.6%	12%	4%
								72029915	Ferro Zirconium	3.6%	12%	4%
								72029916	Ferro Tantalum	3.6%	12%	4%
								72029921	Ferro Silico Zirconium	3.6%	12%	4%
								72029931	Ferro Boron	3.6%	12%	4%
								72029932	Charge Chrome	3.6%	12%	4%
								72029990	Other	3.6%	12%	4%
India-Korea Comprehensive Economic Partnership Agreement	FINISHED GOODS	72191200	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than hot rolled , in coils, of a thickness of	3.75%	12%	4%	RAW MATERIAL	7202	Ferro Alloys	5%	12%	4%

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
			4.75mm or more but not exceeding 10mm									
		72191300	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than hot rolled , in coils, of a thickness of 3mm or more but less than 4.75mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		72191400	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than hot rolled , in coils, of a thickness of	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
			less than 3mm									
		721922	Universal plates of Stainless Steel of a thickness of 4.75mm or more but not exceeding 10mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		721923	Universal plates of Stainless Steel of a thickness of 3.00mm or more but less than 4.75mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		721924	Universal plates of Stainless Steel of a thickness of less than 3mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		721931	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
			cold rolled , of a thickness of 4.75mm or more									
		721932	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than cold rolled , of a thickness of 3mm or more but less than 4.75mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		721934	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than cold rolled , of a thickness of 0.5mm or more but not	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%

FINAL PRODUCT							RAW MATERIAL					
FREE TRADE AGREEMENT (FTA) DETAILS		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD		HS CODE	DESCRIPTION	CURRENT BASIC CUSTOM DUTY UNDER FTA	CVD	SAD
			exceeding 1mm									
		721935	Flat Rolled Products of Stainless Steel of a width of 600mm or more , not further worked than cold rolled , of a thickness of less than 0.5mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%
		7220	Flat Rolled Products of Stainless Steel of a width of less than 600mm	3.75%	12%	4%		7202	Ferro Alloys	5%	12%	4%

Source: FICCI Survey

- In 2012- 13, flat rolled products of stainless steel worth \$778 million were imported. Imports in 2011-12 were worth \$838 million.

Textiles

- Duty inversion has been reported in synthetic fibres and yarns, the details of which are given in the table below.

Table: Duty Inversion in Textiles Sector

FINAL PRODUCT					RAW MATERIAL				
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD
INSTANCES OF DUTY INVERSION IN MFN APPLIED TARIFF RATES									
Polyester staple Fibre (PSF) Partially oriented yarn of polyester (POY)	550320 / 540246	5.00%	4.00%	12%	Tio2	28230010	10.0%	4%	12%
					Spinfinish oil	340319	7.5%	4%	12%

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
INSTANCES OF DUTY INVERSION IN CASE OF EXISTING FTAs											
Polyester staple Fibre (PSF) Partially oriented yarn of polyester (POY)	550320 / 540246	5.00%	4.00%	12%	Korea	PTA	291736	10.0%	4%	12%	
						Titanium Dioxide	28230010	10%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 28230010 if imported from SAFTA • 6.25% against CTH 28230010 if imported from Korea • 2.50% if imported from Malaysia - ASEAN except Philippines • 6.10% if imported from Japan • 6% if imported from Philippines
						Antimony Trioxide	28258000	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											28258000 if imported from SAFTA <ul style="list-style-type: none"> • 2.50% if imported from Malaysia • 6.10% if imported from Japan • 2.50% if imported from Malaysia - ASEAN except Philippines • 4% if imported from Philippines
						Diethylene Glycol	29053990	7.5%	4%	12%	5% against CTH 29053990 if imported from SAFTA
						Triethylene Glycol	29053990	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 29053990 if imported from SAFTA • 20%

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											<p>concession on percentage of applied rate of duty if imported from Argentina, Brazil, Paraguay & Uruguay</p> <ul style="list-style-type: none"> • 50% of applied rate if imported from Singapore • 6% if imported from Malaysia • 6% if imported from Malaysia-ASEAN except Philippines • 7% if imported from Philippines

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
						Spin Finish Oil	34031100	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 34031100 if imported from SAFTA • 2.5% if imported from Malaysia • 6.10% if imported from Japan • 2.50% if imported from Malaysia - ASEAN except Philippines • 4% if imported from Philippines
						Heat Transfer Oil / Dowtherm / Fluide	38249090	7.5%	4%	12%	

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
Draw Texturized Yarns	54023300	5%	4%	12%		Titanium Dioxide	28230010	10%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 28230010 if imported from SAFTA • 6.25% against CTH 28230010 if imported from Korea • 2.50% if imported from Malaysia - ASEAN except Philippines • 6.10% if imported from Japan • 6% if imported from Philippines
						Antimony Trioxide	28258000	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 28258000 if imported from SAFTA • 2.50% if

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											imported from Malaysia <ul style="list-style-type: none"> • 6.10% if imported from Japan • 2.50% if imported from Malaysia - ASEAN except Philippines • 4% if imported from Philippines
						Diethylene Glycol	29053990	7.5%	4%	12%	5% against CTH 29053990 if imported from SAFTA
						Triethylene Glycol	29053990	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 29053990 if imported from SAFTA • 20% concession on percentage of applied rate of

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											duty if imported from Argentina, Brazil, Paraguay & Uruguay <ul style="list-style-type: none"> • 50% of applied rate if imported from Singapore • 6% if imported from Malaysia • 6% if imported from Malaysia-ASEAN except Philippines • 7% if imported from Philippines
						Spin Finish Oil	34031100	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 34031100 if imported from SAFTA

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											<ul style="list-style-type: none"> • 2.5% if imported from Malaysia • 6.10% if imported from Japan • 2.50% if imported from Malaysia - ASEAN except Philippines • 4% if imported from Philippines
Polyester Filament Fully Drwan Yarn (FDY)	54024200	5%	4%	12%		Spin Finish Oil	34031100	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 34031100 if imported from SAFTA • 2.5% if imported from Malaysia • 6.10% if

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											imported from Japan <ul style="list-style-type: none"> • 2.50% if imported from Malaysia - ASEAN except Philippines • 4% if imported from Philippines
						Triethylene Glycol	29053990	7.5%	4%	12%	<ul style="list-style-type: none"> • 5% against CTH 29053990 if imported from SAFTA • 20% concession on percentage of applied rate of duty if imported from Argentina, Brazil, Paraguay &

FINAL PRODUCT						RAW MATERIAL					
Final Product	HS Code	Current Basic Custom Duty	Current SAD (Special Additional Duty)	Current CVD (Counter Veiling Duty)	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
											Uruguay <ul style="list-style-type: none"> • 50% of applied rate if imported from Singapore • 6% if imported from Malaysia • 6% if imported from Malaysia-ASEAN except Philippines • 7% if imported from Philippines

Source: FICCI Survey

- It has been reported that in some cases inversion exists if products are imported from SAFTA countries or ASEAN countries. Like in case of Caprolactam duty inversion exists in case of FTA with ASEAN countries as Caprolactam attracts custom duty of 7% whereas its final product Nylon Tyre Cord Fabric attracts custom duty of 4%.

- Also, in case of FTA with Singapore, Linear Low Density Polyethylene (LLDPE), Polyethylene, Polypropylene attract customs duty of 1.7%, SAD of 4% and CVD of 12%, their raw material Naphtha attracts customs duty of 5%, SAD at 4% and CVD of 14%, thereby causing inversion. Under CEPA with Korea, duty inversion exists in case of PSF and POY as final products are imported at 5% basic customs duty whereas the duty on its raw material PTA stands at 10%.

Tyres

- Tyre sector is reeling under pressure as anomaly in duty structures in this sector has caused huge cost disadvantages to domestic tyre manufacturers for the last many years. Inverted duty structure in this sector exists with respect to Natural rubber which is the principal raw material for tyre manufacturing. Basic custom duty on tyres (HS Code-4011) is 10% as compared to 20% or Rs. 20 /Kg (whichever is lower) on natural rubber. The inversion in duty has been explained in the table below:

Calculation of Customs Duty	
Description	Customs Duty details
Finished Product (Tyre)	10%
Principal Raw Material (Natural Rubber)	20% or Rs.20/kg whichever is lower
Natural Rubber price (as on 12.8.2013)	Rs.207/kg
Customs Duty @20% on current price/ Customs @ Rs.20/kg on current price	Rs.41 OR Rs 20/kg
Rs.20/kg worksout to	10.3% Customs Duty
Inverted Duty (Tyre vs. Natural Rubber) 10% vs. 10.3%	10% vs. 10.3%

Source: FICCI Survey

Table: Duty Inversion in Tyre sector

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
A) All Tyres	40111010, 40112010, 40112090, 40116100	Passenger Car Radial, Truck Bus Radial, Truck Bus Bias, Agricultural	10% Educational Cess = 3%	4%	12%	<p>Basic Custom Duty Asia Pacific Trade Agreement = 8.6%</p> <ul style="list-style-type: none"> • ASEAN FTA= 7%(passenger car, truck / bus and scooter / motorcycle) 5% (other categories of tyres). • Indo Sri Lanka Free Trade Agreement= NIL • India Singapore 	Natural Rubber	40012100	Smoked Sheet, RSS	Rs 20/Kg or 20% which ever is lower And Rubber Cess Rs 2/Kg Educational Cess = 3%	4%	CVD=0% But Excise Duty = 12% on Final Product	Asia Pacific Trade Agreement = 16%
							Natural Rubber	40012200	TSNR - 2200 SMR, SNR, TSR	Rs 20/Kg or 20% which ever is lower And Rubber Cess Rs 2/Kg	4%	0% But Excise Duty = 12% on Final Product	Asia Pacific Trade Agreement =16%

FINAL PRODUCT							RAW MATERIAL						
Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the final product imported under an FTA in India at concessional duty?	Raw Material for Final Product	HS Code	Product Description	Current Basic Custom Duty	Current SAD	Current CVD	Is the raw material imported under an FTA in India at concessional duty?
						Comprehensive Economic Cooperation Agreement(CECA) =NIL(Excludes Truck/Passenger Radial Tyres) <ul style="list-style-type: none"> • SAARC Preferential Trading Agreement= NIL,5% from Pakistan 				Educational Cess = 3%			

Source: FICCI Survey

- As per the industry, tyre imports enjoy preferential duty under India-ASEAN FTA, Asia Pacific Trade Agreement, Indo Srilanka Free Trade Agreement, India Singapore Comprehensive Economic Cooperation Agreement (CECA) and SAARC Preferential Trading Agreement which leads to imports at concessional rates from various countries ranging from 0% to 8.6%, increasing the incidence of inversion.
- (Note: India imported Pneumatic rubber tyres worth \$468 million in 2012-13 and \$480 million during 2011-12).