**Budget 2021 may raise duty on finished goods**

India’s import tariff structure could be revamped in the upcoming budget to provide lower duty on large inputs, especially those used in products that are exported, while keeping levies high on finished goods—a structure that would encourage domestic value addition.

Inputs used in producing chemicals such as methyl alcohol, acetic acid and PVC could see a reduction in tariffs, said people with knowledge of the matter. PVC is used in building and construction, health care, electronics and automobiles among other industries. Wood, a critical raw material for handicrafts, could also see a duty cut as the export-focused sector is faced with a shortage. Certain finished goods made of rubber, leather and plastic could see a rise in import levies. India currently imposes customs duty of 3-20% on rubber products and 10-30% on leather goods. Plastic items invite a duty of 10-15%.

Many finished goods come at low duty, which especially can be raised to encourage Make in India. This lower duty on inputs is in line with India’s decision to increase tariffs and restrict imports of tyres, ACs and TV sets, among others. Such an import regime is expected to encourage domestic production.

India has also launched production-linked incentive (PLI) schemes for many items such as ACs, LEDs, enterprise equipment, switches and routers. The proposed rejig in basic customs duty will also apply to sectors covered by the PLI schemes. There have been demands to increase the import duty on certain telecom equipment as well, said people with knowledge of the matter.

Experts advised caution and said the government should adopt a balanced approach when it came to reviewing the duty structure.

An increase in the duty of a finished good will give an impetus to Indian manufacturers to supply here, but in the short term that product would get expensive and India-made goods would continue to remain uncompetitive in global markets as compared to the imported ones. Similarly, a very low duty would discourage inputs from being manufactured in India while high tariffs would lead to an inverted duty structure. Therefore, a move from tariffs to incentives is an ideal solution.

The government is also contemplating non-tariff barriers such as standards to check imports of finished goods such as those made of rubber coming from the Asean countries.

For rubber and plastic goods, BIS standards can be made more stringent.

Source: The Economic Times