

INCREASE IN CUSTOMS DUTY ON FOOTWEAR AND FURNITURE TO PROMOTE DOMESTIC MSMEs

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Ministry of Finance

Increase in Customs Duty on Footwear and Furniture to promote domestic MSMEs

5% Health Cess proposed to give impetus to the Domestic Medical Equipment Industry; proceeds to be used for creating health infrastructure in aspirational districts

Anti-dumping duty on PTA being abolished in the larger public interest

Basic customs duty on imports of news print and light-weight coated paper proposed to be reduced from 10% to 5%

Excise duty, by way of national calamity contingent duty on cigarettes & other tobacco products to be raised; no change in the duty rates of Bidis

Provisions relating to safeguard duties being strengthened

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Keeping in view the need of MSME sector, Customs duty is being raised on items like footwear (from 25% to 35% on footwear and from 15% to 20% on parts of footwear) and furniture (from 20% to 25%). While presenting the Union Budget 2020-21 in Parliament today, the Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman said that special attention has been given to put measured restraint on import of those items which are being produced by our MSMEs with better quality. She stressed that labour intensive sectors in MSME are critical for employment generation. Cheap and low quality imports are an impediment to their growth, the Finance Minister said.

To achieve the twin objectives of giving impetus to the domestic medical equipment industry and

also to generate resource for health services, the Finance Minister proposed to impose a nominal health cess (at the rate of 5%), by way of a duty of customs, on the imports of medical equipment keeping in view that these goods are now being significantly made in India. The proceeds from this cess shall be used for creating infrastructure for health services in the aspirational districts, Smt Sitharaman said.

In the larger public interest, the Union Budget proposed to abolish anti-dumping duty on PTA (Purified Terephthalic Acid). The Finance Minister said that PTA is critical input for textile fibres and yarns. Its easy availability at competitive prices is desirable to unlock immense potential in the textile sector which is a significant employment generator.

The Union Budget also proposed to reduce basic customs duty on imports of news print and light-weight coated paper from 10% to 5%. The Minister stated that she has received references saying that this levy on these items have put additional burden on print media at a time when it is going through a difficult phase.

The Budget also proposed to raise excise duty, by way of National Calamity Contingent Duty on Cigarettes and other tobacco products. No change is being made in the duty rates of bidis, Smt Sitharman said. The Finance Minister said that Customs duty rates are being revised on electric vehicles, and parts of mobiles as part of such carefully conceived Phased Manufacturing Plans.

The Finance Minister said that Union Budget proposes to incorporate suitable provisions in the Customs Act and added that in the coming months, there will be a review of Rules of Origin requirements, particularly for certain sensitive items so as to ensure that Free Trade Agreements (FTAs) are aligned to the conscious direction of our policy. The Minister added that it has been observed that imports under FTAs are on the rise, undue claims of FTA benefits have posed threat to domestic industry. "Such imports require stringent checks", Smt Sitharaman said.

The Minister said that we are also strengthening provisions relating to safeguard duties which are applied when surge in imports causes serious injury to domestic industry. The amended provisions shall enable regulating such surge in imports in a systematic way, she said. The Finance Minister said that the provisions for checking dumping of goods and imports of subsidized goods are also being strengthened for ensuring a level playing field for domestic industry. "These changes are in line with international best practices", she said.

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