

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4487

ANSWERED ON:19.05.2006

INVERTED DUTY STRUCTURE

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Will the Minister of FINANCE be pleased to state:

- (a) whether Government has formed a committee to look into the inverted imported structure plaguing the Indian Industry,
- (b) if so, whether the problem of higher duties on raw materials and lower on the finished products for some items acts a dis-incentive for manufacturing of finished products taking place in the country;
- (c) whether number of sector including steel, pharmaceuticals, petrochem and consumer goods suffer due to higher import duties on the intermediates;
- (d) if so, to what time this committee is likely to submit their recommendations; and
- (d) by what time final decision in this regard to their recommendation is to be taken?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

- (a) A proposal to form a Committee to look into the inverted duty structure is under consideration fo Government.
- (b) whether a customs duty structure will necessarily result in negative effective rate of protection and thereby act as a disincentive for manufacture of finished products and discourage value addition depends inter alia, on a number of factors including the duty rate, extent of value addition, and the efficiency of the domestic industry.
- (c) To address the problem of duty inversions, to the extent possible, in this year`s budget, customs duty on major raw materials such as regractories, refractory raw materials, alloy steel, ferro alloys, non-ferrous metals, bulk plastics, ores and concentrates, basic inorganic chemicals, catalysts etc. has been reduced to rates below the peak rate of 12.5% to further improve competitiveness of domestic industry.
- (d)&(e) Details will be available as and when the Committee is formed and the terms of reference are finalized.