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Indian Budget 2020
General Overview and Its Impact on Nepalese Economy

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Highlight

• Indian Finance Minister presented INR 30.42 trillion budget for FY 2020-21

• The comparative expenditure plans for upcoming budget shows that the size of Indian budget is 35.7 times the Nepalese budget

• Among the top 30 Nepali items, export tariff for 28 of them is expected to rise

• The Indian budget has aimed at promoting the use of Electric Vehicles. This could encourage the production of EVs and reduce the costs as well.

• Foreign aid commitment went down by one third as compared to the revised figures for foreign aid that India provided to Nepal in the current fiscal year

• Any reduction in the cost of production of Indian agricultural produce is likely to affect Nepali farmers adversely

• Improvement in Doing Business ranking in the recent years and the decision to reduce the corporate tax rates is likely to boost the FDI inflows to India

General Overview

The Indian Finance Minister Nirmala Sitharaman presented her second Budget on February 1st, 2020, amidst concern over slowest economic growth since the great recession of 2008-2009. The 30.42 trillion Indian Rupee budget for FY 2020-21 aimed at reviving the economy that is currently marred by the slowdown in factory output and export, as well as weak investment. The proposed expenditure plan, which is equivalent to USD 425.5 billion, is 9.2 percent more than previous year's budget estimates of and 12.7 percent more than the revised budgetary estimates for the current fiscal year.

The Budget plans to spend 86.5 percent on recurrent expenditure and remaining 13.5 percent on the capital expenditure. While the share of recurrent expenditure on total has gone down in the last two years, the share of capital expenditure has marginally increased. The estimates for recurrent expenditure for the next FY is 12 percent higher than the revised estimates for recurrent expenditure, whereas the estimates for capital spending has grown by 18.1 percent when compared to the revised capital expenditure estimates for the current fiscal year.

On the sources of financing, the Indian Finance Minister has proposed to raise INR 20.2 trillion from revenue, INR 2.2 trillion from capital receipts and INR 7.9 trillion from debt financing. While the planned revenue is 66.4 percent of the total budget, capital receipt and fiscal deficit remains at 7.4 percent and 26.2 percent of the total budget respectively. Revenue estimates for the upcoming fiscal year is 9.2 percent higher than that of the current fiscal year. The ratio of estimated total expenditure, revenue and fiscal deficit to GDP for the upcoming fiscal is estimated at 13.5 percent, 9.0 percent and 3.5 percent respectively. Such ratio respectively stood at 13.6 percent, 9.5 percent and 3.4 percent for the current fiscal year.

The Finance Minister opined that the budget is dedicated towards easing the livelihood of all the citizens and is woven around three major themes – Aspirational India (better standards of living with access to health, education and better jobs for all sections of the society), Economic Development for All ("Sabka Saath, Sabka Vikas, Sabka Vishwas") and Caring Society (both humane and compassionate; Antyodaya as an article of faith). The ultimate aim is Ease of Living underlined by the three themes of Union Budget 2020-21.

The Indian government expects for a pickup in the growth in the upcoming fiscal year. According to the macroeconomic framework statement of the Indian government presented along with the Indian budget, the nominal growth of the economy is expected 10.0 percent in the fiscal year 2020-21. The positive growth prospects rests mainly on expectation for a pick up on global economic growth and effects of structural reforms in India.

Approach and Direction

The budget as stated above is focused towards distribution and as such dedicated towards providing ease of living to all the citizens and is also woven around three major themes (Aspirational India, Economic Development and Caring society). The budget speech states that the themes would be backed up by governance and financial sector strengthening. The Finance Minister states that the financial architecture should keep evolving and moving from strength to strength in the effort to achieve USD 5 trillion economy as mentioned in the earlier budget. Each of the budgetary programs of the Indian government are grouped under these themes and supporting blocks.

Programs under the theme of Aspirational India mainly aim at raising the living standard of the people and achieving higher income growth. Under this head, the budget has covered programmes and plans related to: a) Agriculture, Irrigation and Rural development, b) Wellness, Water and Sanitation and c) Education and Skills. Budgetary programmes are aimed at doubling farmers' income by 2022 and providing education and jobs to working age population. It recognizes the fact that India is set to have the largest working-age population in the world by 2030.

Under the theme of Economic development, the budget focuses on three areas: a) Industry, Commerce and Investment, b) Infrastructure and c) New Economy. It identifies that electronic manufacturing sector, among others, has major cost advantages and therefore hopes to promote FDI in this sector mainly focusing towards Industrial growth and commerce. Infrastructure, which is a key for economic development is also the focus of the budget. Under the new economy, the budget states that the new economy is based on innovations that disrupt established business models. Artificial intelligence, Internet-of-Things, 3D printing, drones, DNA data storage, quantum computing etc. are the areas for focus.

Under the third theme, The Caring Society, programs are focussed on Women and Child, Social Welfare, Culture and Tourism as well as Environment and Climate Change.

The budget has laid emphasis both on Governance and Financial sector both of which are imperative to achieving the targets set under each of the themes. The budget spells out governance as clean, corruption-free, policy driven and good in intent and most importantly trusting in faith. The budget speech further states that a clean, reliable and robust financial sector is critical to the economy.

Comparing Nepal with India

The GDP figures for the current fiscal year shows that the Indian economy is bigger than the Nepalese economy by almost 108 times. In the current fiscal year, the nominal GDP of Nepal and India were estimated at NPR 3.03 billion and NPR 327.1 billion respectively. The size of the central government's budget, however, does not follow the same trend. The comparative expenditure plans for upcoming budget shows that the size of Indian budget is 35.7 times the Nepalese budget (table1). The table shows that the size of the budget, revenue mobilization and fiscal deficit in Nepal are all higher as compared to India. The expenditure to GDP ratio, Revenue to GDP ratio and Fiscal Deficit to GDP ratio for Nepal are almost three times higher than that of India.

Table 1
Comparative Budget: Nepal and India (As percent of GDP)

	NEPAL			INDIA		
	2018/19A	2019/20R	2020/21B	2018/19A	2019/20R	2020/21B
Total Expenditure	36.2	34.8	39.4	12.3	13.2	13.5
Recurrent	26.1	25.8	27.6	10.7	11.5	11.7
Capital	10.1	9.0	11.8	1.6	1.7	1.8
Resources	28.6	26.5	30.0	8.8	9.4	10.0
Revenue	27.2	25.0	28.3	8.2	9.1	9.0
Capital Receipts	1.5	1.5	1.7	0.6	0.4	1.0
Deficit/Surplus	7.5	8.3	9.4	3.4	3.8	3.5
Deficit Financing	4.4	7.6	9.4	3.5	3.8	3.8
Net Domestic Borrowings	4.0	4.5	4.5	3.4	3.7	3.8
Net Foreign Borrowings	2.8	6.2	7.9	0.0	0.0	0.0
Net Loan and Investment	2.4	3.1	2.9			
Cash Balance	3.2	0.7	0.0	0.0	0.0	-0.2

Source: Budget Speech 2020 for Nepal and India

Impact of Indian Budget on Nepalese Economy

Nepal and India being close-door neighbors and India being the bigger economy, any waves in Indian economy do affect Nepalese economy too. It is almost acceptable amongst everyone that the spillover effect of Indian economy is much higher on Nepal. The effect could come into three forms – impact on macroeconomic variables such as economic growth and inflation, impact on trade between two countries, and impact on other specific sectors. The impact of Indian budget on Nepalese Economy can therefore, be analyzed revolving around on the same aspects.

Impact on Macroeconomic Variables

The extent of an effect of one economy on other depends on the level of economic integration between the two economies. And the level of economic integration depends on the level of trade liberalization, financial liberalization and capital account liberalization of the economy. As Nepal has gone for full swing of trade liberalization, controlled financial liberalization and closed capital account liberalization, the impact of an Indian economy on macroeconomic variables should be analyzed on the same basis.

Indian economy is expected to witness the growth of 5 percent in the current fiscal year. This growth rate is the least in the last 12 years. This economic slowdown in India can be expected to adversely hit the Nepalese economy. There could be several transmission channels of this economic slowdown. Some of the modes could be: Foreign Aid, Foreign Trade, Employment and Remittance, Tourism and Foreign Direct Investment.

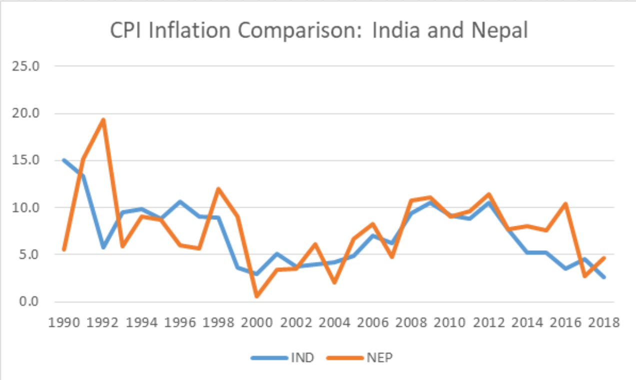
An expansion in Indian economy, thereby increasing the per capita income can be expected to positively make an impact on the foreign aid, exports, employment opportunities, remittance inflows, tourist arrivals and FDI to Nepal. While the data on Indian assistance to Nepal will be dealt separately, expectations on other variables is presented below.

With rise in per capita income and living standard in India, Nepal could expect an increase in exports to India. But due to productivity issue, which has slowed down the industrialization process, Nepalese exports has not been able to benefit from the Indian growth. Instead, the import from India is still much higher, exerting stress on the Nepalese external sector. It necessitates the policies to be designed in Nepal's forthcoming budget (FY 2020-21) to address the likely impact on the external sector.

Either to bring in Indian investors to Nepal or to enhance country's export competitiveness of the industries, Nepal's tax regime should be compatible to neighboring countries. As tax is exempted in export from India, Nepal receives cheaper imports from India losing her export competitiveness. The study conducted by South Asia Watch on Trade, Economics and Environment (SAWTEE) reveals that since the implementation of GST, Nepali exports in India have become dearer. Further the research shows, among the top 30 Nepali items, export tariff for 28 of them is expected to rise. The GST is applicable on Nepal's export as well, for example, India levies 5 percent on big cardamom and approximately 12 percent on prepared food.

Increasing economic growth in India has created jobs for Nepalese workers. Due to open border and simplified procedure for Nepalese to travel and work in India, a good number of people travel to India and work on the informal sector. There is, however no records of movement of Nepalese workers in the Indian job market. The number of Indian tourists is on a rise, but their share has reduced significantly in the last decade. It is the same case with Foreign Direct Investment too. In the last few years, Chinese FDI has surpassed the Indian FDI in Nepal. There is a need to evaluate the impact of these variables in Nepalese GDP to assess the impact of Indian budget and Economic growth on Nepal.

With a control of two third of total trade, India is Nepal's dominant trade partner. Any changes in the prices in Indian market transmit into Nepal through trade and affects Nepalese prices. And this has been substantiated by number of studies which have concluded that Nepalese inflation is significantly affected by price level in India. The following chart shows the path of inflation in India and Nepal. In most of the cases, the inflation in India and Nepal are moving side by side. The correlation between the Indian Inflation and Nepalese inflation after year 2000 is worked out at 0.70 indicating a higher level of inter-dependence.



Data Source: World Economic Outlook, IMF 2019 April

Impact on Foreign Trade

The government of India is promoting Make in India campaign and has made adjustments on customs duty to safeguard the domestic industry. Unlike previous years, when the Indian government used to reduce the customs duty in inputs and raw materials for cost reduction of local products, the Indian government this year has increased the customs duty in imports to promote the local industry. The changes in customs duty have been in line with creating a level playing field for Medium, Small and Micro Enterprises (MSME) and promoting the Make in India Campaign. With this decision, the imports of household goods and equipment, electrical appliances, footwear, furniture goods, stationary items, toys and machineries has become expensive. This is expected to make the domestic goods more competitive in the local market.

Nepal could benefit from this customs hike. As per the Nepal-India Bilateral Trade treaty, goods manufactured inside Nepal that uses all of its raw material from either Nepal or India or both is entitled for a duty-free access to the Indian market. Nepali footwear industry and furniture industry are seen to have become more optimistic for an increased market after this decision. While on one hand Nepali industrialist could benefit from this customs changes, on the other this could also help in bridging the trade deficit with India.

In the recent years, Nepal's top exportable products to India include Palm oil, cardamom, juice, jute products, Polyester yarn, Zink sheet, wire, rosin, oil cakes, shoes and sandals among others. The export of these products make more than two third of the Indian export. As the Indian government has raised to make their domestic products more competitive in the Indian market, Nepali products too could gain significantly.

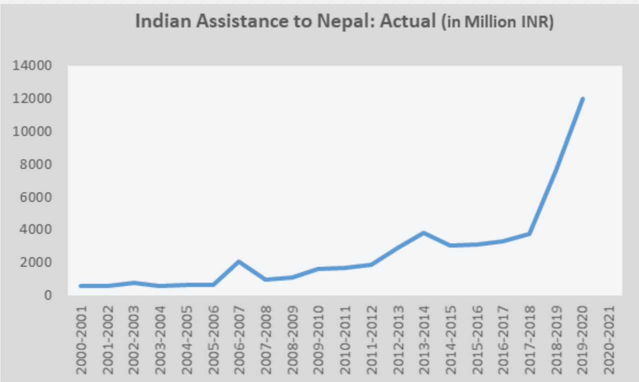
However, the trend in export of some of these products is not very encouraging. For instance, Palm oil whose share in total exports was 24.3 in the first six months of 2019/20, is recently being restricted in India. The share of Juice came down from 4.5 in 2018/19 to 3.2 percent in 2019/20. Similarly, the case for jute products was 4.7 from 5.6 in 2018/19, zinc sheet remained at 1.3 from 4.7 and export of rosin declined to 0.8 from 1.3 (NRB, Current Macroeconomic and Financial Situation (Based on Six month's Data of 2019/20).

The Indian budget has aimed at promoting the use of Electric Vehicles. This could encourage the production of EVs and reduce the costs as well. Nepal could also benefit from it.

Indian Assistance to Nepal

The Indian government has reduced the budgeted foreign aid commitment to Nepal for the upcoming fiscal year. Foreign aid commitment went down by one third as compared to the revised figures for foreign aid that India provided to Nepal in the current fiscal year. With the fact that the realization rate of Indian foreign aid commitment remained above 100 percent in the receznt years, there are still room that Nepal can receive more than what has been pledged in the budget speech. There is no information on the level of Indian assistance other than those through the government channel. The government of India, through its Embassy in Kathmandu, spends significantly for the development initiatives inside the country. There is no study on the extent of such spending and its impact on the gross value addition in Nepalese economy.

In addition to the fact that Indian commitment for foreign aid to Nepal has reduced in the current budget, the data also reveals that the Indian priority for their budgetary support is changing. Until last fiscal year's budget, Nepal used to remain second to Bhutan in terms of foreign aid commitment from India. But this year, the foreign aid commitment to Mauritius has surpassed the foreign aid commitment to Nepal. In the upcoming fiscal year, Indian government has vowed to spend INR 28.8 billion to Bhutan, INR 10.3 billion to Mauritius and INR 8 billion to Nepal. The foreign aid to these countries is expected to remain at INR 26.7 billion for Bhutan, INR 11 billion for Mauritius and INR 12 billion to Nepal in the current fiscal year. In the last year's budget, the Indian government had allocated INR 10.5 billion for Nepal, which increased to INR 12 billion in the revised estimates. The following chart shows the trend of foreign Aid for Nepal.



The average budget allocation for foreign aid to Nepal after FY 2000-01 remained at INR 2.89 billion. This, however, increased in the last ten years as average foreign aid commitment in this period is INR 4.85 billion. The realization of Indian commitment on Foreign Aid has increased significantly in the last ten years. In eight out of the last ten years, the realization has been more than the foreign aid commitment from India. In the last ten years, Nepal was unable to receive the pledged support only in FY 2014-15 and FY 2015-16.

Other Impacts

The plans and programs for agricultural sector is aimed at doubling the farmer's income by 2022. The budget has proposed an integrated solutions covering storage, financing, processing and marketing for farmers. A cash support to the farmers amounting to Rs.75000 crore has been allocated to Pradhan Mantri Kisan Samman Nidhi (PM-Kishan). Also, 16-point action plan to provide access to markets to farmers and relief measures to get rid of water shortages was announced with an objective to doubling farm income. The budget for agriculture insurance schemes and research and education was increased. Agriculture and irrigation has been allotted Rs 2.83 lakh crore for FY21. This is expected to reduce the cost of farm products, which ultimately helps in raising the farmer's income.

Agricultural Sector

Any reduction in the cost of production of Indian agricultural produce is likely to affect Nepali farmers adversely. As there is duty-free access for farm products in both the countries, Nepali market could be flooded with cheaper Indian products, displacing the Nepali products.

Investment

Improvement in Doing Business ranking in the recent years and the decision to reduce the corporate tax rates is likely to boost the FDI inflows to India. The budget has announced a reduction in corporate tax rate for new companies in manufacturing sector to 15 percent. The rate

Take away

The recent budget that has been presented in Indian parliament has been driven by some specific focus and vision. There can be some lessons for the Nepal. The focus of the Indian government can be easily seen from their efforts for overall tax system overhauling. After reforms in indirect taxes in the last few years, the Indian government has now moved into the reforms in direct taxes. This year's budget has spelled out on both personal and corporate income taxes. Some of the take away from the Indian budget is explained below.

Focused towards meeting the aspirations

The budget has a clear focus on its expectations and ways to achieve above mentioned. Last year, the Indian government had stated that the next target would be a USD 5 trillion economy. This year's budget looks like they are working in the same direction. The focus is still on production, infrastructure building and promoting the foreign direct investment. This year's budget has spelled out a number of programs for agricultural sector, manufacturing sector and the service sector. Increased subsidy for farmers, increased customs duty to make domestic products more competitive and make in India campaign can be expected to help increase the economic growth of India. The efforts have now started to show results. The Indian budget states that India has now been able to export number of medical products, which until few years were imported. The Make in India campaign has started to show the results.

Personal Income Tax reforms

Indian budget for the upcoming fiscal year has proposed for simplification in personal income tax rates. The proposal is aimed at facilitating middle-income group and making the personal income tax system more simple. The Indian personal income tax system now adheres to the principle of equity and has now become more progressive. From three income tax slabs until last year, three more slabs have been added for personal income tax calculation. With the revision on the income tax rates, the budget has also proposed for withdrawal of all forms of deductions and exemptions for income tax calculation.

Taxable Income Slab (INR)	Existing Tax Rates	New Tax Rates
0-2.5 Lakh	Exempt	Exempt
2.5-5 Lakh	5%	5%
5-7.5 Lakh	20%	10%
7.5-10 Lakh	20%	15%
10-12.5 Lakh	30%	20%
12.5-15 Lakh	30%	25%
Above 15 Lakh	30%	30%

As a transition, the budget has allowed people to choose between old system and new system as per their convenience. This, however, is unlikely to get extended for a longer term. India is moving towards more simple and equitable personal tax system.

Reduction in Corporate Income Tax Rates

The Indian government has gone beyond the box to reduce the corporate income tax rate to encourage foreign direct investment and make sure that India stays globally competitive and a favored destination for Investment. The budget has announced a reduction in corporate tax rate for new companies in manufacturing sector to 15 percent. The rate for existing companies has also been reduced to 22 percent. This has made Indian corporate tax rate amongst the lowest in the world.

Despite the fact that reduction in tax rate is likely to have substantial impact on revenue-loss, the government of India has been bold enough to sacrifice the revenue with an expectation that it could provide long term benefits in terms of income and employment generation inside the country. With the fact that Indian growth is driven by the private sector, the government of India looks like they want to uplift the slowing economy through private sector investment.

Conclusion

The Indian budget for FY 2020-21 could have a mixed impact for Nepal. Slowdown in the Indian economy is likely to have an adverse effect on several sectors – from Indian assistance to FDI. The Indian government has reduced the foreign aid commitment to Nepal by one third in the current year's budget. This however does not indicate low foreign aid absorption in Nepal, but it definitely depicts changes in priorities of Indian government in terms of foreign aid commitment. The increase in customs duty to protect domestic industry in India could be a boon for Nepal, mainly because of the provision of duty-free access to Indian market. Nepali footwear sector and furniture could get an advantage from this provision. Nepalese agriculture is more likely to hit adversely as Indian produce are becoming cheaper.

Additionally, the decelerating Indian economy has again been further affected by injured global supply chains and declining investor confidence largely because of the outbreak of COVID-19 beginning January 2020. The outbreak of the virus and weakening of global growth and trade on the one hand and disruptions in Chinese production in manufacturing supply chains is expected to have some impact in Indian economy. The slim possibility to attain India's growth more than 5 percent threatens the possibility of unachievable target of making India a 5 trillion-dollar economy in five years. Therefore, Nepal's expectation to take advantage from Indian budgetary policy change should be taken with caution.

Source:

1. 'Budget 2020-21', Speech of Nirmala Sitharaman, Minister of Finance, Government of India, February 1, 2020

2. Expenditure Budget 2020-2021, Government of India

3. Macroeconomic Framework Statement 2020-21, Government of India

4. Medium Term Fiscal Policy cum Fiscal Policy Strategy Statement, Government of India

5. Budget Speech of Fiscal Year 2020/21, Government of Nepal, Ministry of Finance

6. World Economic Outlook Database, 2019 April, International Monetary Fund

Annex: Some Facts and Figures of Indian Budget

Table A.1: Indian Budget at a Glance

				In Billion INR
	2018/19A	2019/20B	2019/20R	2019/20R
Total Expenditure	23151.13	27863.49	26985.52	26985.52
Recurrent	20073.99	24477.80	23496.45	23496.45
Capital	3077.14	3385.69	3489.07	3489.07
Resources	16656.95	20825.89	19317.04	19317.04
Revenue	15529.16	19627.61	18501.00	18501.00
Capital Receipts	1127.79	1198.28	816.04	816.04
Deficit/Surplus	6494.18	7037.60	7668.48	7668.48
Deficit Financing	6507.39	6527.01	7668.46	7668.46
Domestic Borrowings	6452.20	6556.54	7619.13	7619.13
Foreign Borrowings	55.19	-29.52	49.33	49.33
Cash Balance	-13.21	510.59	0	0
In Billion USD (1 USD = 71.50 INR)				
	2018/19A	2019/20B	2019/20R	2019/20R
Total Expenditure	323.79	389.70	377.42	377.42
Recurrent	280.76	342.35	328.62	328.62
Capital	43.04	47.35	48.80	48.80
Resources	232.96	291.27	270.17	270.17
Revenue	217.19	274.51	258.76	258.76
Capital Receipts	15.77	16.76	11.41	11.41
Deficit/Surplus	90.83	98.43	107.25	107.25
Deficit Financing	91.01	91.29	107.25	107.25
Domestic Borrowings	90.24	91.70	106.56	106.56
Foreign Borrowings	0.77	-0.41	0.69	0.69
Cash Balance	-0.18	7.14	0.00	0.00

Percentage Share of GDP				
	2018/19A	2019/20B	2019/20R	2020/21B
Total Expenditure	12.29	13.63	13.20	13.53
Recurrent	10.65	11.97	11.49	11.70
Capital	1.63	1.66	1.71	1.83
Resources	8.84	10.19	9.45	9.99
Revenue	8.24	9.60	9.05	8.99
Capital Receipts	0.60	0.59	0.40	1.00
Deficit/Surplus	3.45	3.44	3.75	3.54
Deficit Financing	3.45	3.19	3.75	3.78
Domestic Borrowings	3.42	3.21	3.73	3.76
Foreign Borrowings	0.03	-0.01	0.02	0.02
Cash Balance	-0.01	0.25	0.00	-0.24
Growth				Growth
		2019/20	2019/20R	2020/21B
Total Expenditure		16.56	12.74	9.18
Recurrent		17.05	11.94	7.45
Capital		13.39	18.11	21.71
Resources		15.97	16.26	7.84
Revenue		19.14	9.23	2.96
Capital Receipts		-27.64	175.68	87.74
Deficit/Surplus		18.08	3.85	13.15
Deficit Financing		17.84	10.76	30.13
Domestic Borrowings		18.09	10.87	28.84
Foreign Borrowings		-10.62	-6.30	-256.57
Cash Balance		-100.00		-203.81

Table A.2: Indian Aid to Countries

	Amount in INR million			Composition			Growth	
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21	2019/20	2020/21
	Actual	Revised	Budget	Actual	Revised	Budget	Revised	Budget
Aid to Countries								
Bhutan	24,805.00	26,745.10	28,846.50	40.57	38.41	41.77	7.82	7.86
Afghanistan	4,699.80	4,000.00	4,000.00	7.69	5.74	5.79	-14.89	0.00
Bangladesh	1,318.10	1,500.00	2,000.00	2.16	2.15	2.90	13.80	33.33
Nepal	7,633.90	12,000.00	8,000.00	12.49	17.23	11.58	57.19	-33.33
Sri Lanka	1,687.80	2,050.00	2,000.00	2.76	2.94	2.90	21.46	-2.44
Maldives	4,394.00	3,264.50	3,000.00	7.19	4.69	4.34	-25.71	-8.10
Myanmar	3,762.20	1,700.00	3,000.00	6.15	2.44	4.34	-54.81	76.47
Mongolia	6.20	20.00	20.00	0.01	0.03	0.03	222.58	0.00
Mauritius	6,598.10	11,000.00	10,250.00	10.79	15.80	14.84	66.71	-6.82
Seychelles	998.00	500.00	1,400.00	1.63	0.72	2.03	-49.90	180.00
African Countries	3,399.80	4,500.00	3,500.00	5.56	6.46	5.07	32.36	-22.22
Eurasian Countries	295.20	450.00	450.00	0.48	0.65	0.65	52.44	0.00
Latin American Countries	100.20	100.00	200.00	0.16	0.14	0.29	-0.20	100.00
Other Developing Countries	1,249.90	1,500.00	1,200.00	2.04	2.15	1.74	20.01	-20.00
Other	191.20	300.00	1,200.00	0.31	0.43	1.74	56.90	300.00
Total-Aid to Countries	**61,139.40**	**69,629.60**	**69,066.50**	**100.00**	**100.00**	**100.00**	**13.89**	**-0.81**

Table A.3: Indian Foreign Grants to Nepal

Fiscal Year	Budgeted	Growth	Actual	Growth	Realization
2000-2001	650.00		620.00		95.38
2001-2002	1090.00	67.69	602.50	-2.82	55.28
2002-2003	1072.50	-1.61	789.90	31.10	73.65
2003-2004	921.60	-14.07	600.00	-24.04	65.10
2004-2005	592.00	-35.76	661.70	10.28	111.77
2005-2006	700.00	18.24	660.10	-0.24	94.30
2006-2007	650.00	-7.14	2100.00	218.13	323.08
2007-2008	1380.00	112.31	1000.00	-52.38	72.46
2008-2009	1400.00	1.45	1130.00	13.00	80.71
2009-2010	2380.00	70.00	1611.40	42.60	67.71
2010-2011	1510.00	-36.55	1678.60	4.17	111.17
2011-2012	1500.00	-0.66	1911.50	13.87	127.43
2012-2013	2700.00	80.00	2925.50	53.05	108.35
2013-2014	3800.00	40.74	3813.70	30.36	100.36
2014-2015	4500.00	18.42	3032.60	-20.48	67.39
2015-2016	4200.00	-6.67	3099.40	2.20	73.80
2016-2017	3000.00	-28.57	3327.20	7.35	110.91
2017-2018	3750.00	25.00	3766.10	13.19	100.43
2018-2019	6500.00	73.33	7633.90	102.70	117.44
2019-2020	10500.00	61.54	12000.00	57.19	114.29
2020-2021	8000.00	-23.81			0.00

Table A. 4: Changes in Customs duty for creating a level playing field for MSME and promoting MAKE IN INDIA

S. No.	Category of goods	Specific items	Rate of Duty	
			From	To
1. Level Playing Field for Domestic Producers				
1.	Household goods and appliances	Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminium, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc.	10%	20%
2.	Electrical Appliances	Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, hair/hand drying apparatus, ovens, cookers, toasters, coffee/ tea makers, insect repellents, heaters, irons, etc.	10%	20%
3.	Footwear	a. Footwear	25%	35%
		b. Parts of footwear	15%	20%
4.	Furniture goods	Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture	20%	25%
5.	Stationery items	Filing cabinets, paper trays, binders, clips, staples, sign-plates, name plates, numbers and symbols etc. made from base metal	10%	20%
6.	Toys	Tricycles, scooters, scale models, dolls, etc.	20%	60%
7.	Machinery	a. Specified goods used in high voltage power transmission project	5%	7.50%
		b. Railway carriage fans	7.50%	10%
		c. Compressors of refrigerators and air conditioners	10%	12.50%
		d. Commercial freezers	7.50%	15%
		e. Welding and plasma cutting machine	7.50%	10%
		f. Rotary tillers/weeder	2.50%	7.50%
8.	Other miscellaneous items	a. Glass beads		
		b. Artificial flowers		
		c. Bells, gongs, statuettes, trophies and like, statuettes, ornaments, photograph, frames, mirrors etc. of base metal.	10%	20%

S. No.	Category of goods	Specific items	Rate of Duty From	Rate of Duty To
2. Changes in Customs duty to promote MAKE IN INDIA under Phased Manufacturing Programme (PMP)				
1	Electric Vehicles	Completely Built Units of Bus and Trucks (with effect from 01.04.2020)	25%	40%
2		Semi Knocked Down (SKD) units of bus, trucks and two wheelers (with effect from 01.04.2020)	15%	25%
3		Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with effect from 01.04.2020)	15%	30%
4		Completely Knocked Down (CKD) units of passenger vehicles, three wheelers, two wheelers, bus and trucks (with effect from 01.04.2020)	10%	15%
b	Changes in customs duty under Phased Manufacturing Programme for			
1	Cellular Mobile Phones	PCBA of Mobile phones (with effect from 01.04.2020)	10%	20%
2		Vibrator/Ringer of Mobile phones (with effect from 01.04.2020)	Nil	10%
3		Display Panel and Touch Assembly (with effect from 01.10.2020)	Nil	10%
3. Changes in Customs duty to promote MAKE IN INDIA				
1	Electronic Sector	Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	7.50%	10%
2		Specified chargers and power adapters	Applicable Rate	20%
3		Fingerprint readers for use in cellular mobile phones	Nil	15%
4		Earphones and headphones	Applicable Rate	15%
4. Reduction in Customs duty on raw materials and inputs imported by Domestic Manufacturers:				
1	Fuels, Chemicals & Plastics	Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel 0.5% (FO)	10%	Nil
		Calcined Petroleum Coke	10%	7.50%
		Calendared plastic sheets used in manufacturing of smart cards	10%	5%
		Polyester Liquid Crystal Polymers for use in manufacture of connectors	7.50%	Nil
2	Precious Metals	Platinum or Palladium used in manufacture of:		
		a) Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals	12.50%	7.50%
		b) Catalyst with precious metal or precious metal compounds as the active substance		
		Spent Catalyst or Ash containing precious metal, subject to specified conditions	12.50%	11.85%
3	Machinery and Electronic Goods	Following parts of Microphone for use in manufacture of Microphone namely,	10%	Nil
		a) microphone cartridge		
		b) microphone holder		
		c) microphone grill		
		d) microphone body		
		Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse.	7.50%	Nil
4	Sports Goods	Willow is being included in the list of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year	Applicable Rate	Nil
5	Newsprint	a) Newsprint, when imported by importer registered with Registrar of Newspapers, India.	10%	5%
		b) Uncoated paper used for printing newspaper, when imported by importer registered with Registrar of Newspapers, India.		
		c) Lightweight coated paper used for printing magazines subject to actual user condition.		

S. No.	Category of goods	Specific items	Rate of Duty	
			From	To
5. Other changes in Customs duty:1				
1	Food processing	Walnuts, shelled	30%	100%
2	Chemicals and Plastics	Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals	7.50%	10%
		Butyl Acrylate	5%	7.50%
		Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied industries	10%	17.50%
3	Auto and auto parts	Catalytic converter	10%	15%
		Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its parts	5%	10%
		Platinum or Palladium used in manufacturing of catalytic converter and its parts	5%	Applicable Rate
		Parts and other specified inputs for manufacture of catalytic converters.	5%	7.50%
		Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles)	30%	40%
		(with effect from 01.04.2020)		

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