

No. 21/7/2006-RMTR
Government of India
Ministry of Commerce & Industry
Department of Commerce
RMTR Section

New Delhi, Dated 7th August, 2006

OFFICE MEMORANDUM

Subject : Inverted Duty Structure – feedback/ representations reg.

India is participating in a number of Regional Trading Arrangements (which includes FTAs, PTAs, CECA, CEPA etc.) either bilaterally or in a regional grouping. With the implementation of tariff concessions under RTAs, it has been observed that in some cases while the finished product is being imported at a lower duty (due to tariff preferences), the related raw material or input is imported at a higher rate of applied MFN duty. The situation gets aggravated if the related inputs/ raw materials cannot be sourced from the RTA partner and the industry needs to import from other country on payment of higher duty, leading to inverted duty structure. Unless corrected, it is recognized that the inverted duty structure would put an additional burden on the Indian manufacturers making them cost ineffective.

2. In this background, a 'Committee on Inverted Duty Structure' has been constituted by the PMO under the Chairmanship of Shri A. Hoda, Member, Planning Commission to look into the problem of Inverted Duty Structure arising out of various trading arrangements in place and under consideration and to suggest ways and means of addressing the problems.

3. In this regard, the Committee has decided to obtain inputs from Industry Associations / Chambers of Commerce & Industry who are facing problems on account of the fact that their raw-material(s) would essentially need to be imported at a higher duty than the finished product which is being imported at a lesser duty owing to preferential treatment being granted under any RTA. The Industry / Associations are requested to send information on specific cases in which Inverted Duty Structure has arisen on account of implementation of tariff concessions under FTAs/PTAs as per format attached. Industry may also give their feedback in terms of any inversion likely to result from any of India's ongoing negotiations with its trading partners by 18th August, 2006. The information may also be sent electronically at the following E.mail addresses :-

rsratna@nic.in and gsidhu@nic.in

(Rajeet Mitter)
Joint Secretary
Tel : 2306 2660

Encl: Format.

