

**Material for the Annual report of  
Department for Promotion of Industry and Internal Trade for the year 2019-20**

The present Tariff Commission was constituted through a Government Resolution in 1997 as an independent body to look into tariff related issues and recommend appropriate levels of tariffs for different products and different industries, keeping in view the large economic interest of the country. The Commission is currently headed by a full time Member Secretary in the rank of Secretary to the Government of India. Tariff Commission with its multi-disciplinary structure and grass root based study methodology is providing study based inputs with regard to manufacturing for informed decision making to Ministries/Departments of Government of India on studies referred by them to the Tariff Commission.

2. As per the revised Government resolution dated 8<sup>th</sup> September 1998, the mandate of Tariff Commission is as follows:.

- (a) To make recommendations as an expert body, on matters referred to it by Government regarding fixation of tariff and all tariff related issues in relation to trade in goods and services, keeping in view the interest of various sectors including production, trade and consumers and taking into account the international commitments. The Commission should aim at evolving an overall tariff structure and look into the issue of tariff rationalization.
- (b) To study critically market access offers received from trading partners as part of WTO framework and to advice the Government on the opportunities and challenges generated by these offers.
- (c) To make a detailed impact analysis on select sectors like textiles, agriculture, and automobiles information technology, chemicals, steel and engineering goods through a multi-disciplinary team.
- (d) In order to facilitate reforms process, the Commission may examine the transition-period required for select industries to recommend the gradual phasing out of the tariffs as referred to it by the Government from time to time.
- (e) To carry out technical studies on cost of production of different goods and services and their competitiveness in relation to other countries.
- (f) To monitor the tariff changes in the competing and trade-partner countries and maintain an inventory of tariff-rates at a sufficiently detailed level.
- (g) Core function of BICP including pricing, efficiency, improvement and cost reduction, issue of Public & Private sector, Industrial Product & Services:

- i) Commodities under Administrative Pricing Mechanism (APM)
  - ii) State monopolies/public utilities
  - iii) Government procurement
  - iv) Price monitoring
  - v) Others
- (h) To render advice on issues referred to it by Government on classification of goods and products along with applicable tariffs on such goods and product
- (i) To undertake other tasks as may be assigned by the Government from time to time.

3. Tariff Commission is an organization providing research based inputs to Ministries/Departments based on in-depth study using data on ground realities collected from field for informed decision making. The study team comprises of:-

- Engineers from the field of Science and Technology belonging to Tariff Commission cadre
- Cost Accountants/Chartered accountants from Indian Costs & Account Service (ICoAS)
- Economists from Indian Economic Service (IES); and
- Statisticians from Indian Statistical Service (ISS).

4. Tariff Commission is the only Government organization which has the know-how and expertise of using the tool of normation for informed decision making across the board for different sectors of the industry. Normation is based on assessment of achievable efficiencies i.e optimal capacity utilization, productivity parameters of respective inputs (such as man, material, energy and machine) taking into account technologies and manufacturing processes etc. Normation analysis thus can be used to benchmark sectors /units for enhancing their competitiveness. Merits of decision making through normation include:

- Considered fair by an individual and/or a group.
- Determining the cost of goods/services at optimal/efficient level of inputs (manpower, material, energy and capital) and provides thrust for improvement in efficiency and enhances competitiveness of the industry.
- It helps in identifying areas for physical improvements leading to enhancing competitiveness
- Normation is a fundamental management tool that supports quality / excellence and innovation. It is in fact a continuous process of measuring one's own performance and practices against the best competitors. It is thus a bench-marking tool in competitiveness studies.
- Normation balances the interest of all stakeholders while protecting the consumer interest.
- It is a tool which also focuses on providing road map for improving industrial efficiency.

- Over the period this tool has passed the test of time and has become essential in the emerging complex global market scenario and cutting edge competition.

5. Tariff Commission always endeavours to deliver study reports in a definite time frame in a phased manner so that the findings are based on the latest data available and relevant for arriving at policy decisions and not rendered redundant with the passage of time. This is ensured by phasing the studies and making them State specific and/or sector /unit/product specific. Study topics which are of continuing nature and require submission of study reports on a continuous basis are listed below:

- Studies on inverted duty structure which are utilized for pre-budget exercise in rationalizing duty structure and thus aids in “Make in India” initiative of the Government.
- Impact assessment of Free Trade Agreements on different sectors with different countries.
- Studying competitiveness (including trade competitiveness) of different sectors/industry, firm/PSU and product.
- Impact of prevailing tariff structures on domestic manufacturers and industry competitiveness.

6. The Commission has submitted the following reports to various Govt./Referral Agencies during 2018-19 .

A. The Sector wise details of the study reports submitted during 2018-19 is given in the Table below:

Sl.No.	Sector/Type of Study	No. of Reports
1	<b>Manufacturing Sector:</b>	<b>25</b>
	a) Studies related to Inverted Duty Structure/World Trade Organization/Market Access Offer/Free Trade Agreement/Tariff	22
	b) Pricing Study	1
2	<b>Social Sector</b>	<b>2</b>
	c) Pricing Study	2
	<b>Grand Total</b>	<b>25</b>

The detailed list of the study reports submitted during 2018-19 is given in the table below:

Sl. no	List of Reports submitted in 2018-19
1	Inputs of Tariff Commission PMO reference on Medical Devices.
2	Inclusion of additional raw materials namely additives currently used in place of Master batch in the manufacture of Ethylene Vinyl Acetate (EVA) sheets (ITCHS code 39201099) for Solar Photo Voltaic Modules in view of inverted duty structure between raw materials

Sl. no	List of Reports submitted in 2018-19
	and finished product
3	Report on Inverted Duty Structure on Ethyl Acetate (ITCHS code 29153100)
4	Report on the determination of Selling Price of Crude Narcotine manufactured at Government Opium & Alkaloids Works, Neemuch for the Financial Year 2018-19 Onwards
5	Report on Inverted Duty Structure on Optical Fibre Ground Wire (ITCHS Code 85447090)
6	Status note on Inverted Duty Structure in Berger Ethylene Vinyl Acetate (BEVA) film (ITCHS Code 39201012) for manufacturing of Back Sheet (ITCHS Code 39219099) used in Solar Photo Voltaic Modules.
7	Report on Inverted Duty Structure on Card Clothing (ITCHS Code 84483100)
8	Report on Fair price for On Demand Aadhaar Letter Service of Unique Identification Authority of India
9	Report on Inverted Duty Structure in Solar cells (ITCHS code 84514011)
10	Status Note on Invered Duty Structure on Soap Noodles and Soaps (ITCHS codes 34012000 and 340111 & 340119)
11	Note on Exemption of GST on Salt Treated Green Mango (Mango Slice in Brine)
12	Inputs of Tariff Commission on Increasing BCD on Six specified medical equipment (proposal of Meity)
13	Report on Determination of User Charges for Authentication Services provided by Unique Identification Authority of India
14	Report on Inverted Duty Structure on Slewing Bearing used in Non Wind Sector
15	Report on Inverted Duty Structure on PCB Cutting for Tools-Drills & Router used for manufacture of Printed Circuit Board (ITCHS code 82075000 & 82077090)
16	Status Note on Inverted Duty Structure on Aluminium Scrap-FTA related (ITCHS Code 76020010)
17	Report on Inverted Duty Structure on Nylon Tyre Cord Fabric (ITCHS Code 59021090)
18	Report on Inverted Duty Structure on Catalytic Converter (ITCHS code 84213990) (Wash Coat)
19	Report on Inverted Duty Structure on Polyester Tyre Cord Fabric (ITCHS Code 59022090)
20	Report on Inverted Duty Structure on Polyether Polyol (ITCHS code 39072010)
21	Report on Inverted Duty Structure on Cement (ITCHS code 252329)

Sl. no	List of Reports submitted in 2018-19
22	Report on Inverted Duty Structure of Microporous Surgical Tapes (ITCHS code 30059060)
23	Report on Inverted Duty Structure of Tyres ITCHS code 40111010, 40112010, 40112090 & 40114010)
24	Report on Inverted Duty Structure on Injection Moulding Machines (ITCHS code 84771000)
25	Supplementary Report on Impact Assessment of Indirect Tax Incentives Extended in the Union Budget 2016-17 on “Extension of NIL Basic Customs Duty (BCD) to Magnetron of capacity above 1KW but not exceeding 1.5KW used for the Manufacture of Domestic Microwave Ovens.

**B.** The Sector wise details of the study reports submitted during 2019-20, till 31.12.2019 is given in the Table below:

Sl.No.	Sector/Type of Study	No. of Reports
1	<b>Manufacturing Sector:</b>	
	a) Studies related to Inverted Duty Structure/World Trade Organization/Market Access Offer/Free Trade Agreement/Tariff b) Pricing Study	12 1
2	<b>Social Sector</b> a) Pricing Study	-
	<b>Grand Total</b>	13

The detailed list of the study reports submitted during 2019-20 till 31.12.2019 is given in the table below:

Sl. no	List of Reports submitted in 2019-20
1	Input of Tariff Commission on Modalities of Trade in Goods Under India-Israel Trade FTA
2	Report on Impact Assessment and cost benefit analysis of Indirect Tax Incentives extended in the Union Budget 2014-15 “Reduction in BCD from 7.5 percent to “Nil” on specified inputs EVA resin (ITCHS Code 39013000) and EVA Master batch (ITC HS Code 39019090) used in the Manufacture of Ethylene Vinyl Acetate (EVA) Sheets (ITCHS code 39201099) for Solar Photo Voltaic Modules”
3	Supplementary Report on Impact Assessment Study of Indirect Tax Incentives extended in the Union Budget 2015-16 “Reduction in Basic Customs Duty on Ethylene Dichloride (ITCHS code 29031500) and Vinyl Chloride Monomer (ITCHS code 29032100) from 2.5 per cent to 2 per cent”
4	Report on Inverted Duty Structure on Spandex Yarn (ITCHS Code 54024400 & 54041100) is enclosed herewith for perusal.

Sl. no	List of Reports submitted in 2019-20
5	Report on Study on Normative Tyre Pricing by the Tyre Companies
6	Report on Impact Assessment and cost benefit analysis of Indirect Tax incentives Extended in the Union Budget 2014-15 “Reduction in BCD on specified inputs Polyethylene Tephthlate (PET)/ Poly Vinyl Fluoride (PVF)/Poly Vinyl Di Fluoride (PVDF) Film (ITCHS Code 39206290), Hardner (ITCHS Code 38159000) and Adhesive Resin (ITCHS Code 32081090) used in the manufacture of Back Sheets (ITCHS Code 39219099) for Solar Photo Voltaic Modules”.
7	Report on Impact Assessment/cost Benefit analysis of Indirect Tax Incentives Extended in the Union Budget 2016-17 “Imposition of a concessional excise duty of 6% in place of excise duty exemption on Unsaturated Polyester Resins (UPR) ITCHS code 39079190 used as intermediate in the manufacture of Rotor Blades of Wind Operated Electricity Generators subject to actual user conditions.
8	Report on Impact Assessment/Cost Benefit Analysis of Indirect Tax Incentives Extended in the Union Budget 2016-17 “Imposition of a concessional excise duty of 6% in place of excise duty exemption on Vinyl Easter Adhesive (VEA) ITCHS code 39059990 used as intermediate in the manufacture of Rotor Blades of Wind Operated Electricity Generators subject to actual user conditions.
9	Report on Impact Assessment/Cost Benefit Analysis of Indirect Tax Incentives Extended in the Union Budget 2016-17 “Imposition of a concessional excise duty of 6% in place of excise duty exemption on Hardeners ITCHS code 29211990, 38249090 & 38249990 used as intermediate in the manufacture of Rotor Blades of Wind Operated Electricity Generators subject to actual user conditions”.
10	Report on Impact Assessment/Cost Benefit Analysis of Indirect Tax Incentives Extended in the Union Budget 2016-17 “ Imposition of a concessional excise duty of 6% in place of excise duty exemption on Epoxy Resins (ITCHS code 39073010) Used as intermediate in the manufacture of Rotor Blades of Wind Operated Electricity Generators subject to actual user conditions”
11	Report on Impact Assessment and cost benefit analysis of Indirect Tax Incentives Extended in the Union Budget 2014-15 “Reduction in BCD from 10 percent to 5 percent on forged steel rings vide notification no. 12/2014-customs dated 11.07.2014 subject to fulfillment of condition 46 annexed to notification no. 12/2012-customs dated 17.04.2012” for the manufacture of Slewing Bearing used in Wind Operated Electricity Generators”.
12	Report on Import Intensity of India’s Exports
13	Modalities of Trade in Goods for the proposed India Israel Free Trade Agreement- Additional Inputs for three tariff Lines

## 7. Outcomes

- A Status of findings of Tariff Commission on Inverted Duty Structure which have been incorporated in 2018-19 budget is as follows:

Sl. No.	Product	Status as per 2018-19 Budget announcement
1	Cochlear Implants  <b>One product</b>	BCD on raw materials, parts or accessories for the manufacture of Cochlear Implants, has been reduced from 2.5% to 'NIL', subject to actual user condition vide notification no. 6/2018-Customs, dated 2/2/2018 2018 (New S. no. 578A of refers)

Status of findings of Tariff Commission on Inverted Duty Structure which have been incorporated in 2017-18 budget are as follows:

Sl. No.	Product	Status as per 2017-18 Budget announcement
1	Cast components of Wind Operated Electricity Generator [WOEG]  <b>One product</b>	<p>Basic Custom Duty (BCD) reduced from 7.5% to 5% on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity Generator [WOEG], subject to actual user condition. Notification No. 12/2012- Customs, dated 17th March, 2012 as amended vide Notification No.6/2017-Customs, dated 2nd February, 2017 [new S. Nos. 230C and 230D] refers.</p> <p>SAD exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of WOEG, subject to actual user condition. Exemption from SAD will be valid till 30th June, 2017. Notification No. 21/2012-Customs, dated 17th March, 2012 as amended vide Notification No.4/2017- Customs, dated 2nd February, 2017 [new S. Nos. 14H and 14I] refer.</p> <p>Excise duty exempted on Catalyst [3815 90 00] and Resin [3909 40 90] for use in the manufacture of cast components of Wind Operated Electricity Generator subject to actual user condition. The exemption from excise duty will be valid till 30th June, 2017. Notification No. 12/2012-Central Excise, dated 17th March, 2012 as amended vide Notification No.6/2017-Central Excise, dated 2nd February, 2017, [new S. Nos. 145 B and 145C] refers.</p>
2	Co-polymer coated MS tape/ stainless steeltape  <b>One product</b>	<p>Exemption from Basic Customs duty (BCD) on Co-polymer coated MS tape/ stainless steel tape for manufacture of telecommunication grade optical fibres or optical fibre cables withdrawn. Accordingly, item No. 23 of List 5 [against S. No 149] of Notification No.12/2012-Customs, dated 17th March, 2012 is being omitted. List 5 of Notification No.12/2012-Customs, dated 17th March, 2012 as amended vide Notification No.6/2017-Customs, dated 2nd February, 2017 refers</p> <p>10% concessional BCD is being prescribed on Co-polymer coated MStape/stainless steel tape for manufacture of telecommunication grade optical fibres or optical fibre cables, subject to actual user condition. Notification No. 12/2012-Customs, dated 17<sup>th</sup> March, 2012 as amended vide Notification No.6/2017- Customs, dated 2nd February, 2017 [New S. No. 333D] refers</p>
3	Reverse Osmosis (RO)	Basic Customs duty on Reverse Osmosis (RO) membrane element for household type filters falling under tariff item 8421 99 00 is

Sl. No.	Product	Status as per 2017-18 Budget announcement
	membrane element for household type filters	being increased from 7.5% to 10%. Clause 109 (a) of Finance Bill, 2017 refers. By virtue of declaration under the Provisional Collection of Taxes Act, 1931, this increase will come into force with immediate effect.
	<b>One Product</b>	Excise duty on Membrane Sheet and Tricot / Shaper, falling under tariff item 3921 19 00, for use in the manufacture of Reverse Osmosis (RO) membrane for household type filters reduced from 12.5% to 6% subject to actual user condition. This concessional excise duty will be valid till 30th June, 2017. Notification No.12/2012-Central Excise dated 17 <sup>th</sup> March, 2012 as amended by Notification No.6/2012-Central Excise, dated 2nd February, 2017 [new S. No. 148AAA] refers

**Total no. of Products where IDS addressed: 3**

**B. (1) Data base refinement** - In the back drop of the constraint of getting product wise information Tariff Commission had taken the initiative with the Ministry of Corporate Affairs giving full justification to ensure that the cost audit formats are restored to its earlier format to include product-wise data in respect of production, imports, consumption of raw materials, domestic sales, exports, services rendered/obtained, element-wise cost details including per unit cost etc. in respect of all major sectors of the economy, both in physical as well as value terms. Subsequently, the Ministry of Corporate Affairs have been able to amend the Companies(Cost Records and Audit) Rules, 2014, vide Notification dated 31st December, 2014, and has made it mandatory to provide product wise cost details in the Cost Audit reports at 8 digit HS CETA codes from March, 2017.

(ii) In order to ensure the regular flow of data for Normative price of Jute Bags a joint exercise was conducted along with the Office of Jute Commissioner, resulting in reduction of time for data collection and enabled conducting studies on the basis of latest available data. Two studies have been completed after the data base refinement

**C. Outcome of the study reports submitted by the Commission during the period 2013-14 onwards, by way of adoption, indication, appreciation and interest shown by the clients in addition to the usage by the client in analysis and decision making are as below:**

- 1) The Office of Economic Adviser, under the Department of Industrial Policy & promotion vide their letter No. OEA-12026(11)/1/2017-TFP dated 25<sup>th</sup> January, 2018 have supported the findings of Tariff Commission in 12 reports on Inverted Duty Structure under FTA's.
- 2) Department of Pharmaceuticals vide their letter No. 31026/25/2017-Md dated 13/12/2017 have supported the findings of Tariff Commissions report in the report on "Inverted Duty Structure in respect of Cochlear Implants".



- 3) Department of Heavy Industry vide their letter No. dated 15<sup>th</sup> September, 2016 5(1)/2014-PE-XI have communicated that Department of Industrial Policy & Promotion supports the proposal of the Tariff Commission regarding BCD on Steel Balls (HS code 84829119), Rubber Seal (HS Code 40024900), Grub Screw (HS Code 73182990) and Cage Strip (HS Code 84829119) required for the manufacture of Slewing Bearing, to be brought down to 5% under actual user condition.
- 4) Light Engineering Industry Division of DIPP vide their letter No. dated 17<sup>th</sup> Nov, 2016 F.No.14(37)/2015-LEI have communicated that at the existing concessional exemption on the import duty on the final product(ECCS laminates) and the import duty of 12.5% on the raw material, Effective Rate of Protection (ERP) works out to (-) 40.57% and they support that the ERP should be zero, for which duty on raw material is also required to be brought down at par with the concessional Nil duty on the final product.
- 5) Ministry of New and Renewable Energy vide their letter dated 21/10/2015 have recommended the proposals of Tariff Commission for redressing the inverted duty structure on input materials required for manufacturing Unsaturated Polyester Resins, Vinyl Ester Adhesive, Epoxy Resins and Hardener.
- 6) Department of Revenue vide their letter No. 15012/3/2015-NC-1 dated 11/5/2015 have communicated that the prices of various Alkaloids produced by GOAWs Neemuch and Ghazipur have been revised on the bases on the recommendations made by the Tariff Commission.
- 7) Ministry of water Resources vide its letter no. 11/1/2012-PP/1153 dt. 17/6/2014 has appreciated the studies done by Tariff Commission on Operational & Maintenance cost of Irrigation projects and Cost of Water in the context of its [proposed utilization by the 14<sup>th</sup> Finance Commission.

## 8. Official Language

In order to promote progressive use of Official Language Hindi in Tariff Commission, Rajbhasha Inspection of all the sections of the Commission were carried out during the financial year 20-2019. Compliance of section 3(3) of the Official Language Act, 1963 and Rule 5 of Official Language Rules 1976 was ensured. In addition to this, constant efforts were made to ensure the compliance of the policies and rules of Official Language completely.

The entire website related material of Tariff Commission was translated into Hindi to make it bilingual. The website of the commission was also updated from time to time.

Hindi Pakhwara was celebrated in Tariff Commission from 1<sup>st</sup> to 14<sup>th</sup> September, 2019 to encourage progressive use of Hindi in official work and to create a motivating atmosphere. Six competitions were held during this period. Three written competitions viz. 1. Essay writing, 2. Poster/Slogan writing, 3. Noting and drafting and three oral competitions viz. 1. Debate, 2. Extempore Speech, 3. Poem recitation were held. All the officers/employees participated in these

competitions with great enthusiasm. Thereafter, Hindi Pakhwara Closing Ceremony was organised under the chairmanship of the Member Secretary of the Tariff Commission. During this ceremony prizes and certificates were distributed to all the winners.

Four meetings of the Official Language Implementation Committee were held during this year as per the rules of the Department of Official Language. During these meetings, discussions were held about measures to increase the progressive use of official language Hindi.

Four Hindi Workshops were also organized on different subjects during this year as per the rules of Department of Official Language. During these workshops, officers/employees of the commission were inspired to do maximum official work in Hindi language. In these workshops, information was given to write short notes in Hindi. In additions to this, information about the Policy, Rules and Grammar of Official Language Hindi was also provided.

#### 9. Swachh Bharat Mission

The Swachta Action Plan was implemented in the Tariff Commission with the foremost objective of developing cleanliness as a regular habit. The employees of the Commission were encouraged to inculcate a practice of cleanliness of self, office premises and their residential areas/surroundings. The ways and means to develop this habit were deliberated in meetings and Swachta Pakhwara. A brief of the activities is summarized below:-

Awareness for phasing out of single use plastic in daily life- A meeting to spread awareness and find alternates to the single use plastic was held on 30 September, 2019. The Swachta Committee members discussed the harmful effects of plastic on individual and global environment. The staffs are encouraged to use non-plastic items and do away with plastic use in daily life.

The old furniture/item lying unused in the office premises was segregated for disposal/auction purpose.

Installation of different coloured dustbins in the Commission premises for wet/dry waste. The officials were encouraged to use the dustbins to throw wastes.

The Swachta Pakhwara was organized in the Commission with the theme “Swachta Hi Jeevan Hei”. All the officials in the Commission took the Swachta Pledge.

The staffs were encouraged to share their views on how the office premises and the surrounding areas can be maintained as clean and organized places. Based on the suggestions regular pest control, watering and maintains of plants installed in the office premises was initiated in the Commission

The pollution levels in Delhi and NCR had reached hazardous levels during November and December 2019. The staffs were sensitized against the harmful effects and to prevent indulging in activities which may add to the air pollution. The staffs were encouraged to wear masks as a

safety measure and plant more trees/plants to improve oxygen levels in and around their place of residence/localities.

All the officials were also pledged to dedicate 100 hours in a year that is two hours per week to voluntary work of cleanliness and also to motivate their peers and families to develop cleanliness as a regular habit.