

# NATIONAL INDUSTRY ASSOCIATIONS

## Joint Submission

 AIPMA ESTD 1945 Powering Progress Through Plastics	 OPP	 CPMA	 PMMAI We Shape Plastics...	 aiftma
All India Plastic Manufacturers' Association	Organization of Plastics Processors of India	Chemical and Petrochemical Manufacturers' Association	Plastic Machinery Manufacturers' Association of India	All India Flat Tape Manufacturers' Association

December 18, 2014

Shri Surjit Kumar Chaudhary, IAS  
Secretary (DCPC)  
Ministry of Chemicals and Fertilizers  
Government of India  
Shastri Bhawan  
Dr. Rajendra Prasad Road  
New Delhi – 110 001

Sub: **Common Submission for Budget 2015-16**

Dear Sir,

We thank our Honorable Minister and officials of DCPC for guiding the plastic up-stream and converting industry in playing a meaningful role in Indian economy. Products made from plastics cater to critical sectors of our economy like agriculture, health-care, industry, infrastructure, automobiles, appliances and house-hold goods. With growth of economy and improving standard of living, demand for plastic products continues to grow at rapid pace. However, full benefit of such growth is not being realized by domestic industry due to policy inadequacy in fiscal and regulatory space. The joint submission of the industry on fiscal issues is detailed below for favorable consideration of the Government in forthcoming budget.

### **Custom and Import Duties:**

India has one of the lowest rate of import duty as compared to most of the developing countries. This coupled with deep duty cuts effected through numerous FTAs have put Indian manufacturing at substantial disadvantage as compared to

competing countries. The current duty of 10% on plastic products and 7.5% / 5% on raw-materials are grossly inadequate to neutralize higher logistic cost due to poor infrastructure within the country, high capital and energy cost that the domestic industry faces. In the above context we have made following specific submission on import duty for Government's consideration.

1. Import duty on plastic products under chapter 39 is currently capped at 10%. This is extremely low and much lower as compared to few comparable countries like Malaysia (up to 30%), Indonesia (up to 15%), Philippines (15%) & Brazil (14%). To encourage domestic manufacturing it is imperative that the peak duty is reviewed as this low level of duty provides inadequate incentive to local manufacturers as a result of which large scale import of articles of plastics under chapter 39 is taking place resulting in large scale of foreign exchange outgo. Import duty on articles of plastics (Chapter 39) be raised to minimum of 15%.
2. Similarly some of the plastic raw-materials needs rationalized duty structure. These are PET, ABS & SAN where the current duty is 5% as against duty of 7.5% for major commodity plastic materials like PE, PP, PVC and PS. Hence, import duty on **PET (HS code: 390760), ABS (HS code: 39033000) and SAN (HS code: 39032000) may be raised from 5% to 7.5%** bringing this at par with other major commodity plastics.
3. Feedstock is the major component of cost in petrochemicals. While in the last budget, partial relief was given by reducing the import duty on feedstock like Ethane, Propane and Butane, duty on Naphtha, the largest feedstock for the industry, remained unchanged. Naphtha used for power and fertilizer production is exempt from import duty. This anomalous situations needs to be corrected.

Import duty on **Naphtha (HS code: 27101290)** may **be reduced to 2.5%** and bring it at par with other petrochemical feedstock.

4. Import tariff on key petrochemical inputs **EDC (HS code: 29031500), VCM (HS code: 29032100) and Styrene (HS code: 29025000) may be brought down from 2.5% to zero.** There is very little production of these for merchant sale within the country. Whatever capacity exists is essentially for captive use. There is no domestic production of Styrene and the entire Styrene requirement of the country is imported.

## **5. Titanium Dioxide ITC HS Code no.32061100**

Customs Duty on Titanium Dioxide is 10%. Custom Duty on masterbatches which use Titanium Dioxide is 7.5%. Thus it is a case of Inverted Customs Duty.

Reduction of Custom duty on Titanium dioxide from 10% to 5% for imports from countries with whom we do not enjoy preferential / nil rate of duty for this product under respective FTAs.

Demand of White Masterbatches in India is 50,000+ tons. On 50% basis the total demand for Titanium Dioxide is 25,000 tons.

White Masterbatches are mostly used for Multilayer and Monolayer Plastic Films which are widely used for Food Packaging. Thus higher cost of Titanium Dioxide has adverse effect on Food Packaging.

## **6. Capacitor Grade Polypropylene Granules ITC HS Code 39021000**

Customs duty on imports of "capacitor grade polypropylene granules" ITC HS Code 39021000 is 7.5%, while capacitor grade BOPP Film is attracting zero percent customs duty in view of its application in electronic sector. Thus, it is a case of inverted duty structure.

Currently "Capacitor grade Polypropylene Granules" are not produced in India.

Production of capacitor grade BOPP Film requires a very special kind of polypropylene granules with very high purity, ultra-low ash content and high isotacticity.

Considering the average import price of the product at present (Rs. 350 per kg), it is estimated that the average value of the consumption over the next four years shall be in the region of US\$ 50 million per year. Considering targeted market share of 75% by Indian industry and 60% costs on account of polypropylene granules, the proposal implies significant foreign exchange savings in region of US\$ 15 million per annum for the country.

## **7. Import duty on plastic machinery components may be reduced to 5%**

Import duty on many plastic machinery components are at 10% whereas import duty on plastics machinery is at 7.5%. This is a case of inverted duty structure.

Import duty on Plastics processing machinery is 7.5%, while it has reduced to zero for Injection moulding machinery (HS Code 8477 1000) and 5% for Extrusion (HS Code 8477 2000), Blow Moulding (HS Code 8477 3000) machinery where India has entered FTA. Customs duties are gradually brought to zero on imports from Japan under CEPA. This has led to increased imports and domestic manufacturers are not able to utilize their capacities. Import Duties on Plastics processing machinery (HS Code 8477) shall be increased to 10% across the board.

There is also large scale import of second hand machines which are not only energy inefficient, but also less reliable and are primarily sold to Indian buyers at extremely low prices. This had major impact on plastic machinery sector in India. At present nearly 40% machines imported in India are second hand machines. Used plastics processing machinery imports should be banned and incase ban is not possible, increase custom duty to 70% of purchase price or 15% of original purchase price for a new machine of similar specifications, whichever is higher, no depreciation & TUF benefits.

8. Incentive for investment in Green Technology like Servo Driven Hydraulics & All Electric Injection moulding machines: Domestic machinery manufacturers are manufacturing machines of latest technologies, which helps in reducing energy consumption. Manufacturers should be given incentive for sale of these machines. This will help in reducing overall energy demand for the country.

### **Free Trade Agreements (FTAs) (Ministry of Commerce)**

Denial of concessions to be made to units set up in countries after proclamation of FTA.

Across the board increase in import duties to 15% should be made on imported plastic products that are undermining our manufacturing base.

Revocation of permission to set up warehouses in India for stock and sales that take advantage of low duties.

Curtailing free flow of cheap imports under concessional duties and review of FTA's to be made on top priority that has been eroding our manufacturing base and burdening our economy with current account deficit.

Inverted duty structure under various FTAs should be removed.

Processed plastics have a big potential for exports. All FTA's currently don't include preferential duty or zero duty treatment for exports of plastics, the Ministry of Commerce should actively press for the same.

Finished plastic products should be put under Negative List or No Concession List of all the FTAs for imports into India.

Most of the finished goods are coming from China. Therefore, we should not have Free Trade Agreement with China.

### **Excise Duty:**

Products made from polymers are used in agriculture, education, healthcare, industry and infrastructure sectors. It helps in conservation of energy and forest resources. Considering these benefits, Excise duty on polymers and plastic products be reduced from the existing 12% to 8%.

Plastic products finding use in the agricultural applications like mulch film, drip irrigation system, health protectors such as disposable syringes and products used by students specifically like water bottles, lunch boxes, compass box, erasers, crayons, school bags, toys & sporting goods etc. should be **exempt from levy of Excise Duty**.

Extending benefits of availing 100% Cenvat credit on duty paid on capital goods in the year of installation to all the units.

The whole of Textile Industry and the Textile Ministry along with DCPC have been demanding reduction in the excise duty on MMF and Yarns to increase the domestic consumption. The present rate of 12% is a very high and discriminates MMF with Cotton which has zero excise duty. This makes man made textiles, used by masses, expensive. It may be noted the all spun yarns of cotton were given an optional route in 2004 and spun yarns of man-made fibres too given the optional route in 2006. The reduction in excise duty from existing 12% to 6% may be considered.

### **Service Tax (CBEC, Ministry Of Finance)**

Monetary Ceiling of Rs.50 lakhs should be increased to Rs. 1 crore for Prosecution provisions under Service Tax Rules to avoid undue harassment by service tax officials.

Service Tax on Export Freight paid to airlines, courier agencies or commission expenses done for exports should be removed.

Commission to Local Agent should be treated as input service eligible for input tax credit.

### **SAD:**

In order to address the issue of unutilized SAD credit, it is submitted that, in line with items exempted from payment of SAD vide notification 21/2012, SAD may be waived on imports of feedstock and import of monomers by end-use manufacturers. Alternately, we would request for a facility for end use manufacturers to obtain refund of such credit balance.

There is a strong case for making SAD refund based on actual user condition

Also presently the SAD on imports is 4%. SAD had been imposed as a countervailing duty to sales tax. Considering that SAD is not adjustable with sales tax /VAT but with excise duty, it has resulted in making the excise duty structure inverted. For this reason, and considering that the CST rate is now 2%, there is a strong case for reduction in the SAD rate to 2%.

### **GST AND CST**

Implementation of GST should be done on top priority across the country.

Plastic products should be taxed at lowest rate of GST, as they are items of mass consumption affecting every household.

Export of finished products should be exempted from any levy of GST. There should be an effective scheme of refund of CGST / SGST paid on inputs for production of such goods.

Although separate department may exist for GST Administration for CGST and SGST, single window system should be followed for return filling and assessment.

Cross Utilization of Central GST with State GST should be allowed.

The rate of CST may be reduced from the existing 2% to 1% in line with the Government's original plan of phasing out CST over time.

### **Income Tax (CBDT, Ministry Of Finance)**

Incentives for attracting capital in the processing sector that includes expanding MSME scheme to cover all plastic processing machines for capital subsidy.

100% depreciation on dies and moulds used in for plastic industry should be allowed.

Additional Depreciation rate should be increased to 40% for New Plant & Machineries purchased.

**SPECIAL STATUS TO BE GIVEN TO WASTE RECYCLING EQUIPMENT INDUSTRY & SERVICE PROVIDERS:**

To develop a sustainable society we should enforce 3R's – Reduce, Reuse and Recycle. Plastics can easily be recycled and conducive environment should be created for entrepreneurs to invest.

Waste Recycling Equipments should be given 100% exemption from levy of CENVAT, VAT, and Other Taxes

Free import of all types of waste recycling machines should be allowed.

All services provided for Solid Waste Management Systems and Waste Recycling should be exempt from Service Tax.

Profits accruing from recycling of plastic Waste should be subjected to lower rates of Income Tax.

Hope you would consider these submissions favorably.

Thanking you,

Yours faithfully,

All India Plastic Manufacturers' Association (AIPMA)	Organization of Plastics Processors of India (OPPI)	All India Flat- tape Manufacturers' Association (AIFTMA)	Plastic Machinery Manufacturers' Association of India (PMMAI)	Chemical and Petrochemical Manufacturers' Association (CPMA)
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