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March 13, 2023

Shri Alkesh Kumar Sharma
Secretary
Ministry of Electronics & IT

Sub: Request for Extension on Customs Duty Notifications (such as No.57/2017) for Import of Goods at Conditional Rate of Duty (IGCR)

Respected Sir,

Greetings from MAIT!

At the outset, MAIT would like to take this opportunity to thank MeitY for its continued support to the Indian industry. We deeply appreciate Gol for presenting a holistic budget which envisions prosperous and inclusive India. We also take this opportunity to extend our heartiest thanks to MeitY for its multiple initiatives to promote electronics H/w manufacturing in the country including mobiles, laptops, tablets and other ICT products.

Background

1. In the Finance Act (13 of 2021), Section 25 of Customs Act 1962 was amended by insertion of subsection 4A (Reproduced below for reference please). This sub section 4A granted exemption of the Customs duty subject to any conditional notification which were stipulated to expire after two years from the 01 Feb 21 unless otherwise specified or varied or rescinded.

Subsection 4A of Section 25 of Customs Act 1962

“Where any exemption is granted subject to any condition under sub-section (1), such exemption shall, unless otherwise specified or varied or rescinded, be valid upto 31st day of March falling immediately after two years from the date of such grant or variation:

Provided that in respect of any such exemption in force as on the date on which the Finance Bill, 2021 receives the assent of the President, the said period of two years shall be reckoned from the 1st day February 2021.”

2. In the Finance Bill (17 of 2023), vide clause 123 (reproduced below for reference please), further amendment has been done to Section 25 of Customs Act 1962 by insertion of a proviso after subsection (4A).

Clause 123 of the Finance Bill - 2023

“In the Customs Act, 1962 (hereinafter referred to as the Customs Act), in section 25, in sub-section (4A), after the proviso, the following proviso shall be inserted, namely: -

“Provided further that nothing contained in this subsection shall apply to any such exemption granted to, or in relation to, -

(a) any multilateral or bilateral trade agreement;

(b) obligations under international agreements, treaties, conventions or such other obligations including with respect to United Nations agencies, diplomats and international organizations;

(c) privileges of constitutional authorities;
(d) schemes under the Foreign Trade Policy;
(e) the Central Government schemes having validity of more than two years;
(f) re-imports, temporary imports, goods imported as gifts or personal baggage;
(g) any duty of customs under any law for the time being in force, including integrated tax leviable under sub-section (7) of section 3 of the Customs Tariff Act, 1975, other than duty of customs leviable under section 12."

3. As can be seen, this additional proviso excludes the expiry for some of the Customs duty exemption notifications issued on a conditional basis; such notifications issued in lieu of any bilateral or multilateral agreements, Free Trade Agreements, etc. However, the clause is silent on some other important conditional Customs duty notifications such as duty exemption for raw material / parts / components / sub-assemblies imported under condition of IGCR rules (Import of Goods at Concessional Rate of Duty) & & duty exemptions wide other notifications such as Notification No. 57/2017.
4. It is brought out that the Customs Notification No.57/2017 dated 30 Jun 17 was issued to promote phased manufacturing program of cellular mobile phones in India. This notification provides full or partial exemption of Customs duty on many raw materials / parts / components / sub-assemblies like microphones, receivers, display assembly(s), touch panels, vibrator motor/ringer, front cover, battery cover, screws, keypad, USB cable, etc. imported into India under condition of manufacturing of cellular mobile phones.
5. The Hon'ble Finance Minister, in her budget speech for FY 2023 - 24, has provided relief on Customs duty on import of certain part / components / sub-assemblies like camera lens and has extended the concessional duty on lithium-ion cells for batteries for another year. However, no clarity on the continuation of Customs duty exemption, beyond 31 Mar 23, for the other parts / components / sub-assemblies imported under IGCR rules by conditional duty exemption notifications has been provided.

Industry Request

- It is intimated that the expiry of IGCR benefits shall nullify the competitive edge that the Customs Notification 57/2017 dated 30 Jun 17 and Subsection 4A of Section 25 of Customs Act 1962 provided to mobiles manufactured in India. Hence, it is recommended that Customs duty exemption, beyond 31 March 2023, for the other parts / components / sub-assemblies imported under IGCR rules by conditional duty exemption notifications including for notifications such as 57/2017 which also contain IGCR condition be extended to support various initiatives of GoI for electronics manufacturing in India till such time, there is viable ecosystem of sourcing these parts / components / sub-assemblies in India.

We urge you to kindly consider MAIT's recommendations positively and also recommend the same to CBIC.

Warm regards,



Col. AA Jafri, Retd.
Director General