

K-15018/10/2019- EP(CAP)  
Ministry of Commerce & Industry  
Department of Commerce  
EP (CAP) Division

Udyog Bhavan, New Delhi  
Dated 1 October 2019

OFFICE MEMORANDUM

**Sub: Regarding examination of representation requesting corrections in inverted duty structure due to withdrawal of customs duty exemption**

The undersigned is directed to refer to this Division's O.M. No.5/1/2017-EP(CAP) dated 6.08.2019 (copy enclosed) forwarding therewith an email dated 2.08.2019 from Plastics Export Promotion Council under the domain of EP(CAP) Division highlighting issues related to inverted duty structure in consultation with All India Plastics Manufacturers Association. The Custom duty on PVC resin which is the major raw material was raised from 7.5% to 10%. However, there has been no increase in custom duty on products under Chapter 3920 such as PVC films which use PVC and plastic sheets as raw material. The Industry requested for increase in Customs duty on products under Chapter 3920 as well.

2. The Central Board of indirect Tax and Customs (CBIC) is requested to intimate the action taken on this Division's O.M. referred to above, so that the applicant may be informed.

Ends: as above

(Vijay Shanker Pandey)  
Under Secretary to the Government of India  
Tele:23062044  
Email: vshanker.pandey@gov.in

To,

Shri Pranab Kumar Das  
Chairman Central Board of indirect Taxes and Customs  
Department of Revenue  
North Block  
New Delhi.

Copy to :

- I. Shri Ritvik Ranjanam Pandey, Joint Secretary (Revenue) 46, North Block, New Delhi.
- II. Shri Sribash Dasmahopatra, Executive Director, Plexconcil, Mumbai
- III. Shri Meela Jaydev, President, All India Plastics Manufacturers Association AIPMA House, Mumbai.

F.No.5/1/2017- EP(CAP)  
Ministry of Commerce & Industry  
Department of Commerce,  
EP (CAP) Division

Udyog Bhavan, New Delhi  
Dated 06, August 2019

**OFFICE MEMORANDUM**

**Sub: Regarding examination of representation requesting corrections in inverted duty structure due to withdrawal of customs duty exemption**

The undersigned is directed to forward herewith an email dated 2.08.2019 received from Plastics Export Promotion Council under the domain of EP(CAP) Division highlighting issues related to inverted duty structure in consultation with All India Plastics Manufacturers Association as given below:

- Custom duty on PVC resin under Chapter 3904 was raised from 7.5% to 10%. PVC is a major raw material for various industries. In order to accommodate an increase in customs duty on raw materials, customs duty on finished product under Chapter 3926 has been increased from 10% to 15%. However products under chapter 3920 have been left out, specifically 'PVC films', which use raw materials such as PVC and plastic sheets. The problem of inverted duty structure has arisen as duty on finished good is unchanged and duty on raw materials is increased which will impact the domestic manufacturing of finished goods. From ASEAN, the custom duty is 5% on Chapter 3920 & 3921 due to the ASEAN-INDIA FTA.
- An increase in custom duty on PVC resin under chapter 3904 is in support of the PVC resin producers, however this has resulted in non-availability of PVC resin at competitive price as domestic production is only 50% of the consumption, due to which the products produced from PVC resin have become uncompetitive.
- Custom duty on PVC flooring (Ch 3918) is 15% but it is 10% on PVC sheets (Ch 3920 & 3921). Due to different duty rates, PVC floorings will start getting imported by unscrupulous importers under Ch 3920 & 3921. Hence Custom duty on PVC sheets should also be increased to 15%, as PVC Sheets and PVC floorings look similar, despite having different application.
- The issue of Inverted duty structure in Polyester yarn (HS 5402) which is a raw material attracting a duty of 46% including anti-dumping duty for import from China. Whereas. its finished goods Ropes (5607), Nets (5608) attract a duty of 24.32%.

2. The Central Board of Indirect Tax and Customs (CBIC) is requested that the request of Plexconcil and AIPMA may kindly be considered and action as appropriate, may be taken in this regard, under intimation to this Department.

Encls: as above

(Vijay Shanker Pandey)  
Under Secretary to the Government of India

Tele:23062044  
Email: vshanker.pandey@gov.in

To,

Shri Pranab Kumar Das  
Chairman Central Board of Indirect Taxes and Customs  
Department of Revenue  
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