



CHEMEXCIL

Basic Chemicals, Cosmetics & Dyes Export Promotion Council

(Set-up by Ministry of Commerce and Industry, Govt of India)

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EPC/LIC/BUDGET/2021

1st Feb 2021

TO ALL THE MEMBERS OF THE COUNCIL

UNION BUDGET 2021-22

Key Highlights & Provisions for Exports/ Chemicals sector

Dear Members,

As you are aware, Union Budget 2021-22 has been presented on 1st Feb 2021 by Hon'ble Minister of Finance Smt. Nirmala Sitharaman.

This year's Union Budget provides major boost to healthcare and infrastructure.

Key Highlights/ Indicators of Union Budget 2021-22

- For FY22, the fiscal deficit is pegged at 6.8% of GDP.
- Increase in borrowing limits of state governments
- Privatization of Public Sector Enterprise
- **MSMEs AND INDUSTRY-**
 - Collateral free loans for businesses
 - Fund of funds will be set up for MSMEs
 - Subordinate debt for MSMEs
 - Disallowing global tenders of up to Rs 200 crore
 - Change in definition of MS
- **PLI launched** to create manufacturing global champions across 13 sectors with amount committed nearly Rs. 1.97 lakh crore in next 5 years starting FY2021-22

Ports, Shipping, Waterways

- PPP mode to be utilised for managing operational services of major ports
- Subsidy support to promote flagging of merchant ships
- Recycling of Ships Act, 2019 enacted and recycling capacity to be doubled by 2024

DETAILS OF PROPOSALS RELATED TO CUSTOMS/ CHEMICALS

INDIRECT TAXATION/ CUSTOMS

Custom Duty Rationalization

- Custom Duty Policy should have the twin objective of promoting domestic manufacturing and helping India get onto global value chain and export better. The thrust now has to be on easy access to raw materials and exports of value added products.
- **It is proposed to review more than 400 old exemptions this year after extensive consultations, and from 1st October 2021,** government will put in place a revised customs duty structure, free of distortions.
- It is also proposed that any new customs duty exemption henceforth will have validity up to the 31st March following two years from the date of its issue.

BASIC CUSTOMS DUTY CHANGES (CHEMICAL SECTOR)

Chapter No. 22

- All Denatured ethyl alcohol (ethanol) falling under tariff item 22072000 will now attract 5% BCD with removal of exemptions.

Chapter No. 27

- BCD on Naphtha reduced from 4% to 2.5%.

Chapter No. 28

- BCD on Carbon blacks (Tariff item 2803 00 10) is being increased from 5% to 7.5%,

Chapter No. 29

- Bis-phenol A (HS Code - 29072300)- BCD increased from NIL to 7.5%
- Epichlorohydrin (HS CODE- 29103000 BCD increased from 2.5% to 7.5%

Chapter 32-38: No change

LEGISLATIVE CHANGES IN CUSTOMS AND CENTRAL EXCISE

- **Major Amendments in the Customs Act, 1962:**
 - Reduce dwell time and EoDB (Trade facilitation)
 - Efficiency and accountability
 - Improving tax compliance
- **Amendments to the Customs Tariff Act, 1975:**
 - Amendment in First Schedule to the Customs Tariff Act, 1975
 - Amendment in the provisions relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures

Conclusion

- *The duty on Naptha has been reduced from 4 to 2.5% which is positive as it is an important feedstock for various organic chemicals (like Benzene, Toluene etc). This reduction will address inverted duty structure issue.*
- All **Denatured Ethyl Alcohol (ethanol)** falling under tariff item 22072000 will now attract 5% BCD with removal of exemptions. This will impact ethanol based industries.
- **Carbon Black, Bis-phenol A, Epichlorohydrin-** duty increase to 7.5% might impact end user industries like Rubber, tyre, toner, pharma, agro intermediates etc.
- *It is proposed to review more than 400 old exemptions this year after extensive consultations, **and from 1st October 2021**, government will put in place a revised customs duty structure, free of distortions.*

You are requested to take note of the above provisions.

For further details of various proposals, please use below links.

<https://www.indiabudget.gov.in/doc/bh1.pdf>

<https://www.indiabudget.gov.in/doc/cen/dojstru1.pdf>

Thanking You,

Yours faithfully,

Deepak Gupta
Acting Executive Director
CHEMEXCIL