

Based on information collected up to April 2005

### 1. TARIFF MEASURES

#### Structure of the tariff schedule

India adopted the Harmonized System through Customs Tariff Amendment Act of 1985, and applies since 1 of February 2003 an eight-digit customs classification based on the HSN.

#### Tariff publications

India, Customs Tariff Schedule 2004-2005 as on 9 of July 2004, obtainable from Directorate of Publicity and Public Relations  
Customs and Central Excise  
New Delhi.

#### Preferential duties under trade agreement

##### 11 Statutory Customs

Import duties levied on the c.i.f. value of goods can be assessed either on a specific or ad valorem basis, or on both.

##### 12 MFN rates

MFN tariff levy is statutory and quite product specific, and it allows numerous exemptions through administrative notifications within duty exemption entitlement certificate, throughout the year.

##### 14 Tariff Quota Duties

Tariff quota duties are set on imports of garments and tea from Sri Lanka.

##### 16 Temporary reduced duties

Reduced or suspended rates apply to goods such as raisins from 105% to 100%, liquor and spirits from 182% to 166%; electronic components covered by the ITA (Information Technology Agreement); pharmaceuticals and biotech i.e. all drugs and materials; fiber optic cable from 25 to 20% and specialized materials used in its manufacture from 30 to 15%. In addition to the above, duty remission and duty drawbacks also apply to qualified duty inputs imported by export oriented industries. In line with duty exemption scheme, the following goods can be imported free of duty: raw materials, components, and consumer products, processed food, footwear, toys and telecommunications products, fertilizers, mining equipment, wood products, jewellery, camera components, paper and paperboard, ferrous waste and scrap, computers, office machines and spares, textile machinery and spare parts, hand tools, soft drinks, cling peaches, vegetable juice and canned soup.

As a rule, duty exemption proceeds are established for registered importers involved in export oriented industries.

Exemption notifications for import of goods under various export promotion

schemes are listed and detailed in the Indian Customs Tariff Schedule 2004-2005.

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## 19. Preferential duties under trade agreements

India grants and receives concessions under the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP) as a member and participant to these preferential schemes. Furthermore, India grants preferences to goods from Bhutan, Burma, Egypt, Mauritius, Nepal, Seychelles and Tonga.

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### 19.1 Interregional agreements

India together with Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka are members of the South Asian Association for Regional Cooperation (SAARC) established on 8 of December 1985 with the aim to promote an accelerated economic growth, and complement bilateral and multilateral relations among member states. SAARC members created a preferential trade agreement, under which, Bangladesh, Nepal and Sri Lanka have been designated as lesser developed countries. In addition, the contracting states established the SAARC preferential Trading Arrangement (SAPTA) in 1993, to promote and sustain mutual trade and the economic cooperation among its members, through exchanging concessions in accordance with the terms of this Agreement, by calling for reduced tariffs on certain goods, such as raw materials. In line with tariff concessions, negotiations are conducted on a product-by-product basis. (SAPTA) calls for duty concessions on agricultural products, livestock, marine products and scrap metal, on the condition that goods contain at least 40% value-added if produced in a single SAPTA country, 30% in a lesser developed SAPTA country or 50% if more than one SAPTA member provides input. In view of the future of the Agreement, the creation of the South Asian Free Trade Area (SAFTA) is planned.

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### 19.2 Regional and sub-regional agreements

India with Bangladesh, Korea, Laos, Sri Lanka and Thailand belong to the Bangkok Agreement established in 1975, Asia first multi-member preferential trade agreement (PTA) joined by China in 2001, revitalizing thus the Agreement. It grants concessions on certain agricultural and manufactured goods, chemicals and minerals.

On 8 of October 2003, India signed an economic cooperation framework with ASEAN members, i.e. Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. The economic framework calls for tariff reduction or elimination by 2011 for non-agricultural imported goods between India and Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, and by 2016 on goods traded between India and Burma, Cambodia, Laos, and Vietnam.

India and MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) signed on 17th June 2003 in Asuncion, Paraguay, a framework agreement which grants parties, reciprocal tariff reductions for the moment, with a view of arranging later, a free trade area between the two blocks.

India-SACU (South Africa, Lesotho, Swaziland, Botswana and Namibia), the Southern African Customs Union, met in September 2004, finalizing a framework agreement which provides for a limited tariff concession first, before graduating to a Free Trade Agreement later.

India-GCC Framework Agreement (The Gulf Cooperation Council) signed a framework agreement on 25th August 2004.

### 19.3 Bilateral agreements

Among other agreements, India concluded in 1991 with Nepal a bilateral agreement renewable every five years. While the agreement allows duty free entry of Nepalese goods into India, it grants Indian goods, a 20% duty reduction of imported goods into Nepal.

India and the European Union Trade Cooperation Agreement grants equal most-favored nation treatment to goods of European origin.

India and Sri Lanka free trade agreement in force as of 1 of March 2000, allows India to phase out duties on most goods from Sri Lanka since 1 of March 2003, except on garments which are levied at reduced rates, while tea and textiles are assessed at established tariff rate quotas. As a counterpart, Sri Lanka will eliminate duties from Indian goods by 1 of March 2008. Nonetheless, a list of goods excluded from the Agreement is maintained by each country.

India and Thailand framework agreement was signed on 9 October 2003, with the aim of establishing a free trade area by 2010 between the two countries.

Among the many bilateral trade agreements, India signed major trade agreements with Russia, China, Myanmar, Nepal, Kazakhstan, Mauritius, Seychelles and Tonga.

India signed with Afghanistan on 6 March 2003, a Preferential Trade Agreement (PTA) which provides reduction of tariffs and promotes free movement of goods between the two countries.

Apart from these traditional free trade agreements, there is the Indian - U.S. association, an imperative relationship which aims at promoting trade and partnership between both countries.



## 2. PARA-TARIFF MEASURES

### 21 Customs surcharges

A special additional duty (SAD) introduced in the fiscal budget of 1998-1999 is levied at the rate of 4% on most imports except on duty free ones.

The 2004-2005 Budget announced on 8 of July 2004 has established a levy on imported goods of a 2% education surcharge based on the c.i.f. value with customs and excises taxes.



### 23.1 General sales taxes

Levies of sales taxes ranging from 2% to 20% with permitted assessment of up to 4% are set on textiles, sugar, and tobacco products. In addition, as of 1 of April 2005, a VAT levy at state level will be in effect, and the rate defined.



### 23.9 Internal taxes and charges levied on imports n.e.s.

A domestic tax known as the Central Value-added taxes, are assessed at the rates of 8%, 16% and 24% on goods with some exceptions.



## 3. PRICE CONTROL MEASURES

### 34 Antidumping measures

Imports of goods into India, valued at prices lesser than in the country of origin, are subject to antidumping measures laid in the Customs Tariff Act with a view to protecting domestic production.

The following antidumping measures are in force against the following

products: acrylic fibers on 18 of July 2000, analgin on 8 of October 2001, potassium permanganate on 1 of November 2001, paracetamol on 27 of March 2002, sodium nitrite on 29 November 2002, caustic soda on 14 of November 2003 and green veneer tape on 9 of February 2004.



#### 4. FINANCE MEASURES

##### 43 Restrictive official foreign exchange allocation

The Indian currency, the Rupee is convertible on current account transactions as capital account transactions carried out by foreign investors; however Indian firms and individuals remain subject to capital account restrictions.



##### 45 Regulations concerning terms of payment for imports

When imported machinery and capital goods require down payments exceeding USD 15,000, a bank guarantee from an international bank covering the advance remittance amount is required from importers.



##### 49 Finance measures n.e.s.

Finance measures such as exchange control management and regulation are under the responsibility of the Reserve Bank of India (RBI) thanks to the 1973 Foreign Exchange Regulation Act (FERA) superseded by the Foreign Exchange Management Act (FEMA) of December 1999.



#### 6. QUANTITY CONTROL MEASURES

##### Non-automatic licensing

##### 61 Non-automatic licensing

Licensing and discretionary controls over imports have been gradually replaced by the India's Ex-Im policy regulation of the Open General License (OGL), which means that goods are importable without restrictions and without a license as long as they are regulated by the rules of the general provisions regarding imports and exports, or any other law being in force. Importers must obtain a number from the Director General of Foreign Trade in the Ministry of Commerce and Industry, for the importation of goods.



##### 61.10 Licence with no specific ex-ante criteria

A special import license, (SIL) is required for the importation of the following goods: betal and areca nut whole or split ground, raw silk, in yarn and others; launches, boats, barges, trawlers and other fishing vessels, inflatable yachts, and ships, boats and floating structures.



##### 61.2 Licence for selected purchasers

Only licensed importers are allowed to import tobacco.



##### 61.7 Prior authorization for sensitive product categories

Special focus is set on imports of genetically modified agricultural products such as soy oil extracted from genetically modified soybean in many countries.



**61.71 To protect human health**

Importation of food ingredients and additives with genetically modified or bioengineered organisms must be authorized by the Genetic Engineering Approval Committee, the authorization being valid for four years.  
Meat and poultry products importation are subject to compliance with all the provisions of Meat Food Product Order.



**61.73 To protect plant health**

An approval from the Ministry of Agriculture is required for the importation of primary agricultural products, and an import permit issued by the same Ministry is required for list of plants, plant products and seeds, and is valid for six months, under the Quarantine Order which is in effect since 1, of January 2004.  
Tea waste import is subject to compliance with Tea Waste Control Order.



**61.9 Non-automatic licensing n.e.s.**

A special import authorization is required for the following goods: works of art, photographs in rolls or printed forms, account and manuscript books, labels, advertising matter excluding trade catalogs and circulars; almanacs in sheets or in cards as well as waste paper and old newspaper for packing.



**Prohibitions**

**63 Prohibitions**

Goods banned from import into India, include items that damage the environment or wildlife, certain defense items, and goods threatening internal security, public order and various standards of decency and morality.



**63.71 To protect human health**

Import prohibition of fresh fruits and vegetables coated with edible and non-edible waxes, mineral oils, and colors.

Textile material items with dyes like Azo dye are banned from importation.



**63.71 To protect human health**

**63.72 To protect animal health and life**

An importation ban is set on tallow, fat, and oils of animal origin, and on animal rennet, as on lard stearin, lard oil, oleostearin, oleo oil and tallow oil, not emulsified or mixed or otherwise prepared.

Due to the outbreak of Transmissible Spongiform Encephalopathy (TSE) diseases, the Ministry of Agriculture, Department of Husbandry and Dairying prohibits the importation of live cattle, buffalo, sheep and goat, bovine, ovine and caprine embryo or ova, fresh meat, meat products, tissue, organs and meat and bone meal (MBM) of ruminant origin, as pet food products or ingredients of ruminant origin.

In order to ensure food safety and protect domestic and wild birds from Highly Pathogenic Avian Influenza, the Ministry of Agriculture, Department of Animal Husbandry and Dairying, has set an import ban on livestock and their products, domestic and wild birds including captive birds, day-old chicks, ducks, turkey and other newly-hatched avian species, hatching eggs, eggs and egg products, semen of domestic and wild birds, meat and meat products from avian species including wild birds, feathers, products of animal origin intended for use in animal feeding or for agricultural or

industrial use, live pigs and meat products, pathological material and biological products from birds.

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**63.75 To protect wildlife**

Import prohibition of animals of endangered species as specified under Wild Life Protection Act of 1972 under tariff item 0106 and of animal products such as meat and edible meat offal, fresh, chilled or frozen of wild animals falling under tariff line 0208. An import prohibition is set also on un-manufactured ivory and on tiger-cat skins.

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**63.78 To ensure national security**

Specific import prohibitions are set on the following: radioactive materials, arms and military equipment, appliances such as pistols, pistol pencils, pistols for discharging gas, coins or ingots worth more than 65 rupees unless for ornament purposes, articles of gold or silver, consumer electronic items except hearing aids and lifesaving equipment, coins, bank notes, currency notes, traveler's checks, securities payable to the bearer, precious stones, jewellery, and other valuable articles.

## **7. MONOPOLISTIC MEASURES**

### **71.1 State trading administration**

The following imports are canalized imports as they are carried out by state authorities as follows:

- Food Corporation of India is responsible for importation of wheat and meslin other than seed quality;
- State Trading Corporation and Hindustan Vegetable Oils Corporation for imports of soya beans, whether or not broken;
- Minerals and Metals Trading Corporation of India Limited, are responsible for imports of ammonium sulphonitrate, such as mineral or chemical fertilizers, nitrogenous;
- State Trading Corporation of India Limited is in charge of imports of palm stearin excluding crude palm stearin, i.e. industrial monocarboxylic fatty acids, acid oils from refining, industrial fatty alcohols;
- State Trading Corporation of India Limited and Hindustan Vegetable Oil Corporation Limited, deals with importation of RBD palm stearin the kind of industrial monocarboxylic fatty acids, acid oils from refining, industrial fatty alcohols.

## **8. TECHNICAL MEASURES**

### **Technical regulations**

The Bureau of Indian Standards Manak Bhavan  
9, Bahadur Shah Zafar Marg,  
New Dehli 110 002  
Telephone: (91 - 11) 2323 - 7991  
Fax: (91 - 11) 2323 - 9399

The Bureau of Indian Standards is responsible for developing mandatory product standards and certifications enforced by the appropriate government authority. Goods subject to mandatory standards must be certified by and carry the Standard Mark of BIS. In addition, mandatory standards are enforced by appropriate government authority, and they apply to the following goods: food products such as food-grade mineral oil, packaged natural mineral water, packaged drinking water, powdered milk, condensed milk, milk-based infant foods, certain food additives and colorants, food-grade titanium dioxide, food-grade hexane, and food-grade lactic acid, plastic infant feeding bottles. Cement, steel tubes, certain household electrical appliances, switches, cables, circuit breakers, meters and accessories, certain safety related products for miners and mining activities, gas cylinders, multipurpose dry batteries, diagnostic medical x-ray equipment and clinical thermometers.

The Food Prevention Adulteration Act establishes specific detailed standards for ingredient of primary food, covering additives, flavors, colors, pesticide residue, and fat content.

Packages in specified standard weights or quantities are a requisite for products such as baby food, weaning food, biscuits, bread, butter, coffee, tea, vegetable oils, milk powder, and wheat and rice flour. And additional specific regulations apply to fruit, meat, edible flours, and dairy products.

As a rule, a shelf-life of goods must be at least of 60 percent remaining at the time of importation.

Mandatory Indian standards apply to imported infant foods including condensed milk, milk powder, blended vegetable oils, and other food products.

Imported crude palm oil and its fractions, of edible grade, must comply with standards such as contents of acid value of 2 per cent or more and total carotenoid, as betacarotene, in the range from 500 to 2,500 mg/kg, in loose or bulk form.

Mandatory quality certification standards enacted by the Bureau of Indian Standards apply to packaged mineral water in consonance with standards prescribed in Prevention of Food Adulteration Act, 6th Amendment, Rules of 2000. This regulation is in force since 29 of March 2001.

#### **81.11 To protect human health**

Certificate of cleanliness issued in the country of origin, endorsed by a practicing physician, with the letters "MD" appearing after the signature is required for importation of used clothing.

Registration requirement with information detailing ingredients that go to the making of drugs of imported pharmaceuticals and any other useful information, clinical tests etc., with the Ministry of Health since 1 of January 2003.

The Department of Health, Ministry of Health and Family Welfare, through the Prevention of Food adulteration Act, set pesticide/insecticide limits on some food articles.



#### **81.12 To protect animal health and life**

Special requirements and regulations apply to imported livestock: a health certificate issued by an accredited veterinarian and endorsed by an authorized federal veterinarian in the country of origin, must state that the cattle are in good health, and are free from diseases such as anaplasmosis, piroplasmosis, trypanosomiasis, contagious bovine pleuropneumonia, East Coast fever, rinderpest, bluetongue, and heartwater diseases all these 30 days before the importation. In addition the imported cattle must have been isolated and tested for negative results for brucellosis (sero-agglutination

test), paratuberculosis (intradermal johnin or avian tuberculin test) and tuberculosis (intradermal tuberculin test) for the same period of time i.e. 30 days.

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**81.13 To protect plant health**

A phytosanitary certificate issued by the authorities of the country of goods, and stating that they are free from pests as specified by the Indian Ministry of Agriculture, is required for importation of all primary agricultural products; in addition, for goods requiring an import permit, the permit number must show on the phytosanitary certificate.

Solid wood, packing materials must be accompanied by a phytosanitary certificate proving that they have undergone required treatment, or with an ISPM certification mark, in compliance with the amendment to the 2003 Plant Quarantine Order, in force as of 1 of November 2004.

Importation of leaf tobacco require a general sanitary certificate for all plants, and a special one that states that tobacco is free from the *Ephestia Elutella* or that the country of origin is free from the diseases.

India, Plant Quarantine, Regulation of import, Second Amendment Order, 2005, details the modifications made in the previous Order, 2003, and seeks to modify the phytosanitary status and risk mitigation measures required in case of import of specified plants, plant materials, in compliance with the International Standards on Phytosanitary Measures (ISPM).

Unprocessed solid wood packing materials that include hay, straw, wood shavings, wooden pallets, sawdust, peat moss, dunnage mats, must be treated by one of the following methods laid in the International Plant Protection Convention's International Standards for Phytosanitary Measures concerning wood packaging material (ISPM 15), or any other specified method such as heat treatment, methyl bromide fumigation, or chemical impregnation.

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**81.2 Marking requirements**

As a rule, shipments of goods must be marked in large lettering using indelible ink or paint directly on the container, with trade names revealing the nature of goods. Explosives should be marked consequently with the handling ways: "Upside", "Downside", "Fragile".

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**81.2 Marking requirements**

**81.3 Labelling requirements**

Marking and labeling requirement on both local manufactured and imported textiles.

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**81.3 Labelling requirements**

Imported goods to India, are subject to the following labeling requirements: goods must be labeled in English or Hindi with the name and address of the importer, generic or common name, net quantity in terms of standard weights and measures, in metric system, production and self-life dates etc... As for food products, the above information is required, in addition to importation such as name, trade name, or description of the good, list of ingredients in descending order of composition by weight or volume, name and address of the manufacturer, importer, vendor, or packer, net weigh, number or volume of contents, distinctive batch, lot, or code number, and the country of origin. Besides food products claiming to be enriched must

be labeled accordingly with the added nutrients. And since 25 June 2005, food products with artificial sweeteners must indicate so.

The following infant foods: condensed milk, milk powder, blended vegetable oils, and other food products required special labeling requirements.

Irradiated food labels must show the licence number and the purpose of such method; enriched products with nutrients must indicate on the labels the quantities of minerals, proteins, or vitamins used.

A symbol appearing on the principal display panel near the name of the food product, and in contrast with the label's background must be affixed on vegetarian food products in a green color filled circle inside a square with a green outline, and on none vegetarian ones excluding dairy products, a brown color-filled circle inside a square with a brown outline.

Pharmaceuticals are subject to special labeling requirement that must bear the trade name if conspicuous than the proper name, with vertical red line running down the body of the label on the left side, with the line at least one millimeter wide with the "warning" mention "to be sold upon medical prescription" and the claims that the drugs have been approved by the Ministry of Health.

Letters of labels of packaged mineral water should have the size prescribed in Rule 36 of Prevention of Food Adulteration Rules, 1955, and bear the following mention in capital letters: "NATURAL MINERAL WATER".



#### **81.4 Packaging requirements**

Waterproof, zinc or tin-lined packaging are recommended for shipments of goods to India.



#### **81.5 Testing, inspection and quarantine requirements**

Quarantine and inspection requirements for plants, plant product and seeds. Furthermore, a pest risk analysis is compulsory for plant products liable to import permits.

Random test of food samples at ports of entry, and systematic analysis since 16 of June 2004 of high risk food products such as edible oils and fats, pulses and pulse products, cereals and cereal products, milk powder, condensed milk, food colors, food additives, natural mineral water, packaged drinking water, tea and coffee, and cocoa butter equivalents or substitutes.

Inspection of imported textile consignment to ensure that they do not contain any banned dyes.



#### **81.8 Requirement to pass through specified customs**

Unprocessed solid wood packing materials that include hay, straw, wood shavings, wooden pallets, sawdust. Peat moss, dunnage mats, must be treated by one of the following methods laid in the International Plant Protection Convention's International Standards for Phytosanitary Measures concerning wood packaging material (ISPM 15), or any other specified method such as heat treatment, methyl bromide fumigation, or chemical impregnation.

Since 1 of January 2004, imported plants, plants products and seeds are authorized only through specified ports of entry in conjunction with the Plant Quarantine Order.

Natural rubber, is allowed entry only by customs ports at Calcutta and Vishakhapatnam.

Imports of second hand automobiles are allowed to enter India, only through customs port at Mumbai.

Clearance of imported unshredded, compressed or loose metal scrap in loose form are authorized only at the following customs stations: Chennai,

Cochin, Ennore, JNPT, Kandla, Mormugao, Mumbai, New Mangalore, Paradip, Tutirocin, Vishakhapatnam, ICD Tughlakabad New Dehli, Pipava, Mundra, Kolkatta, ICD Ludhiana, ICD Dadri Greater Noida, and ICD Nagpur.



**81.9** Technical regulations n.e.s.

For road safety and environmental considerations import of second hand vehicles are restricted, therefore, they should not be older than three years, and have a minimum residual life of five years, and the importer must ensure spares and service, in addition they should conform to Central Motor vehicles rules, and not be designed as left hand drive vehicles. As for new imported vehicles, they should conform to the provisions of Motor Vehicles Act, 1988 and imported only from the country of manufacture.



**82** Pre-shipment inspection

SGS, Société Générale de Surveillance, an internationally recognized laboratory, carries out inspection and certification required for importation of goods to India.

At the time of customs clearance, importers of used equipment must furnish an inspection certificate issued by an internationally known inspection and certification agency from the country of origin, guaranteeing thus, quality with regard to price, for goods exceeding Indian rupees 10 million c.i.f.

Imported secondhand automobiles require pre-shipment and post shipment certification.

A pre-shipment inspection certificate became compulsory after 25 of October 2004 for all imports of metal scrap in unshredded, compressed or loose form.

Mandatory pre-shipment inspection certificate for textile material with regard to the use of the prohibited dyes like Azo.

