

# Import duty tweaks to boost local manufacturing sought

RUN-UP TO THE

## BUDGET

2025-26

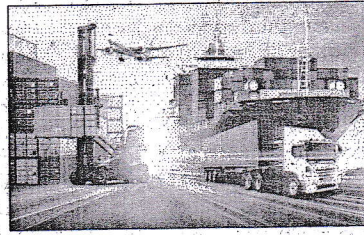
FE BUREAU  
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**AS IMPORT TAXES** cease to be a major revenue source for the government, the Budget for FY26 should be used to strategically adjust the rates to boost domestic manufacturing and bring average tariffs down, trade policy think tank GTRI said on Monday. Customs duties account for just 6.4% of the gross tax revenue, compared to corporate tax (26.8%), income tax (29.7%), and GST (27.8%).

The Global Trade Research Initiative (GTRI) suggests lowering India's average tariff to around 10% from 17.1% now, which can be achieved without any major revenue loss and will also help avoid international scrutiny. India's tariffs have always

### KEY PROPOSALS

- Reduce customs duty slabs to just 5 from over 40
- Tax on raw materials should be lower than finished goods
- Lower India's average tariff to about 10% and cap maximum tariffs at 50%



- Put an end to IGST, cess and basic customs duty exemptions under Manufacturing and Other Operations in Warehouse Regulations

- Provide a single, comprehensive duty sheet to make customs processes more transparent and business-friendly

drawn strong reactions from developed countries, including the US.

Currently, 85% of the tariff revenue comes from just 10% of tariff lines, while 60% of tariff lines contribute less than 3% of revenue. Simplifying the tariff structure by reducing slabs from over 40 to five, capping maximum tariffs at 50%, and ensuring raw materials are taxed lower than finished goods would foster economic growth, reduce import

reliance, and promote exports, it said.

The report also suggested ending IGST, cess and basic customs duty exemptions under the Manufacturing and Other Operations in Warehouse Regulations (MOOWR) to support local capital goods manufacturers. It also said the regulatory framework of customs cargo service providers needs reforms to reduce operational costs and improve trade logistics.