

# India seeks EU carbon tax relief for small businesses

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India has sought exemption for its small businesses from the European Union's (EU's) carbon border adjustment mechanism (CBAM), also known as carbon border tax.

The matter was discussed at the Trade and Technology Council (TTC) meeting in Brussels last month, Commerce Secretary Sunil Barthwal said on Thursday.

"I told them that this is going to have an impact on our industry, particularly MSMEs. So, we are asking if there is a possibility of any carve out for the MSME sector. We have asked them if there is any possibility (for this)...These discussions are going on," Barthwal told reporters during the trade data briefing.

Aluminium and steel exports of India are likely to get impacted by the CBAM. There will be no impact on

the other sectors such as cement, fertiliser, hydrogen, and electricity since India does not export these products to the EU.

The CBAM's transition-phase will kick in from October, followed by levying of carbon tax from January 2026.

Additional Commerce Secretary Rajesh Agarwal, who was also present at the briefing, said the broader trade agreement between India and Australia might

include 15 new areas such as competition policy, MSME, gender, innovation, agri-tech, critical minerals, and sports and are currently under exploratory discussions.

The interim trade deal between both nations was signed in April last year and kicked in from December 2022. The third round of trade negotiations is underway in virtual mode and the fourth round is scheduled in July 2023.