

# Customs duty hike likely on key pharma, RE products

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In the upcoming 2025-26 Budget, sectors such as renewable energy and pharmaceutical may see an increase in basic Customs duty (BCD) rates on a raft of items set to lose their concessional rates after the sunset clause ends on March 31 this year.

Key components in the renewable energy sector, such as special bearings, gearboxes, yaw components, and wind turbine controllers, currently attract a concessional Customs duty of 5 per cent. Moreover, parts required for the manufacture and maintenance of blades for rotor generators, along with raw materials for producing these blades and their sub-components, are included in this category, all subject to the same 5 per cent duty.

According to Harisudhan M, partner at PwC, the government has been supporting the industry by offering concessional Customs duty rates of 5 per cent for specific components.

“Based on industry representations, the government has set a sunset clause for the withdrawal of Customs duty concessions on specified parts and components of wind-operated

electricity generators and blades, effective March 31, 2025. Given this scenario, there is a low likelihood of an extension of such concessions. The government aims to promote Make in India for these components to boost their domestic manufacturing,” he added.

In the pharmaceutical sector, nearly 100 drugs, including glucagon, dopamine, and somatropin, which currently attract a concessional duty of 5 per cent, are also facing the sunset clause on March 31, 2025. Meanwhile, more than 70 life-saving drugs that currently carry zero BCD will see the same clause take effect on March 31, 2025.

“We hope the government considers granting an extension of the sunset clause for these drugs. Many of these drugs are either exempt from BCD or attract a lower rate, and there could be merit in maintaining this position,” said Suresh Nair, partner at EY.

In the telecom realm, goods specified for the manufacture of telecom-grade optical fibres and cables, including fibre reinforced plastic rods, enjoy a duty rate of nil. These items also face a sunset date of March 31, 2025.

“The budget may extend basic customs duty on raw materials for manufacturing of telecom equipment for some more time to stabilise growth of manufacturing in India,” said Kunal Chaudhary, telecom tax leader at EY.

**Govt has been supporting industries by offering concessional Customs duty rates for specific components**