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Compound rubber import duty hike upsets stakeholders

V Sajeed Kumar

Kochi

The Rubber Board has welcomed the budget proposal over increasing the basic customs duty rate on compound rubber from 10 per cent to 25 per cent or ₹30/kg, whichever is lower, at par with natural rubber other than latex, saying it will help domestic growers get higher prices. The duty hike is to curb circumvention of duty, she said tabling the budget in Parliament.

However, the United Planters Association of Southern India (UPASI), a key stakeholder, has opposed this saying it will apply only to countries, given the most-favoured-nation (MFN). It will not apply to countries with which India has

free trade agreements. UPASI said under Indo-ASEAN free trade agreement, India had conceded preferential tariff at zero per cent for compound rubber. The imports of compound rubber from ASEAN countries such as Thailand, Malaysia, Indonesia and Malaysia are at zero duty.

It appears that the proposal will not apply to the ASEAN countries. This means that ASEAN countries could continue to export compound rubber duty-free, while countries such as the US, Germany, South Korea, will have to pay higher duty as announced in the Union Budget 2023-24, R Sanjith, secretary, UPASI said.

Automotive Tyre Manufacturers Association and All India Rubber Industries Association are unhappy over the proposal.

Foreign trade policy to focus on long-term plan to boost exports

SHREYA NANDI

New Delhi, 5 February

With fast-evolving global developments affecting international trade, the government may roll out the much-awaited foreign trade policy (FTP) with a focus on India's long-term strategy on trade, people aware of the matter said.

Till now, the FTP has been a five-year strategy for promoting export of goods, which may be done away with. Instead, it will present the government's 'vision statement' on foreign trade, charting out the long-term goals. "The government doesn't want to stick to a fixed timeline for the policy, considering the global developments that took place over the last few years. First, it was Covid, which was followed by the conflict between Russia and Ukraine," one of the officials cited above told *Business Standard*.

"We cannot control the impact of these disruptions. The idea is to be flexible and incorporate changes when required and go ahead with a five-year timeline. The policy will be divided into two parts. The first part will be about the vision state-



This is because the government did not have anything substantial to roll out in the new policy in the absence of any new incentive scheme. However, in September, the department of commerce extended the existing policy by another six months due to global headwinds. It was felt that it was not the 'right time' to roll out a new policy, especially when developed economies are headed towards a recession.

Government officials said that the final call on whether the FTP will be rolled out from April 1 will be taken in March-end. That is, after getting the final nod from the Prime Minister's (PMO) Office.

Besides, since the general elections are a year away, the government may contemplate rolling out a new policy now.

"FTP should be brought into an environment where geopolitical uncertainties are over. Since, we continue to face the same situation, in which we were in last year, we feel that whatever changes are required to support exports can be notified without waiting for the policy to come," Ajay Sahai, director-general (DG) and chief executive officer (CEO), Federation of Indian Export Organisations (FIEO), said.

ment, while the second part will be about existing or new schemes and rules related to that," the official said. The existing policy came into force on April 1, 2015, and was valid for five years, that is, till 2020.

The FTP was deferred and the current policy was extended and reviewed after every six months, as businesses grappled with the disruptions caused by the pandemic.

Thereafter, the government was supposed to roll out the policy in March 2022. However, another extension was given till September 30, 2022.

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Government hikes windfall tax on crude oil, export of diesel, ATF

Press Trust of India
New Delhi

The government has hiked windfall profit tax on domestically-produced crude oil as well as on the export of diesel and ATF in line with firming international oil prices, according to an official order.

The levy on crude oil produced by companies such as Oil and Natural Gas Corporation (ONGC) has been increased to ₹5,050 per tonne from ₹1,900, the order dated February 3, said.

The government has also hiked the tax on export of diesel to ₹7.5 per litre from ₹5, and the same on overseas shipments of ATF to ₹6 from ₹3.5.

The new tax rates came into effect from February 4.

The levy on both domestic crude oil and fuel exports is now off the lows it had hit last month.

Tax rates were cut at the last fortnightly review on January 17, following softening in global oil prices. International oil prices have since then firmed.



RISING TREND. Levy on both domestic crude oil and fuel exports is now off the lows it had hit last month

India first imposed windfall profit taxes on July 1, joining a growing number of nations that tax super normal profits of energy companies. At that time, export duties of ₹6 per litre (\$12 per barrel) each were levied on petrol and ATF and ₹13 a litre (\$26 a barrel) on diesel.

A ₹23,250 per tonne (\$40 per barrel) windfall profit tax on domestic crude production was also levied.

PRIMARY EXPORTERS

The export tax on petrol was scrapped in the very first review.

The tax rates are reviewed every fortnight based on aver-

age oil prices in the previous two weeks.

Reliance Industries, which operates the world's largest single-location oil refinery complex at Jamnagar in Gujarat, and Rosneft-backed Nayara Energy are primary exporters of fuel.

The government levies tax on windfall profits made by oil producers on any price they get above a threshold of \$75 per barrel.

The levy on fuel exports is based on cracks or margins that refiners earn on overseas shipments. These margins are primarily a difference between the international oil price realised and the cost.

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As EU ban on Russian fuel kicks in, Indian refiners to tap opportunity, sustain imports

Rishi Ranjan Kala
New Delhi

Refiners are likely to continue importing higher volumes of Russian crude oil in 2023 to benefit from the EU ban on importing diesel and other refined oil products from Russia that kicks in from Sunday.

Industry sources and analysts pointed out that State-run and private refiners imported an average of 1.2 million barrels per day (mbd) of crude oil from Russia in January 2023.

"The February 5 ban on Russian petroleum products is expected to tighten markets and provide support to diesel in the coming months. There is an opportunity as the EU imported around 6,50,000 barrels per day of diesel from Russia last year. Some of this will go to China,

Crude oil imports

	December 2022
Russia	1.4 mbd*
Iraq	1 mbd
Saudi Arabia	670 kbd**
UAE	370 kbd
US	290 kbd
	January 2023
Russia	1.2 mbd
Saudi Arabia	760 kbd
Iraq	660 kbd
UAE	340 kbd
Angola	130 kbd

*mbd - million barrels per day

**kbd - thousand barrels per day

Source: Kpler

but Indian refiners also stand to gain, particularly Reliance Industries and Nayara Energy," a top official with an oil

marketing company explained.

The domestic refinery margins are likely to be elevated by higher domestic consumption due to increased industrial and mining activity, stretched global inventory, particularly of diesel, and some refinery maintenance shutdowns, the official added.

NEW TRADE NARRATIVE

A senior government official said that Russia is increasingly moving towards its new major consumers, China and India. On the other hand, Europe is moving towards Middle East for crude oil and the US and India for refined oil products.

Kpler's Lead Analyst Andon Pavlov told *businessline*, "This is largely our base case as well. The world as a whole is generally going into a situation of tighter availability of medium

and heavy crude, generally needed for conversion operations. Now that Europe is shunning away from Russian medium crude, the next best thing for Europe would be to turn to Middle Eastern crude, which generally has comparable characteristics to Urals."

"In this sense, China and India, also operating pretty complex systems, are likely to capitalise on the discounted Russian medium crude and buy sizeable volumes. Whether this will be enough to compensate for the totality of European crude exports for the Russian budget remains an open question. For now, it seems that a lot of players are in a 'wait and see' mode of operations, with the upside to Russian buying clearly visible further down the line due to the above-mentioned factors," he added.