

## Preface

The relatively high customs duties in India, which have been breeding inefficiencies and imparting an anti-export bias, to policies have started coming down with the liberalisation programme. This has been followed by an increasing demand from domestic producers for “a level playing field”. The analysis of competitiveness of domestic *versus* international products purely in terms of customs duty is valid only when the other duties paid by the two sets of producers are the same. India has a highly complex domestic trade tax structure with a multiplicity and cascading of taxes, and widespread exemptions and concessions to various items as well as specific or group of producers. The multiple taxes include general sales tax, central sales tax, union excise duty, surcharge, turnover tax, entry tax and octroi, among others. The issue of competitive equality requires a close scrutiny of the plethora of domestic trade taxes applying asymmetrically on imports and domestic products. This study attempts such a scrutiny.

The study reveals that though the average rate of protection to domestic producers is still quite large, there are quite a few items with an inverted customs duty structure and with negative protection. The report recommends a rationalisation of the tax system through immediate removal of all exemptions and end-use concessions, and input taxation, and a phased reduction in high duty rates as well as the number of rates.

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Ashok Lahiri  
Director, NIPFP

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Pawan K. Aggarwal  
V. Selvaraju