



January 18, 2017

Shri Arun Jaitley
Union Finance Minister
134, North Block,
Ministry of Finance
New Delhi – 110001

Subject: Consideration of ICT Duties in Budget Season

Dear Honorable Minister:

As the 2017 budget season approaches, India's political leadership will make decisions on import duties that have an important impact on the nation's business climate. Against this backdrop, our members, representing the most innovative information and communications technology (ICT) companies in the world, would like to highlight the value of a stable and predictable tariff regime.

While many countries around the world continue to lower import duties on ICT products, India has in recent years raised duties multiple times on a wide array of ICT items. These actions undermine business confidence on two counts. Not only do higher duties make it more expensive to manufacture and sell products, but the unexpected imposition of new fees creates a destabilizing sense of uncertainty. Companies find it harder to plan for the future when faced with the prospect that operating costs could rise unexpectedly. This makes it difficult to justify expanded investments in facilities and staff.

For example, last year's unexpected increase in ICT customs duties raised input costs by up to 10 percent for many technology suppliers. The fee increase followed an earlier unexpected round of duty hikes on ICT products in 2014, including on Information Technology Agreement products. While we applaud the government's decision to repeal some of the 2016 levies, many ICT duties remain in effect.

In short, our members have major concerns over the future direction of tariffs, when they will change, and how those changes will impact their ability to invest in India. And this uncertainty weighs on Indian as well as foreign firms. Indeed, reduced import duties are one of the top items on the wish list for both domestic and foreign manufacturers in India, according to a Department of Telecommunications survey referenced in the 2015 *National Telecom M2M Roadmap*.

Influential voices within India have highlighted the benefits of streamlining current tax and fee systems. Under Prime Minister Modi's leadership, India has made remarkable progress toward implementing a GST to rationalize the nation's internal tax structure. In May, NITI Aayog published a paper, *Make in India Strategy for Electronic Products*, which called for the reduction of duties on intermediary inputs to the same level as their respective final products. This paper positioned duties reform as a key component in a broader plan to promote India's electronics industry.

As India heads into the budget season, we would encourage government leaders to consider the long-term benefits of such an approach. Promoting a stable system of tariffs that is oriented towards lowering – not raising – duties will bolster the Make in India campaign. On the same score, we would also encourage India to accede to the Expanded Information Technology Agreement, which would allow India to play a more important role in the global supply chain of ICT products.

Moreover, while funding considerations are important for any government, we would submit that efforts to improve the business environment and attract investors will ultimately yield a broader and more productive corporate tax base.

In the current unpredictable environment, companies considering new investments in India may hesitate when recalling the unexpected increase in duties in 2016 and 2014, particularly since it seems that the potential exists for further fee hikes in the future. Resolving this uncertainty would provide much-needed clarity for Indian business, paving the way for expanded foreign and domestic investment and advancing the goals of Make in India.

Sincerely,

Australian Information Industry Association (AIIA, Australia)
Canadian Electronics and Communications Association (CECA, Canada)
Communications and Information Network Association of Japan (CIAJ, Japan)
Computing Technology Industry Association (CompTIA, USA)
Consumer Technology Association (CTA, USA)
DIGITALEUROPE (Europe)
Information Technology Industry Council (ITI, U.S.)
Japan Electronics and Information Technology Industries Association (JEITA, Japan)
Japan Information Technology Service Industry Association (JISA, Japan)
Korea Electronics Association (KEA, Korea)
Korea International Trade Association (KITA, Korea)
Semiconductor Industry Association (SIA, U.S.)
Telecommunications Industry Association (TIA, U.S.)
U.S.-India Business Council (USIBC, U.S.)

cc:

Shri Ravi Shankar Prasad, Minister for Electronics and Information Technology
Smt. Nirmala Sitharaman, Minister of State for Commerce and Industry