FTA Discussion Points from ADInstruments Pty Ltd February 2012

The Republic of India is a constitutional democracy made up of 28 states and seven union and national territories. The IMF forecasts India's economy to grow by 7.5 per cent in 2012. Increasing domestic demand is driving economic growth; however, it is also contributing to inflation with consumer prices forecasted to rise by 8.6 in 2012.

The main issues faced by ADInstruments Pty Ltd when conducting business in India are:

1. **High Custom Duties**
   The customs duties applicable on importing goods into India consist of four components: basic customs duty (BCD), additional customs duty (ACD) [in lieu of excise duty levied on similar products manufactured in India], educational tax, and special additional duty (SAD) [in lieu of value added tax (VAT) levied on similar products sold in India].

   ADInstruments manufacture data acquisition systems which are designed to work with computers. Therefore, these are categorized under computer parts and attract a very high customs duty of 28%-30% in India. This causes a significant increase in end-user pricing.

   Only those institutes which are recognized by the Department of Science and Technology (Delhi, India) or those institutes which comes under the Central Government of India can receive custom duty exemptions (which lower applicable duties to 10.23% and 5.4% respectively).

2. **Double tax (Higher Custom Duty & Sales Tax) if import is made for stock and sale purpose by an authorized ADInstruments' distributor.**
   For any imported equipment that is sold in local currency (i.e. Indian Rupee) by an ADInstruments' distributor, a double taxation is levied due to the sale process within India.

   For example, if an Indian distributor buys our product and sells it in the Indian market to customers who cannot buy imported equipment directly from an overseas vendor, the Indian distributor will import the equipment on his name and pay the normal customs duty of 28%. After this, they must then pay additional local taxes (approx. 12.5% sale tax; 0.1% stamp duty; at some states entry tax is 5.5%) which effectively increase the end-user product price by up to 45%.

3. **Complex Procedures for sending equipment back to Manufacturer**
   Sending equipment back to an overseas supplier for upgrading/calibration/repair services is a herculean task with India. The process is very cumbersome because it involves a lot of documentation for sending the equipment to Sydney at the institutional level (various permissions at Govt. level, departmental level etc) as well as customs clearance level which is very time consuming. It increases the system shutdown time and the customer loses time in research/education.

Other issues which pose trading difficulties for us, although not necessarily under the auspice of an FTA agreement are:

4. **Higher tax on retained earnings (if having a Branch Office Operation within India)**
5. **Trading in AUD currency rather than USD currency to minimize exchange rate losses**
6. **Excessive costs and time delays for business VISA allocations when travelling to India.**