



European Furniture Industries Confederation

## EFIC POSITION PAPER

on

### Draft budget act of the Indian Government raising customs duties for furniture

2 March 2020

On 1 February 2020 the publication of the Indian draft budget proposal for the fiscal year 2020-2021 has introduced **a raise of customs duties from 20% to 25% for furniture** (seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture). The draft budget is currently discussed in the Indian Lower House and once passed by the Parliament and approved by the President it will become the Finance Act 2020. In view of this:

The European Furniture Industries (EFIC) are particularly concerned about the impact of the draft Indian budget proposal on the European furniture sector and call on the European Commission to reinforce talks with the Indian authorities with the aim to remove the proposed customs duties before the draft budget proposal becomes law and to invite the Indian government to collaborate with industry players, such as EFIC, to formulate ways to increase the share of furniture market in India and the competitiveness of the country. A predictable and stable policy environment is crucial for furniture producers.

#### **EFIC arguments:**

The European Furniture Industries welcome the letter that the Head of EU Delegation sent to the Indian Department of Revenue on 28 January to raise concern over the draft budget proposal before its publication and support the argument that this measure is likely to cause a decrease of foreign investments in the country.

India is a major trading partner for the European Furniture Industries. To list some examples, Italy<sup>1</sup> and Germany account for respectively the third and fourth countries of origin of furniture imports in India. A long-established trade relationship with mutual benefits is also clear when looking at the destination of Indian furniture export. Germany, France and the Netherlands are listed among the top five destinations of export for the Indian furniture.<sup>2</sup> IKEA of Sweden,

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<sup>1</sup> As an example, between January and October 2019, the Italian export of home furniture to India accounted for 45,74 million Euro. Data from Federlegnoarredo.

<sup>2</sup> CSIL World Furniture Outlook 2019-2020 of July 2019.



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associated company member of EFIC, also has a strong presence in India and invests in Indian suppliers with the aim of increasing local sourcing.

India is a long-term and unique market for the European Furniture Industries, with a strong presence of supply chain. India is a market where the furniture industries can continue to invest for many years to come. The proposed duties will have a long-term negative impact on Indian customers, manufacturing industry, home furnishing market and the Furniture Industries' ability to provide sustainable products to the people in India.

While the ambitions of the Furniture Industries are to raise investments in Indian suppliers, share competences and also contribute to raising standards, the sharp increase in tariffs will make it difficult to pursue an ambitious growth agenda.

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