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IBTEX No. 255 of 2017 December 21, 2017

USD 64.09 | EUR 76.03 | GBP 85.63 | JPY 0.56

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
18645	39000	**77.67**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19580	40957	**81.57**

International Futures Price

NY ICE USD Cents/lb (March 2018)	75.71
ZCE Cotton: Yuan/MT (Jan 2018)	14,800
ZCE Cotton: USD Cents/lb	**86.24**
Cotlook A Index – Physical	**86.65**

Cotton & currency guide: Cotton market was mostly steady on Wednesday while the March future settled with moderate gains. The March settled higher at 75.71 cents while may advance by 79 cents to close at 76.12 cents per pound.

There is no fresh news or event except that on today evening we have the weekly export sales data. A continuation of good demand for US cotton is considered crucial to keeping this bull market healthy. Expectations for sales on export report are reportedly 125,000 to 175,000 bales.

On the technical front March contract is consolidating near the upper band of price however, unless 76.50+ levels is breached shall not turn completely bullish while 74 is considered as strong support level.

This morning March contract is seen trading marginally lower at 75.63 cents down by 0.11% from previous close while expect the trading range for the day to be 75.20 to 76 cents per pound.

On the domestic front, spot price held steady near Rs. 39750 per candy ex-gin while arrivals have increased to 194000. It's the days to come we should see average arrivals to be more than 200,000 bales. We shouldn't forget the production estimation this year in India which is estimated above 37.50 million bales and in comparison to that so far arrivals are just about 20% of it.

We thing January would be the real pressured market for cotton especially in India unless we get to see export interest. Nonetheless, price action is not deciphering the same may be because of higher New York price. The domestic future contract on Wednesday advanced to Rs. 19610 up by Rs. 30 from previous close. We expect market to trade sideways and the trading range for the day should be Rs. 19700 to Rs. 19480 per bale.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS

Vietnam's trade value up fourfold since 2007

At a ceremony organised by the GDC in Ha Noi on Tuesday to mark the $400 billion trade milestone, Deputy Prime Minister Vuong Dinh Hue heaped praise on the achievement, attributing it to “right policies” of the Communist Party of Viet Nam.

He also appreciated efforts made by the customs sector, especially in reforming its administrative procedures.

Hue noted that the nation’s trade value had doubled every five years and its GDP has also increased.

The trade value touched $100 billion for the first time in December 1, 2007 with the GDP reaching $77.4 billion that year. Corresponding figures in 2011 were $200 billion and $133 billion.

The growth trend continued, reaching $400 billion in trade value and nearly $225 billion in GDP for 2017.

Notably, Hue said, Viet Nam saw very strong growth in trade value from 2015 onwards, going from $300 billion to $400 billion. This was due, the Deputy PM said, to the effectiveness of Free Trade Agreements that Viet Nam had signed.

The good results in trading affirmed the correct policies on international economic integration espoused by the Party over the past 20 years and the Government’s consistent implementation of those policies, Hue said.

He noted that after joining the World Trade Organisation (WTO) in 2007, Viet Nam had actively and consistently negotiated bilateral free trade agreements.

Achievements in trade and foreign investment after joining the WTO demonstrate that international economic integration had promoted strong reforms of domestic economic institutions, improving national competitiveness, he added.

According to the World Trade Organisation, in 2006, Viet Nam's total export and import turnover ranked 50th and 44th in the world. In 2015, the nation jumped 23 and 16 steps, occupying 27th and 28th positions, respectively.

GDC statistics also indicate that structure of export and import products has seen positive changes.

At present, Viet Nam has 30 export groups with an annual turnover of at least $1 billion each, including textiles, leather, footwear, coal and crude oil. Foreign Direct Investment (FDI) pouring into Viet Nam over the last five years has contributed US$60 billion to the export value, the GDC said.

Meanwhile, in the first 11 months of 2017, key import products included electronics, computers and accessories ($34 billion), machines and tools ($30.7 billion), phones and spare parts ($14.4 billion), fiber ($10.3 billion), iron and steel ($8.3 billion), plastic ($6.7 billion), petrol ($6.3 billion) and materials for the textile, garment and footwear ($5 billion).

Viet Nam has trade relations with more than 200 countries and territories, gradually moving import-export market from Asia to Europe, America.

The high trade deficit recorded in the years 2006-2011 has reduced and the nation has even recorded trade surpluses in recent years, the GDC said.

Source: vietnamnet.vn- Dec 20, 2017

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Egypt could become a Frontrunner in African Trade

Recently, the Managing Director of the Intra-African Trade Initiative at the African Export-Import Bank (Afreximbank), Kanayo Awani, said that Egypt can be a front-runner in transforming intra-African trade and boosting innovation and industrialization on the African continent.

This was made known in Cairo during the opening of a one-day workshop titled "Intra-African Trade Workshop: Facilitating Egypt-Africa Trade." Afreximbank organized the event in partnership with the Federation of Egyptian Industries and the African Commercial Bureau.

According to Awani, despite the current low trade figures, opportunities abounded and there were many areas in which Egypt could expand its trade with the rest of Africa.

"With the new significant policy shift toward export promotion, especially within Africa and capitalizing on regional trade agreements, like COMESA and the upcoming Continental Free Trade Area, an improved and dedicated shipping line from Sokhna Port to Mombasa, quality and competitive Egyptian products and services, Egypt can transform its trade with Africa and become a major trade partner," Awani stated.

She further stated that Egypt could expand its export trade in textiles, electricity, utilities and construction services. There are opportunities to boost pharmaceuticals exports to Nigeria and furniture to Kenya, as well as to import beef from Sudan and fruits and vegetables from East Africa.

Over the last year, Afreximbank has engaged with Egyptian businesses in order to address their trade finance needs and to identify the trade facilitation issues they faced as they tried to expand into existing African markets or to enter new ones.

She explained that the bank decided to organise the workshop in order to respond to some of the concerns that had been expressed by the businesses and to share some of the bank's interventions that responded directly to the issues raised.

Awani added that Afreximbank's relationship with Egypt dates back almost 25 years and said that, since its inception in 1993, the bank had disbursed credit facilities in excess of $17.5 billion in support of Egyptian corporates and financial institutions. That included funds disbursed through the Counter-Cyclical Trade Liquidity Facility, which addressed financial liquidity gaps arising as a result of adverse economic shocks, and the Egypt-Africa Trade Promotion Programme, launched in January 2015 to help Egyptian entities tap into the rapidly expanding trade and investment opportunities in the rest of Africa.

In his contribution, Dr. Hippolyte Fofack, Afreximbank's Chief Economist, said that stronger intra-African trade was the path for leading African countries to take advantage of growth opportunities which, until recently, had been the preserve of non-African multinational companies.

According to him, a number of growth opportunities exist for Egyptian investors across sectors and regions, including in manufacturing industries, pharmaceutical and chemical industries, as well as infrastructure and telecommunication.

The Chief Economist argued that the relatively low performance of intra-African trade, which was largely due to high product concentration, deficit of trade information and skewed direction of investments, offered tremendous opportunities for growth, taking advantage of economies of scale offered by the region which was set to become the fastest growing and largest market in the world, with its population projected to double by 2040.

Dr. Sherif El Gabaly, Head of African Cooperation Committee of the Federation of Egyptian Industries, also addressed the participants.

Source: venturesafrica.com- Dec 19, 2017

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Nigeria spends $4bn to import textiles annually –Aremu

General Secretary of the National Union of Textile, Garment and Tailoring Workers of Nigeria, Comrade Issa Aremu, has revealed that Nigeria spends a whopping $ U S 4 b i l l i o n annually on imported textile materials. He also challenged the Police and Customs to stop buying officers' uniforms from Bangladesh and China, when the surviving textile factories can produce at home. He made the disclosures in a birthday message congratulating President Muhammadu Buhari who recently turned 75.

"Th e point cannot be overstated. Nigeria currently spends over US$4 billion annually importing textiles and ready-made clothing when it has the potential to produce for the local market and even export to the ECOWAS market of over 175 million people, as well as to the developed world, (e.g.

the United States under AGOA and EU GSP scheme which Kenya, Ethiopia, Lesotho, Madagascar and a number of African countries are already exploiting)." On the president's birthday, Aremu said "celebration of life assumes special importance for President Buhari, who with the grace of God and global solidarity, recently triumphed over health challenges."

He described his health recovery and 75th birthday, as total pleasure for textile union and labour movement in general. “President Buhari commendably made the revival of textile industry and manufacturing sector his cardinal campaign programme.

We bear witness that through the active facilitation of the Vice President, Professor Yemi Osibanjo and Ministers of Trade and Investment, Dr. Okechukwu Enelamah and Aisha Abubakar, Buhari administration has initiated a number of measures aimed at industry revival. “Of particular significance was the unprecedented signing of Executive Orders by Vice President Osibanjo in line with the promise of President Buhari on the ease of doing business.

“Of special importance to textile industry is the order mandating government agencies to spend more of their budgets on locally produced goods. This singular order would help in the recovery of the textile and garment industry.”

Source: blueprint.ng- Dec 20, 2017

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Global fashion brands trimming store sizes

With rising retail rentals and pressure from mall operators some global fashion brands, such as Gap, Mango and Forever 21, are trimming stores sizes by half.

They say, high rentals and the steep minimum guarantee on revenue sharing in Indian malls makes larger spaces unviable. Gap, has now decided to reduce the size of some existing and future outlets to 4,500-5,500 sq ft. It had entered India two years ago with stores of around 11,000 sq ft.

The mall has asked Gap to prune its store size to half due to lower than expected sales. Similarly, Spain’s Mango that had earlier talked about opening stores of no less than 9,000 sq ft is now opening nine of its 10 upcoming outlets in the next three months on 2,000-2,500 sq ft. The Mumbai-based conglomerate is currently busy rightsizing outlets and is even shuttering a couple of them.

Even Hennes & Mauritz (H&M), one of the most sought-after brands in India, is under pressure to reduce size of its store in Mall of India, Noida. A spokesperson for H&M as well as Pushpa Bector, head of Premium Malls division at DLF, denied the Swedish brand is reducing its store size in the Noida mall.

But half a dozen mall executives, foreign real estate consultants and heads of rival brands ET confirmed H&M will have to vacate one of the four floors in the Noida mall. That is because most popular malls follow a revenue-sharing model. Higher the per-square feet sales of a shop, higher the rental income for the mall operator.

Source: fashionunited.in- Dec 20, 2017

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Pakistan developing into a major consumer market

Pakistan's strategic location, its big population and workforce, economic outlook, investment policy and special economic zones under the China-Pakistan Economic Corridor (CPEC) have made the country an ideal destination for foreign direct investment (FDI), a leading businessman remarked.

Speaking at an international investment forum organised by Expandeers – a global network of senior business development experts – in Munich, Germany, Faisalabad Chamber of Commerce and Industry's (FCCI) former vice president Engineer Ahmed Hassan highlighted that Pakistan's economy had expanded to $304.4 billion and its per capita income stood around $1,470. Hassan, who was representing Faisalabad and the FCCI, said Pakistan had been blessed with vast fertile land due to which agriculture had played a vital role in the national economy.

Pakistan is the fourth largest producer of cotton, fifth largest producer of sugarcane, eighth largest producer of wheat and 10th largest producer of rice. Textile and clothing products account for over 50% of national exports.

More than half of total textile exports were shipped by Faisalabad alone, indicating the city's importance in export earnings.

Hassan emphasised that Pakistan's strategic location provided it the ideal foundation to become a premier trade, energy and transport corridor of Asia.

"The geo-strategic significance of Pakistan is one of the primary driving forces behind the development of CPEC with (initial) investment of $46 billion," he said.

Commenting on Pakistan's population and workforce, Hassan said over 60% of the population fell within the working age bracket of 15 to 59 years. "A large population together with rapid economic growth means Pakistan is developing into a major consumer market," he said.

The country was ranked 29th globally in terms of market size by the World Economic Forum in 2016.

Painting a positive economic outlook, he said Pakistan's economy grew 5.28% in the previous fiscal year and this year the growth was expected to be 6%.

Source: tribune.com.pk - Dec 20, 2017

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Pakistan: Cotton import from India delayed till Jan

Cotton imports from India have been delayed as official permit in this regard is only effective for the first three months of 2018, it was learnt on Wednesday.

No volume of cotton could be imported from India by land or sea routes as permits issued by the Department of Plant Protection, Ministry of Food Security were valid only for the period of January 1, 2018 to March 31, 2018.

In the wake of less-than-expected domestic production of cotton, the federal government allowed import of cotton from India in the last week of November.

"However, due to procedural delays and issuance of permits that are valid from January 1, cotton import is yet to take off," said Ihsanul Haq, chairman, Pakistan Cotton Ginners Forum (PCGF). The chances of a significant amount of cotton import from India were diminishing with each passing day, he said, and added the cotton output in India was also less than expected, which is why prices were already picking up.

“There are some reports of cancelling of cotton contracts between the traders of both sides.” The Pakistan Cotton Ginners Forum chairman said it was a surprise for the importers that federal government’s permits were not valid with the date of issuance.

“An upward trend in cotton prices was being witnessed following depreciation of rupee value against the dollar,” he said, and added this scenario was not favourable for the importers and textile industry as they could face shortage of the commodity in the coming days.

Source: thenews.com.pk- Dec 21, 2017

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Sri Lanka handlooms sector finally turned around reaping goods profits

Sri Lankan’s handloom sector has finally turned around with several government initiatives to revive the sector. Today many Lankan handloom makers are reaping good profits, said the Minister of Industry and Commerce Rishad Bathiudeen addressing the inauguration of the annual handloom expo and awards event "Ran Salu" on 15th December.

The event on 15th December organized by the Ministry of Industry and Commerce felicitated a handloom veteran and issued a postal stamp by the Postal Department of Sri Lanka commemorating the 105th anniversary of the Handloom Textile Training Centre in Rajagiriya.

The Minister thanked all the handloom makers and craftsmen for their contribution and noted that for the first time in the history, a commemorative postal stamp, celebrating the historic handlooms was issued. Speaking at the event, the Minister said that the handloom sector of Sri Lanka faced a setback and declined, starting from 1990s. However, several government initiatives have successfully revived the sector.

At present, all handloom products made in Sri Lanka are selling fast, and they are unable to meet the demand. Most sales revenues are from the Sri Lankan buyers and the rest of revenues are from tourists, said Minister Bathiudeen.

Most Lankan handloom makers are in the East. Among the other leading provinces for handlooms are central, and Southern. The government has plans to improve handloom sector of Sri Lanka, and his Ministry, under this vision, works to promote this sector and supports the handloom makers. The Minister pointed out that 70 percent of handloom makers are women and therefore strengthening this sector is a way to empower rural women. This sector is also a contributor to government's self-employment creation plans.

Speaking of his Ministry's new initiatives for handloom sector said that the handlooms makers use high quality colorful yarns for their production work. These are expensive. Therefore they are working on a project to make low cost dyes for handloom sector. They are working on establishing a handloom dye and color center in the North Central Province with latest technology.

Still, it is important for the sector to recognize excellence. After ten years, they have sent around 35 Sri Lankan handloom craftsmen to the Indian Institute of Handloom Technology in Salem for training. During this training session, they were also introduced to new market trends.

Minister Bathiudeen also felicitated Ms Chandani Thenuwara-a veteran of Sri Lankan handlooms and who formerly served at the Textiles Department and who was initiated to arts and designs by pioneer Educationist Cora Abraham, of Arts and Free Expression for Children fame, and received a Fellowship to Camberwell College of Arts, South London in 1960s. Her biggest contribution to Lankan handlooms is introduction of shaded coloring technology to the fabrics which was not possible in pre-1970s.

The Ran Salu awards is a celebration of such achievers in handloom sector.

Source: yarnsandfibers.com- Dec 20, 2017

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NATIONAL NEWS

Govt approves scheme for capacity building in textile sector

Union Cabinet on Wednesday approved the 'scheme for capacity building in textile sector', entailing skill development with an outlay of Rs 1,300 crore, for the period from 2017-18 to 2019-20.

The scheme will also have national skill qualification framework (NSQF) compliant training courses with funding norms as per the common norms notified by Ministry of Skill Development and Entrepreneurship (MSDE).

According to the Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, the objectives of the scheme are to provide demand driven, placement oriented skilling programme to incentivize the efforts of the industry in creating jobs in the organized textile and related sectors.

The scheme will also promote skilling and skill up-gradation in the traditional sectors through respective Sectoral Divisions/organizations of Ministry of Textiles; besides providing livelihood to all sections of the society across the country.

First National Rail, Transportation University at Vadodara

The Cabinet has also approved the Ministry of Railways' transformative initiative to set up the first ever National Rail and Transport University (NRTU) in Vadodara to skill its human resources and build capability.

The University will be set up as a Deemed to Be University under de novo category as per the UGC [Institutions Deemed to be Universities] Regulations, 2016. Government is working towards completing all approvals by April 2018 and to launch the first academic program in July 2018.

Cadre Review of Group A Executive Officers of SSB

The Cabinet has approved conferment of Central Group 'A' Service and Cadre Review of Group 'A' Executive Officers of Sashastra Seema Bal (SSB) with net creation of 19 posts of various ranks from Assistant Commandant to Inspector General ranks to enhance the operational and administrative capabilities of SSB.

Increase of existing structure of Group ‘A’ posts from 1253 to 1272 posts are as follows:
Increase of 2 posts of Inspector General (SAG level).
Net increase of 11 posts of DIG /Commandant (JAG level)
Increase of 2 posts of DC (STS level).
Increase of 4 posts of AC (JTS level).

Panel on sub-categorization of OBCs gets extension

The Cabinet has approved the extension of term of the commission to examine the issue of sub-categorization of Other Backward Classes, by twelve weeks i.e. upto 2nd April, 2018.

The extension of tenure will enable the Commission to submit a comprehensive report on the issue of sub-categorization of OBCs, after consultation with various stakeholders.

The commission was constituted under Article 340 of the Constitution with the approval of President on 2nd October, 2017 and it was stipulated that it would submit its report within twelve weeks from the assumption of charge by the chairperson.

The Cabinet also gave its ex-post-facto approval for a emorandum of understanding (MoU) between India and Cuba on cooperation in the field of Health and Medicine.

Source: zeebiz.com- Dec 20, 2017

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Cotton arrivals in state up by 6 lakh bales

Amid contradictory claims by state government and farm activists over cotton production, traders say that arrivals in the market are higher than the last year.

A section of traders however also attribute it to increase in area under cotton and accept that there is a likelihood of fall in the yield at farm level.

According to data compiled by a private agency tracking the market, arrivals in Maharashtra this year are higher by 6 lakh bales as compared to the same period in 2016.

From October to December 19, 23 lakh bales have reached markets in the state as against the 17 lakh bales during the same period last year. The overall arrivals in the country stand at 90 lakh bales during the period as against 75 bales from October to December last year, says the data with traders.

However, trade sources also do not discount the impact of pink bollworm on the cotton crop. Some of the firms have cut their internal estimate on arrivals lower than the levels set by the Cotton Association of India (CAI).

Arun Sheksaria, of M/s DD Cotton at Mumbai, said as against the earlier projections of 3.85 crore bales in the country, the estimate is down around to 3.77 crore bales. "This is not much a difference as there is enough cotton available. The acreage has also gone up," he said.

However, other sources in the trade requesting anonymity said that pinkbollworm crisis cannot be ignored. "Even traders are holding meets with scientists and other experts to find out a solution to the crisis so that the next year's crop is saved. Our firm has cut the estimate to 3.70 crore bales as against 3.85 lakh crore, " said the source.

Though Maharashtra has the highest share among arrivals from October to December, the final picture can be clear only by January 15. The arrivals may be higher because the area under cotton has gone up by 16%. There are reports that yields at the farms are down at the same time, said a trader.

Overall arrivals in country up by 25 lakh bales as against last year

Source: timesofindia.com- Dec 21, 2017

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Maharashtra government announces relief for cotton farmers

Maharashtra chief minister Devendra Fadnavis has announced relief and financial assistance for cotton farmers in the state affected by the pink bollworm attack on the crop in Vidarbha and Marathwada regions. The CM made this announcement at the ongoing Assembly session in Nagpur.

In addition to crop insurance and assistance from the government, farmers will also receive compensation from seed companies, state agriculture minister Pandurang Fundkar said. Every cotton farmers whose crop has been affected by pink bollworm shall be given assistance from the government and not a single farmer shall die due to this crisis, he announced in the state Assembly.

“Those farmers who are eligible to receive crop insurance will be granted the benefit of the scheme and seed companies will be told to pay compensation to farmers,” he said.

The Relief and Rehabilitation Ministry has begun conducting panchnamas of cotton crop and farmers shall be given assistance through this medium. Fadnavis said that 5 lakh applications had come from farmers. Some may get assistance from all the three schemes — from the government, from the companies and crop insurance amount. “The panchnamas are nearing completion and we shall take decisions soon,” he said.

With the crisis triggered by the attack of pink bollworms on cotton crop in Vidarbha and Marathwada regions becoming severe, opposition parties are now demanding Rs 25,000 per acre as compensation for framers.

The leader of Opposition in Maharashtra Legislative Council, Dhananjay Munde, told reporters that a compensation of more than Rs 25,000 is a must, and that he had personally written to the CM, when the Centre had warned about the pink bollworm attack, he said.

The actual extent of cotton crop damage is still being evaluated. The chairman of Maharashtra government's special task force on the agrarian crisis, Kishore Tiwari, has estimated the loss at Rs 10,000crore in Vidarbha and Marathwada.

Tiwari said that the government should clarify the quantum of financial assistance to the farmers. Giving Rs 400-500 per acre as compensation is not going to help, he said. Pasha Patel, chairman of State Agriculture Price Commission, said that the actual cotton crops losses are still being evaluated and that the state government is willing to provide compensation to the farmers.

Preliminary reports suggest that farmers in Marathwada are better covered under cotton crop insurance than those in Vidarbha, he said. Patel suggested that the seed companies that have been making profits over the years must now take the lead and provide some monetary compensation to cotton farmers.

Cotton farmers in Maharashtra are set to lose nearly 13 % of their output this year due to pink bollworm attacks on the standing crop in major production regions of the state.

The textiles ministry estimates a 13% decline in the average cotton yield in Maharashtra with major crop losses in Yavatmal and Jalgaon districts. As per industry sources, around a third of Maharashtra's cotton area were under attack by pink bollworm.

Cotton farmers have voiced their concern over crop losses and have dragged seed companies to court seeking damages. The government has issued advisories to farmers to avoid third pluckings and burn up the remaining crop to avoid further infestation of pink bollworm.

Source: financialexpress.com- Dec 21, 2017

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Textile traders worried over 12% GST on unstitched fabrics

A large section of textile traders dealing in lenghas, unstitched salwar kameez and dress material are worried as they will have to reverse the entries of their sale as tax consultants have clarified that Goods and Service Tax (GST) on unstitched textile fabric priced above Rs 1,000 was 12% and not 5%.

Textile traders and tax consultants are confused over the issue of GST on unstitched salwar kameez and dress material because till date the traders were doing business by imposing 5% GST on these items and maintaining record accordingly to file the returns.

President of Federation of Surat Textile Traders' Association (FOSTTA) Manoj Agarwal said, "Majority of them have been charging 5% GST. We are going to seek advice of senior authorities in the GST commissionerate on Thursday."

Agarwal added, "Earlier, the GST Council had kept GST rate on unstitched fabrics at 5%. Now, the rate has been increased to 12% on products above Rs 1,000."

Market sources said the unstitched fabric is in demand across the country. Women and girls prefer buying unstitched dress material and then get it stitched as per their size.

"There is no clarity from the GST commissionerate over 12% GST on unstitched fabric. It is going to be tough for many traders to reserve the old bills issued at 5% GST," former president of FOSTTA Devkishan Manghani said.

Source: timesofindia.com- Dec 21, 2017

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Parliament panel seeks changes in GST regime for exporters

A parliamentary panel has recommended several changes in the GST architecture, including exemption from tax payment on goods and services used for exports, while noting that teething troubles have resulted in a perception that implementation has not been proper despite the new tax regime being structurally better than the earlier system.

While making several observations related to the technology, the standing committee on commerce headed by Naresh Gujral has suggested the government to extend the pre-GST duty drawback rates until June next year or till the revenue department comes out with the revised rates for exporters.

It said that the move will enable the exporters to overcome the problems being faced by them currently besides helping them to take a long-term view while negotiating orders.

"The committee finds that the problem of delayed refund to exporters has caused hardships... if the taxes are to be finally refunded then what is the need to put the exporters to the rigmarole of paying taxes and taking its refund or taking refund of unutilised input tax credit. It has been noted that it is easy to pay tax but it is very difficult to get refund.

The committee feels that a system may be devised to ensure that the procurement/ manufacture for export purposes be exempted from taxation system," the panel said in its report on the 'Impact of GST on Exports' tabled in Parliament on Tuesday.

The panel also suggested that a simplified system for filing of refunds needs to be devised which is in line with the ease of doing business.

Goods and Services Tax (GST) refund mechanism for exporters is tardy and cumbersome owing to several operational issues, it added. For instance, it pointed out that there was no interface between the technology platforms of GST Network, which operates the main technology platform for filing of returns and payment of tax, and those of customs and the Directorate General of Foreign Trade. It then went on to say that GSTN did not get enough time for testing.

The panel was also critical of the lack of clarity among officers at the ground level on aspects such as letter of undertaking and noted that even training given to officers on ground on issues was inadequate.

Source: timesofindia.com- Dec 20, 2017

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Squaring export benefits with GST

With the introduction of the Goods and Services Tax (GST), industry expected the government to continue to work towards a robust and faster indirect tax system, in its prursuit of improving the 'Ease of Doing Business' in India. However, thanks to the scale of the reform, efforts are on to align various existing import-export policies with GST even after six months of its roll-out.

A serious issue that cropped up for exporters was the adverse effect on the benefits that were provided by the commerce ministry in the pre-GST regime and the delay caused by the GST network in executing the refund claims. Due to these difficulties, the wafer-thin margins of exporters have been affected, and exporters were compelled to file petitions in high courts. The government, by taking up these problems in the GST Council meeting, and the courts, by providing interim reliefs, extended a helping hand to exporters. What must now be ensured is that this doesn't become a case of 'too little, too late'.

With the rollout of GST, many export schemes under the Foreign Trade Policy 2015-20 (FTP) like the Merchandise Export India Scheme (MEIS), Service Export India Scheme (SEIS), Advance Authorisation Scheme and the Export Promotion Capital Goods (EPCG) Scheme were trimmed, resulting in a crunching of benefits.

The immediate hit was in terms of scrips awarded under the MEIS and SEIS schemes as they could only be used for the payment of basic customs duty as opposed to the earlier regime where they were used for the payment of service tax, central excise duty and other additional duties of customs as also basic customs duty. This led to a fall in demand for such scrips in the market and the domestic scrip-holders, who had procured it for making payment of duties on domestic procurements, were left in a lurch.

Furthermore, all upfront exemptions given for additional duty of customs, including countervailing duty (levied in lieu of excise duty), and special additional duty (levied in lieu of Value Added Tax) on goods imported by license holders under the Export Promotion Capital Goods scheme and Advance Authorisation Scheme were rescinded and no exemption was granted for integrated GST (IGST) levied on imports.

Due to the restrictions placed on upfront exemptions on all additional duties of customs, exporters were exposed to working capital issues and increased costs of borrowing to manage the cash flow. Consequently, exporters were compelled to file writ petitions in high courts, which granted them the interim relief of upfront IGST exemption to affected exporters.

The piling grievances of exporters all over the country acted as an eye-opener for the government. In the 22nd meeting of the GST Council, held on October 6, 2017, it was resolved that imports made by persons operating under the EPCG scheme and Advance Authorisation Scheme will be temporarily exempted—upto March 31, 2018—from the levy of IGST. These issues were followed by the mid-term review of the FTP (December 5, 2017)—aside from the welcome increase of 2% in reward rates under SEIS and MEIS, other changes reconciling any inconsistencies in the FTP and GST were also included.

It is worth noting that the amended FTP categorically records that upfront exemption from IGST and GST compensation cess is available only upto March 31, 2018. This clearly indicates that the temporary relief from payment of IGST under the export promotion schemes may not be automatically continued after March 31, 2018. It is expected that, to seek continued relief, exporters may have to resort to litigation.

Refunds under the service tax and the excise regime have always had bones of contention, leading to unexplainable delays and unnecessary litigation.

To assuage such concerns of exporters, under the GST regime, a smooth mechanism along with upfront grant of provisional refund of up to 90% on inputs and input services within seven days of filing of claims was promised.

However, this gave rise to a new problem, concerning the documents that would be required to be filed for refund claims, as the GST laws did not afford sufficient clarity in this respect. Additionally, the GST Network did not carry the format for the refund claims. Such procedural bottlenecks were hampering trade, and the increasing discontent caused the government to take concrete measures to identify authorities to sanction refunds and enable offline methods of filing refund claims.

This was accompanied with the promise that the pendency of refunds pertaining to past few months would be cleared in a span of few weeks. However, it remains to be seen whether such refunds would be processed in the manner as trade expects, since the enabling provisions are riddled with qualifications—for instance, the grant of refund should be to the satisfaction of the concerned officer that the claim was complete. This does not instil great hope since trade's concerns are that GST refunds would also be delayed like those claims in the erstwhile regime. As of now, the ground-level processes relating to refunds and documentation are being revamped by acknowledging trade's concerns and practical difficulties with the GST network.

It may be hoped that the environment will eventually be in favour of the export sector in India. So far, these developments appear structured and formulated. However, the aim should be to ensure that they are, in effect, operational and convenient for the sector under the "Good and Simple Tax" regime. Co-authored with Anjali Krishnan and Saasha Malpani, associates, Khaitan & Co.

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