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“Withdrawal of MEIS on Made ups with retrospective effect – a matter of serious concern” - Chairman, TEXPROCIL

Government has removed the benefit of 4% MEIS on exports of Made ups and Garments with retrospective effect from 7.3.2019. Further, all the MEIS that has been granted to the exporters of Made ups and Garments on exports till 31.7.2019 will be recovered. “Withdrawal of 4% MEIS with retrospective effect has caused an extremely serious situation for the exporters of Made ups and has indeed come as a shock” said Dr.K.V.Srinivasan, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL).

Exporters of Cotton Made ups were already passing through tough situation financially due to the non-implementation of the Scheme to Rebate State & Central Taxes & Levies (RoSCTL). This scheme which was announced for exports of Made ups and Garments with effect from March 7, 2019 is yet to be operationalized although more than nine months have passed since its announcement. Further, MEIS of 4% was also freezed for Made ups and Garments from August 1, 2019. Moreover, there are still some pending claims under the erstwhile ROSL scheme which was discontinued with effect from March 7, 2019. “Exporters of Made ups are facing serious working capital problems affecting their day to day business activities”, said Dr. Srinivasan.

Exporters have factored the availability of 4% MEIS along with the RoSCTL scheme which is to the tune of 8.2% while quoting export prices to foreign buyers for shipments to be effected over a period of 8 to 9 months. With the removal of 4% MEIS, exports at these prices will now become uneconomical and exporters will have to bear huge losses on such shipments, pointed out Dr.Srinivasan. . Many of the exporters have also paid advance tax on these export receivables as required under the Income tax Act which has further aggravated the problem.

The Chairman, TEXPROCIL has pointed out that the main issue is the withdrawal of 4% MEIS with retrospective effect that has caused distress and uncertainty among the exporters. Withdrawal of export benefits with retrospective effect put a huge question mark on the stability of the Policy which is much needed to attract investments and for the development of

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trade & industry besides creating confidence among the exporters, said Dr.Srinivasan. Any changes or modification of existing policy and benefits should be with prospective effect, according to Dr. Srinivasan.

All the exporters small , medium and large have been badly affected by this decision especially the MSME sector where bulk of the Made ups meant for exports are being manufactured.

Exporters are working against tough competition from Countries like Bangladesh, Sri Lanka, Vietnam and Pakistan combined by high import duties in leading export markets like the US, EU, China etc on Indian products and in such a scenario the removal of 4% MEIS has demotivated the exporters especially the merchant exporters, according to Dr. Srinivasan.

Dr. K.V.Srinivasan urged the Government to restore the benefit of 4% MEIS on exports of Made ups and Garments from 7.3.2019 and to continue with the same till 31.3.2020.