TEXPROCIL NEWS CLIPPINGS
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INTERNATIONAL NEWS

Global cotton Index falls in 2020

The Cotlook-A index has reported a sharp decline in the cotton prices for 2020. The prices slipped to 63.53-81.02 cents per pound in 2020 compared to the prices of 70.75-87.25 cents per pound in the prior year. The index remained in between 65.00-70.00 cents per pound from March-August 2020 and was lowest in April at 63.53 cents per pound.

The cotton prices moved down with decrease in global cotton demand by 7.60 million bales, or 6.40 per cent in March 2020, according to United States Department of Agriculture's (USDA). The reduction was due to Covid-19 impacts on countries around the world.

It represented a loss of around 3.5 weeks of global spinning or about 16.00 per cent of the expected spinning in March through July based on the March USDA forecasts. The USDA report also noted that Covid-19-driven changes in behaviour and regulations significantly impacted the supply chain of the cotton sector. Recent travel restrictions in India, Pakistan, and Vietnam were likely to have similar impacts on cotton supply and demand in the short-term.

In addition to physical disruption across the global supply chain from farm to retailer, global cotton end-use had slipped amidst large portions of the global population limiting activity outside their homes or confined by stay-at-home orders and with many "non-essential" businesses including apparel stores closed. The two largest importers of apparel, EU and US, saw a widespread closure of shopping malls and retail stores, while three-quarters of US population were under travel restrictions.

Cotton index has continuously recovered from October 2020 to December 2020 with 14.48 per cent growth from 70.77 - 81.02 cents per pound as all international benchmark cotton prices increased in that period, according to Cotton Market Fundamentals & Price Outlook released by Cotton Incorporated. The largest increase was in China of which a portion was attributed to speculative forces. These include multiple concerns centred on the availability of high-quality fibre to Chinese mills, the challenging weather in Xinjiang for harvest and an unofficial ban on Australian cotton fibre.

In addition, US crop suffered a series of hurricanes that passed over a lot of acres with exposed bolls impacting the fibre quality. Beyond quality-related concerns, the outlook for trade-related demand has also improved for a range of reasons, the report said. The USDA and US Office of the Trade Representative released an update on agricultural trade in late October 2020 which indicated that in bale terms, US cotton commitment to China was twice in 2020-21 at 3.60 million bales compared to 1.90 million bales in 2019-20.

Outside China, another contributor to import demand was the difficulty suffered by the Pakistani crop this season. The current forecast for the Pakistani harvest remains at 5.00 million bales. Collectively, the issues associated with production and international trade could be considered sources of support for prices.

Source: fibre2fashion.com– Feb 03, 2021

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With extra duties, taxes, Brexit threatens to make UK-Europe trade more costly

On January 31, 2020, when Brexit came into force it was expected to ease trade relations between the Europe and the UK. But, one month since the conclusion of the trade deal, things are far from smooth for luxury brands in both regions. As a Vogue Business reports shows, 20 of 57 luxury brands that operate in both UK and Europe face delays in product deliveries. Additionally, customers are being burdened with unexpected duties and taxes on their products. Brands are being taxed for product returns, affecting their profit margins. Luxury firms like the London department store Fortnum & Mason and Kate Spade New York, are being forced to suspend sales to Europe, until things work out.

Increase in courier charges and import duties

Consultants and industry experts expect the situation to improve soon. However, they believe, Brexit has made trade between the two regions more costly. Simon Cotton, CEO, Jonhstons of Elgin says, it has increased courier charges between the two regions with firms charging over £4.50 for a parcel delivery between the UK and EU alongwith potential additional administrative costs. UK companies sourcing their products from outside Europe have to pay a duty on import of products besides an extra charge for exporting them. These products can achieve a tariff-free status only if they fulfill the complicated rules of origin, adds Aruni Mukherjee, Director-Indirect Tax, KPMG UK.

Troubled by this, retailers like John Lewis have temporarily halted exports to Europe while others have declined to pay the extra duties or taxes. Amazon has withdrawn its products from the Northern Ireland market though retailers like Robert Ettinger, CEO, of namesake brand has received several inquiries from brands for making products in the UK.

Product returns and trade shows

Besides being burdened with extra duties and taxes, retailers also face additional charges on product returns by customers. Post Brexit, a product returned by a European customer to a UK brand and vice versa attracts additional duties and taxes even the brand has already paid a duty while shipping the product. UK government advisors have recommended splitting the supply chain into two parts and handling shipments and returns separately with the UK and EU. However, such a solution is not feasible for smaller businesses like the womenswear brand Cefinn.

According to Adam Mansell, CEO, UK Fashion & Textile Association (UKFT), Brexit may also lead to an increase in freight levels once stores in the UK reopen, and brands move through stock imported before Christmas. Though European brands have not increased the average price of goods in their British online stores, their costs are eventually likely to increase as Mastercard plans to increase its fees for customers using a UK card to buy a product from an EU retailer, says data from BenchMarque by Deloitte.

The UK fashion industry and retail sector is yet to experience the full effects of post Brexit laws like the government's abolition of its VAT (Value-Added Tax) retail export scheme. It may face further challenges post pandemic in the form of extra costs that retailers may have to bear for showcasing their products at European trade shows. The future for retailers certainly seems challenging.

Source: fashionatingworld.com– Feb 03, 2021

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How Artificial intelligence is Transforming the Apparel Industry

Artificial intelligence (AI) will bring cutting-edge revolution and disruption that's never been seen before in the apparel industry.

From outfit designing to spotting futuristic fashion trends to being a personal stylist to satisfying consumer experience, artificial intelligence is changing the apparel industry.

It is quite impressive and exciting to see how AI has integrated into our lives. Most of us will not even be aware of the fact that they are already using AI in their day-to-day activities. But honestly speaking, with its potential to learn and study a given situation and act accordingly, AI has taken a prominent place in every industry vertical, regardless of the work they do. The transformative role of this cutting-edge technology has enabled enterprises across the world to redefine and reinvent their business processes, allowing automated, optimized, streamlined, and flawless workflow execution, which in turn, leads to operational excellence and financial gains.

One such industry that had been dealing with tons of issues, ranging from new design creation in lesser time, manufacturing garments at a sensible cost, and lack of resources to perform activities seamlessly, is the apparel industry. But, thanks to advancements in the incredible technology - AI! AI in the apparel industry will prove to be a game-changer in solving the existing issues, thereby assisting the textile designers, producers, and retailers in improving efficiency at work.

Challenges of the Traditional Apparel Ecosystem

Until now, the main focus of the apparel industry was to take care of only the production process, keeping quality as a low priority. But today, in this hyper-connective, Internet-enabled, technology-powered world, along with quantity, fashion brands have to potentially consider their design standard and garment quality while staying ahead of the fashion trends of today and tomorrow. To top the list, the garment industry also sees an intensified demand for enhanced customer experience and satisfaction.

Handling all these labor-intensive tasks is not an easy undertaking, especially when only employees have to take care of them. Manually carrying out these jobs can hinder accuracy, productivity, and efficiency levels drastically. Along with boredom, the likelihood of human errors also increases. All these factors will negatively impact the apparel industry in achieving their business objectives, undoubtedly.

Making fashionable attires swiftly move off the ramp to the consumer market is the aim of every textile company. To accomplish this, brands have to speed up their production process with new, unique, and compelling clothing designs, which means designers and manufacturers have to quicken their pace at work and have shorter deadline periods.

Besides, brands are pressurized to fulfill their consumer's expectation of getting trendy apparels at a low cost. But as the cost of any apparel depends on a lot of things, ranging from working hours spent by designers on it to production cost to transportation cost to reach the retailer warehouses to many more, meeting and fulfilling customer's cost expectations has become more of a challenge now.

The Impact of AI in the Apparel Industry

The issues and concerns that rest in the traditional apparel ecosystem call for the need to innovate, automate, and reinvent business processes that are involved in the trend spotting, garment design and production, transportation, merchandising, and sales with the help of AI.

Click here for more details

Source: bbntimes.com– Feb 02, 2021

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US economy contracts at sharpest pace since World War II

The US economy contracted at its sharpest pace since World War II last year as COVID-19 ravaged services businesses, throwing millions out of job and into poverty. The recovery lost steam as the year wound down amid a resurgence in coronavirus infections and exhaustion of nearly $3 trillion in relief money from the government, the commerce department said.

The economy contracted by 3.5 per cent in 2020, the worst performance since 1946. That followed 2.2 per cent growth in 2019 and was the first annual decline in GDP since the 2007-09 Great Recession. The economy plunged into recession last February.

In the fourth quarter, GDP increased at a 4 per cent annualised rate as the virus and lack of another spending package curtailed consumer spending, and partially overshadowed robust manufacturing and the housing market.

The department released its snapshot of fourth-quarter gross domestic product (GDP) recently.

The Federal Reserve last week pledged to continue injecting money into the economy through bond purchases, noting that "the pace of the recovery in economic activity and employment has moderated in recent months." President Joe Biden has unveiled a recovery plan worth $1.9 trillion.

The services sector has borne the brunt of the coronavirus recession, disproportionately impacting lower-wage earners, who tend to be women and minorities. That has led to a so-called K-shaped recovery, where better-paid workers are doing well while lower-paid workers are losing out.

Rising poverty was underscored by persistent labour market weakness. In a recent report, the labour department said 847,000 more people filed new claims for state unemployment benefits. Only 12.4 million of the 22.2 million jobs lost in March and April have been recovered.

Source: fibre2fashion.com– Feb 03, 2021

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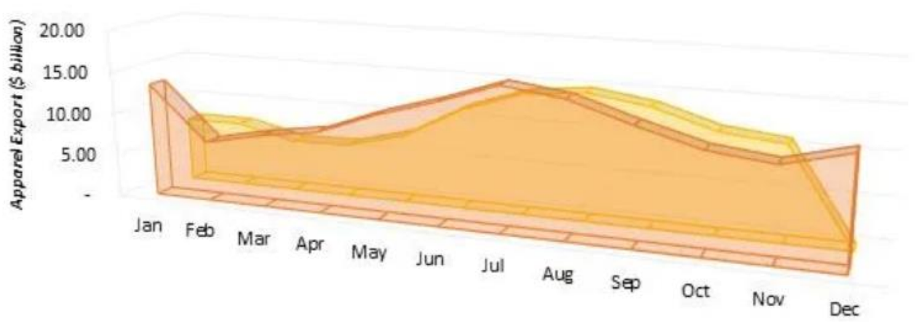
China apparel export falls in 2020

China's apparel exports fell in the beginning of 2020 with Covid-19 outbreak. Apparel exports plunged 39.23 per cent in January 2020 to $7.63 billion from $12.55 billion in December 2019, according to Fibre2Fashion's market analysis tool TexPro. The exports dipped 15.11 per cent for the year 2020 (January to November) to $112.54 billion (2019: $132.57 billion).

China Apparel Exports ($ billion) 2019-20



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
China Apparel Exports ($ billion) 2019	13.47	7.07	8.51	9.53	12.11	14.16	16.54	15.62	13.42	11.47	10.66	12.55
China Apparel Exports ($ billion) 2020	7.63	7.63	6.08	6.22	8.01	11.74	14.08	14.80	13.79	11.67	10.91	-

Month

China Apparel Exports ($ billion) 2019 *China Apparel Exports ($ billion) 2020*

Coronavirus severely impacted apparel value chain as it emerged from the manufacturing epicentre Wuhan. Wuhan is in Hubei province of China where the infection was first reported, is a major industrial and transport hub in the centre of the country, where there are at least 11 apparel factories, as well as thread and textile factories, printing and dyeing facilities, and footwear manufacturers. The trade disruption got triggered in February 2020 with full or partial lockdowns in 13 Chinese cities that had severely restricted key land, air, and maritime transport routes from across the country.

Nevertheless, the trade recovered in June with 53.86 per cent rise to $11.74 billion compared to January, as China Customs Statistics (CCS) reported that the country's garment exports started rising from April 2020 and gained momentum in June 2020 with loosening of government restrictions and increased product flow across the textiles and apparel supply chain.

Source: fibre2fashion.com– Feb 03, 2021

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Pakistan: Writing rules for change

Government pushed economic reforms in Pakistan have never worked as the largest segment of the economy never owns them. Businesses would have to act beyond vested interests to bring the same transparency and level playing field in the economy that they demand for specific sectors.

Businessmen in Pakistan always seek concessions or removal of bottlenecks in the particular business they are associated with. In textiles for instance, apart from common demand of power and gas at regionally competitive rates – all its sub-sectors have different agenda on many facilitations relating to duties, taxes, concessional loans and what not.

The state cannot satisfy any of the sub-sectors through a common policy. The basic textile sector wants cotton imports to be duty free. The farmers demand not only duty, but also regulatory duty on this commodity.

Basic textile, the largest and the most capital intensive sector of the textile chain also eats up 80 percent of the subsidies and concessional loan, but still demands duty on imported yarn which is the basic raw material of the value-added industry.

The value-added segment wants yarn to be duty free, but insists on heavy protection against imported clothing. We do not need sector specific concessions on inputs and supplies that are commonly needed by other sectors of the economy.

If the energy and power rates have to be brought down to regional level it should be for all. The concessional energy supplies should however be linked to compulsory energy audit of all industries either in exports or in the domestic domain.

Energy audit would reveal the unnecessary wastage of power and concessional energy supply should be made to those taking remedial measures. This most probably would not be acceptable to most of the industrial sectors including textiles that are pulling along because of subsidies on their inefficiencies.

There are products that are produced and consumed locally and they have to compete with similar imported products. Transparent reforms are needed in this domain, as rent-seeking has been institutionalised.

Domestic manufacturers want prohibitive protection on their manufactured products while the importers want the government duties and levies to be very low.

In the current scenario, the state has technically acceded to the demands of both the stakeholders.

It has slapped high protection duties on finished products but at the time has allowed imports at absurdly low import trade price (ITP at which the duties and levies are assessed). This is the largest economic segment of the country as our imports are more than double our exports.

A simple and can be implemented fully through the available technology. The ITP should be fixed on actual value.

The ITP should be based on the average price of that product in five different global markets and the protective duty should be lowered from 20 percent to 10 percent. By doing so, we can boost domestic manufacturing and provide a fair chance for importers to market their products.

At present it is a one way flow. The importer brings in the imported stuff at 1/4 to 1/8 of the actual import value and even after paying protective duties and 17 percent sales tax its landed cost is less than the production cost of Pakistani products.

Reforms should be in supreme national interest and debated at national forums. Importers say that if the ITPs are increased to realistic levels it will encourage smuggling that should be curbed.

This brings to fore another area where urgent and fair reforms are urgently needed. We have created influential and strong vested interests in our economy.

Manufacturers tackle under-invoiced imports by concealing their production and avoid the sales tax. The importers evade taxes through heavy under-invoicing and the smugglers by completely evading all taxes. Bureaucracy or the state regulators are the common link in this cartel.

They take rent for under-filing production, for under-invoicing and for abetting smuggling. This nexus has to be broken once and for all to ensure that the reforms are implemented in true spirit.

The Indian businessmen realised the folly of operating without proper regulations and forced their government to bring transparent reforms. The result is there for all to see.

Thirty years back there was hardly any Indian company that could be classified as a true multinational.

Today there are numerous Indian conglomerates that are major suppliers of medicines, manmade fibres, steel and home appliances to the world. Three of the top ten wealthiest persons in the world are from India.

The state should also recognise that private companies have better knowledge of the local business environment and the way forward to compete in foreign markets than the foreign advisors who usually lecture the government and intelligentsia in Pakistan.

The private sector aspires for changes in governance that gives better results in terms of efficiency and sustainability. Consultation should be broad based covering the entire economy and not a specific sector. Once a broad based agenda is owned by all businesses, only then the sector-based problems should be taken up.

It has been globally recognised that institutions and governance play an important role on economic and social outcomes. Institutions deteriorate if they are operated on the whims of individuals and there is no accountability for ignoring the written rules and regulations.

Source: thenews.com.pk– Feb 04, 2021

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Pakistan: Cotton arrivals plunge 34pc to 5.6 million bales

Cotton arrivals hit a three-decade low level of 5.6 million bales due to farmers switching to other crops with the sliver fiber production sharply down 34 percent year-on-year till January 31, industry officials said on Wednesday.

Cotton arrivals in ginneries were recorded at 8.48 million bales till the same period last year, according to the report released by Pakistan Cotton Ginners Association (PCGA).

“It is a major reduction. A sharp decline,” Mehmood Nawaz Shah, senior vice president of Sindh Abadgar Boar told The News. Of these arrivals, 70,200 bales were exported, up 19.6 percent against 58,666 bales of last year. Production has decreased to the lowest level in 30 years due to substandard seed, substandard pesticides that led farmers to move to other crops, according to people with the knowledge.

By this time, five million bales have been sold to mills as against last year’s 7.63 million bales. Currently, 454,764 bales are in stocks with ginners, down 43 percent compared to 796,375 million bales. Shah said cotton crop reached to 14.8 million bales in 2008, when Bt cotton, which is pest-resistant, was sown.
“Climate change is also an issue. This production suffered because of rain in August and September. Punjab’s crop suffered because of extensive heat,” he said.

Shah said the government allowed seeds with 50 percent germination.

“If no action is taken regarding quality seed, cotton production will further decline next season,” he said. “Price of seed cotton is standing at the same level for 4-5 years, which is actually negative if inflation and cost of inputs is added.”

Naseem Usman, chairman of Karachi Cotton Brokers Association said sowing of new crop is about to begin in lower Sindh but no measures have been taken by the government to provide quality seed. “There are chances of sowing the substandard seed, which will again affect the production,” he said. The country is losing its foreign exchange reserves over duty free import of cotton. With a decline in the cotton production, growers would suffer and ginners and other people would lose their livelihood.

“Both the federal and provincial governments are not giving any attention towards this crucial issue,” he said.

Shah said India allowed use of genetically-modified cotton seeds, while Pakistan is not allowing it. Since it is not eatable, such seeds should be allowed in cotton or other seeds should be imported as the country failed to introduce any productive cotton seed in last 12 to 14 years.

The ginners report said fortnightly flows (January 16-31) were down 47 percent at 78,528 bales as against flows of 149,078 bales during the same period last year.

Punjab recorded arrivals of 3.43 million bales, down 31.46 percent. Arrivals from Sindh were down 38.5 percent to 2.13 million bales. Eighty seven ginning factories were in operation in Punjab by January 31, compared to 119 factories in operation during the same period last year. There were only three ginning factories in operation in Sindh against 15 factories during the corresponding period last year.

Source: thenews.com.pk – Feb 04, 2021

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NATIONAL NEWS

We are fast achieving pre-Covid levels in exports: Commerce secy

The country's exports recorded a positive growth in January and the outbound shipments are fast moving towards pre-COVID-19 levels, a top government official said on Wednesday.

Commerce Secretary Anup Wadhawan also said India is well on the way to breaking into new frontiers and exporting goods such as mobile phones and other electronic goods.

"Exports are picking. We are fast reaching to pre-COVID-19 levels," he told reporters here.

The secretary said measures like production-linked incentive scheme would expand the manufacturing base and that will take exports to the true potential.

For the second consecutive month, the country's exports recorded a positive growth and rose 5.37 per cent year-on-year to USD 27.24 billion in January 2021, mainly driven by healthy growth in pharmaceuticals and engineering sectors.

About roll-out of the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, he said the ministry is in the process of determining the rates and identifying the product lines.

"Work is in a very advanced stage," he said.

The scheme would refund to exporters the embedded central, state and local duties and taxes that were so far not being rebated or refunded.

When asked about concerns being raised by certain members of the World Trade Organization (WTO) about India's raising customs duty on some goods, the secretary said all the duties are within "our bound rates".

The Budget 2021 has proposed rationalisation of customs duty structure with a thrust on both easy and competitive access to raw material and infant industry protection objectives to encourage exports, particularly of value-added products.

The announcements included a reduction in duties on critical raw-material such as iron and steel, copper scrap, naptha, nylon fibre and yarn.

Talking about Budget, he said measures like the development of modern fishing harbours and fish landing centres and scheme for mega investment textiles parks (MITRA) are expected to boost exports from the textiles and marine sector.

Wadhawan said that the Budget allocation for schemes such as the Agriculture Export Policy (AEP) and the Transport and Marketing Assistance (TMA) has been enhanced and it will help in the implementation of AEP in states and boost agriculture exports.

"Rs 1,000 crore have been provided for the welfare of tea workers, especially women and their children. This will benefit around 10.75 lakh tea workers, including 6.23 lakh women workers engaged in the big tea estates of Assam and West Bengal. In addition, around 1.47 lakh small tea growers are also likely to be benefitted," he said.

He added that streamlining of the anti-dumping duty (ADD)/countervailing duty (CVD) provisions, including measures aimed at enforcing anti-absorption, will potentially enable a level-playing for domestic industry through addressing unfair trade practices.

About anti-absorption provisions, he said that if unfair trade practice is detected by DGTR (directorate general of trade remedies) and ADD or CVD is imposed, there should not be any further circumvention by absorbing it and affecting the price structure in the domestic market.

All the countries use anti-absorption provisions include Europe and the US.

In the Budget, it was proposed to make certain amendments in the provision related to ADD and CVD to provide for anti-absorption provisions.

Source: business-standard.com– Feb 03, 2021

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Indian cotton imports unlikely to be dented by new tax, says trade body

India's imposition of 10 percent duty on cotton imports is unlikely to dent buying, the head of the Cotton Association of India (CAI) told Reuters.

The 10 percent import duty imposed by the world's biggest cotton producer was announced by Finance Minister Nirmala Sitharaman in her budget speech to parliament on Monday.

"There won't be any impact on imports. The textile industry needs extra long staple cotton," said CAI's president, Atul Ganatra, adding that this type of cotton is in short supply on the domestic market.

Indian textile mills have already imported 600,000 bales of cotton in the 2020/21 marketing year that started on Oct. 1, with a further 800,000 bales likely to be sourced from outside the country during the rest of the season, Ganatra said.

The country is expected to produce 36 million bales in the current marketing year, against local demand of 33 million bales, though supply of extra long staple cotton is negligible, the CAI says.

India imports long staple cotton mainly from Egypt and United States. It exports surplus cotton to Bangladesh, Vietnam and China.

Basic customs duty on man-made fibres (MMF) such as caprolactam, nylon chips and nylon fibre and yarn were cut to 5 percent from 7.5 percent in the budget.

India is a net importer of these products and the reduction would make the MMF industry more competitive globally, said Ashok Juneja, president of India's Textile Association.

Source: moneycontrol.com– Feb 03, 2021

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India has received USD 358.30 billion foreign direct investment in last 6 financial years: Som Parkash

India has received USD 358.3 billion foreign direct investment (FDI) in the last six financial years (2014-20), Minister of State for Commerce and Industry Som Parkash informed the Lok Sabha on Wednesday.

He said that investment outreach activities are being carried out for enhancing international co-operation to promote FDI and improve ease of doing business in the country.

"In the last six financial years (2014-20), India has received FDI inflow worth USD 358.30 billion which is 53 per cent of the FDI reported in the last 20 years (USD 681.87 billion)," he said in a written reply to the Lok Sabha. Replying to a separate question on gold imports, Minister of State for Commerce and Industry Hardeep Singh Puri said India has imported 306.55 tonnes of the yellow metal during April-December 2020.

The import stood at about 720 tonnes in 2019-20 and 982.71 tonnes in 2018-19, Puri said. Replying to a question on water exports, Puri said India has exported 3,45,511 litres of water (including mineral water and aerated water) during April-November 2020-21.

In 2019-20, the exports stood at 5,46,287 litres. Puri also informed the Lok Sabha that the trade deficit between India and China stood at USD 25.17 billion during April-November 2020.

"The Government of India has made sustained efforts to achieve a more balanced trade with China, including bilateral engagements to address the non-tariff barriers on Indian exports to China," he said.

On a question regarding the World Trade Organisation (WTO), he said the US and European Union (EU) have flagged certain trade-related issues, including increase in import duties, during the recently held TPR (trade policy review) meetings.

"Some Member countries, including USA and the EU, raised certain questions regarding MFN (most favoured nation) applied tariff rates, agricultural support programme such as MSP (minimum support price) etc. Replies thereto have been given to the WTO," he added.

Source: financialexpress.com– Feb 03, 2021

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Industry hopeful that RoDTEP will eliminate all undesired tax costs for exporters: ET-ILC Members

The aim of RoDTEP is to refund non-creditable taxes embedded in the export product and the genesis of GST was to create a robust Input Tax Credit mechanism.

Government of India's proposal to replace the Merchandise Export Incentive Scheme (MEIS) with the Remission of Duties or Taxes on Export Product (RoDTEP), as the former was not WTO compliant, seems to have gone down well with most industry players. Now, in a recent statement released, the finance ministry has said that the RoDTEP scheme will be extended to all export goods from Jan 1, 2021.

The RoDTEP rates, conditions and exclusions under which it can be availed will be detailed by the department of commerce, based on recommendation of the GK Pillai committee that are expected soon. The industry is hopeful that the duty remission scheme will cover all the actual expenses pertaining to unrebated central and state taxes - electricity duty, mining taxes, levies imposed on fuel, transportation, etc.

The aluminium industry is operating at 90% capacity and is depending heavily on quick RoDTEP implementation since currently 15% of cost of aluminium production is due to unrebated central and state excise duties, the highest in the world. For the automotive industry, the question of global competitiveness is key as the sector exports to over 160 countries with an approximate turnover of USD 27 billion but has less than 2% of the global automotive trade in value terms.

This is because of infrastructure inefficiencies and tax costs which are currently in 3-4% range. Even for the auto sector, RoDTEP will have a great positive impact as it is aimed at refunding all the taxes to auto manufacturers such as - fuel, electricity duty, road tax, temporary registration changes and non-creditable input on GST, ARAI certification changes etc.

The aim of RoDTEP is to refund non-creditable taxes embedded in the export product and the genesis of GST was to create a robust Input Tax Credit mechanism. “However, there are certain products which are out of the purview of GST and few GST payments are not available as ITC. Few of these examples include Excise duty and VAT paid on fuel, GST and

Compensation cess paid on coal (which is used in manufacture of electricity), taxes paid to local authorities/state authorities, road tax, toll tax, octroi. All of such taxes should be reimbursed under a RODTEP Scheme," says Rohit Jain, Partner, Economic Laws Practice.

The RoDTEP committee is undertaking a factual data collation exercise in consultation with industry players and the format prepared by the committee is quite comprehensive. "However, in this context, certain tax costs have to be considered based on certain assumptions e.g., embedded tax cost in the logistics cost incurred by the exporters, or embedded tax cost in the electricity/power consumption charges.

One may not be able to calculate such embedded tax costs easily and therefore, the practical difficulty should be considered and reasonable assumptions should be allowed based on industry research reports," says Satyakam Arya, MD& CEO, Daimler India.

Currently the issue that some companies are facing is in collating data with respect to the tax cost pertaining to raw materials, consumables, etc. This issue needs to be solved through consultations. Industry players are hoping that the RoDTEP committee follows a pragmatic approach while determining a benign rate that is reflective of industry average and without any ceiling rate.

They'd like the committee to consider all kinds of taxes and duties incurred by the exporter or its suppliers - procurement, production, sale, distribution or even general administration. A liberal approach would be most welcome with the motto to eliminate any direct or indirect cost that hinders competitiveness of Indian products.

Source: economictimes.indiatimes.com– Feb 03, 2021

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Indirect Tax Budget Changes 2021

On 01.02.2021, the Hon'ble Finance Minister Smt. Nirmala Sitharaman presented Finance Bill, 2021 and accordingly some changes have been proposed in Indirect Tax Law. All the changes in rate of tax shall take effect from the midnight of 1st of February 2021, unless otherwise stated. Whereas, all the amendments in the finance Bill 2021 will come into force from the date of notification issued by the authority.

CHANGES IN GST LAW:

a) Section 7 of the CGST Act, 2017– A new clause (aa) in sub-section (1) inserted retrospectively with effect from 01.07.2017 to ensure levy of tax on activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.

b) Section 16 of the CGST Act, 2017– A new clause (aa) to sub-section (2) of the section 16 of the CGST Act has been inserted to provide that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies.

c) Section 35 of the CGST Act, 2017– Section 35 (5) is being omitted to remove the mandatory provision of getting annual accounts audited.

d) Section 44 of the CGST Act, 2017– Section 44 substituted to remove the mandatory requirements of furnishing of reconciliation statement duly audited by professional and it provide provision of annual return on self-certification basis.

e) Section 50 of the CGST Act, 2017– The section retrospectively to charge interest on net cash liability from 01.07.2017.

f) Section 74 of the CGST Act, 2017– Section 74 is being amended to clear that seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax.

g) Section 75 of the CGST Act, 2017– An explanation to sub-section (12) of section 75 of the CGST Act is being inserted to clarify that "self-assessed tax" shall include the tax payable in respect of outward 32 supplies, the details of which have been furnished under section 37, but not included in the return furnished under section 39.

h) Section 83 of the CGST Act, 2017– It has been amended that provisional attachment shall remain valid for the entire period starting from the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV till the expiry of a period of one year from the date of order made thereunder.

i) Section 129 of the CGST Act, 2017– This section is being amended to delink the proceedings to detention, seizure and release of goods and conveyances in transit, from the proceedings under section 130 relating to confiscation of goods or conveyances and levy of penalty.

j) Section 130 of the CGST Act, 2017– This section is being amended to delink the proceedings of section relating to confiscation of goods or conveyances and levy of penalty from the proceedings under section 129 relating to detention, seizure and release of goods and conveyances in transit.

On 01.02.2021, the Hon'ble Finance Minister Smt. Nirmala Sitharaman presented Finance Bill, 2021 and accordingly some changes have been proposed in Indirect Tax Law. All the changes in rate of tax shall take effect from the midnight of 1st of February 2021, unless otherwise stated. Whereas, all the amendments in the finance Bill 2021 will come into force from the date of notification issued by the authority.

CHANGES IN GST LAW:

a) Section 7 of the CGST Act, 2017– A new clause (aa) in sub-section (1) inserted retrospectively with effect from 01.07.2017 to ensure levy of tax on activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration.

b) Section 16 of the CGST Act, 2017– A new clause (aa) to sub-section (2) of the section 16 of the CGST Act has been inserted to provide that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies.

c) Section 35 of the CGST Act, 2017– Section 35 (5) is being omitted to remove the mandatory provision of getting annual accounts audited.

d) Section 44 of the CGST Act, 2017– Section 44 substituted to remove the mandatory requirements of furnishing of reconciliation statement duly audited by professional and it provide provision of annual return on self-certification basis.

e) Section 50 of the CGST Act, 2017– The section retrospectively to charge interest on net cash liability from 01.07.2017.

f) Section 74 of the CGST Act, 2017– Section 74 is being amended to clear that seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax.

g) Section 75 of the CGST Act, 2017– An explanation to sub-section (12) of section 75 of the CGST Act is being inserted to clarify that "self-assessed tax" shall include the tax payable in respect of outward 32 supplies, the details of which have been furnished under section 37, but not included in the return furnished under section 39.

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j) Section 130 of the CGST Act, 2017– This section is being amended to delink the proceedings of section relating to confiscation of goods or conveyances and levy of penalty from the proceedings under section 129 relating to detention, seizure and release of goods and conveyances in transit.

Source: taxguru.in– Feb 03, 2021

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Govt releases weekly installment of Rs 6,000 cr to states to meet GST shortfall

The fourteenth installment of Rs 6,000-crore GST compensation payment was released to the states, the central government said on Wednesday. The states and union territories have so far received Rs 84,000 crore of Rs 1.1 lakh crore to be disbursed by the Centre this fiscal.

The central government borrows the funds under a special window and passes it on to states in back-to-back loan arrangement. The interest rate for the latest loan installment was 4.61 % while the average rate for the entire borrowing so far is at 4.74%, the government said.

While 23 states have been allotted Rs 76,616 crore so far, the remaining money (Rs 7,384 crore) has been released to the 3 union territories with legislative assembly (Delhi, Jammu & Kashmir & Puducherry) which are members of the GST Council.

“The remaining 5 States, Arunachal Pradesh, Manipur, Mizoram, Nagaland and Sikkim do not have a gap in revenue on account of GST implementation,” the government said.

Source: financialexpress.com– Feb 04, 2021

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‘Tax on foreign e-comm companies is justified’

If there is economic benefit in a certain jurisdiction, there has to be taxation, says Commerce Secretary

India has clearly conveyed to the US Trade Representative’s (USTR) office that it does not agree with the latter’s conclusion that the country’s 2 per cent equalisation levy on foreign e-commerce companies discriminates against American companies, Commerce Secretary Anup Wadhawan has said.

“If there is economic benefit in certain jurisdiction, there has to be some taxation in that jurisdiction. The whole argument of a permanent brick and mortar establishment does not work,” Wadhawan said, addressing media representatives on Wednesday. The OECD (Organisation for Economic Cooperation and Development) is also moving in that direction (as India), the Secretary said.

Wadhawan reasoned that as some countries have established presence in e-commerce, they were facing problems. However, when the situation becomes more balanced, these countries would want to impose taxation on foreign e-commerce companies operating in their jurisdiction.

“India’s DST (digital service tax, referred as equalisation levy in India) is discriminatory, unreasonable, and burdens or restricts US commerce, and thus, is actionable under Section 301 (of Trade Act, 1974),” the USTR said in its investigation report issued last month.

‘Protecting industries’

Commenting on the Budget, the Commerce Secretary said the proposed rationalisation of customs duty structure, with a thrust on both easy and competitive access to raw material and infant industry protection, aims to encourage exports, particularly of value-added products.

This includes reduction in duties on critical raw-material such as iron and steel, copper scrap, naptha, nylon fibre and yarn. To rationalise the duty structure of gold and silver, the rates have been reduced to 7.5 per cent from 12.5 per cent with agriculture infrastructure and development cess of 2.5 per cent.

Source: thehindubusinessline.com– Feb 03, 2021

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Increase in January exports indicates improvement for both Indian & Int'l economy: FIEO

Responding to January 2021 export figures, Federation of Indian Export Organisation (FIEO) president, Sharad Kumar Saraf said that growth in January exports indicates a sign of improvement for both Indian and International economy. "The monthly exports further moved northward towards positive territory with almost all major export category products showing impressive growth with signs of further revival," he said.

Positive growth of about 5.5 per cent with 27.24 billion dollars of exports show not only signs of better order booking position but further improvement in coming months and the new fiscal, reiterated FIEO president. "Effectiveness of the COVID-19 vaccines have also led to bring both life and economy back on growth trajectory with a V-shaped recovery projected not only in world trade but the Indian economy as well," he added.

He said that the Union Budget 2021-22 has also rightly put its focus on infrastructure to revive the economy, address the job loss and support the industries providing inputs for infrastructure at a time when it was most needed. 'A world class infrastructure will go a long way to make our manufacturing and exports competitive besides reducing the logistics cost," Saraf said.

FIEO president added that January exports also signals that our traditional and labour-intensive sectors of exports (except apparels and leather) have already passed the most challenging and testing times.

"The exports of other cereals along with oil meals, iron-ore, cereal preparations and miscellaneous processed items, jute mfg. including floor covering, tobacco, rice, fruits and vegetable, carpet, handicrafts excl. hand-made carpet, spices, ceramic products and glassware, engineering goods, drugs and pharmaceuticals, electronic goods, tea, cashew, plastic and linoleum, mica, coal and other ores, minerals including process, cotton yarn/fabrics/made-ups, handloom products etc., coffee and organic and inorganic chemicals showed either a very high or impressive growth or were in positive territory showing signs of further revival," Saraf said.

Source: knnindia.co.in – Feb 03, 2021

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India Set to Impose Duty on Cotton Imports

On February 1, Honorable Mrs. Nirmala Sitharaman, Union Finance Minister of India, introduced the Indian budget for the financial year 2021-22, which included a 10% duty on cotton imports as a move to support farmers.

The budget is built on six pillars – Health and Wellbeing, Physical & Financial Capital and Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and R&D, and Minimum Government and Maximum Governance. While the budget has received positive feedback from the textile sector, the spinning sector is feeling the pinch due to the duty on imported cotton.

The budget supports boosting the textile sector and enhancing its global competitiveness with investments for Mega Investment Textile Parks. Seven textile parks will be established within three years. To enhance the manmade fiber sector, import duties on raw materials like nylon fiber and yarns, nylon chips and caprolactam have been reduced from 7.5% to 5% – a duty structure similar to polyester and other manmade fibers. Duty on raw silk and silk yarns will be increased from 10% to 15%.

India's textile sector for fine count spinning has been importing cotton from countries like Egypt and imposing the duty may affect the competitiveness of the spinning sector. Countries like Vietnam and Bangladesh have been doing well in garments exports to the United States and Europe, and this duty may negatively impact the Indian spinning sector and the value chain.

"Overall, the budget has positive aspects but for the duty on cotton imports," stated Gandhiraj Krishnasamy, General Manager of Lakshmi Card Clothing in Coimbatore. "The Indian industry needs scale to compete against other countries."

Jayalakshmi Textiles, which has about 70,000 ring spindles and spinning fine count yarns, recently started importing Egyptian Giza cotton which was price competitive against Indian DCH-32. In fine count yarns, customers are demanding the use of imported cotton and hence, this industry has recently purchased about 500 tons of Giza cotton.

“The duty on cotton may add pressure to the Indian spinning sector,” stated Velmurugan Shanmugam, General Manager of Jayalakshmi Textiles, whose average yarn count is about 70s Ne.

The budget is on the right track to enhance the domestic sector in terms of value addition, agriculture and innovation. The customs structure on cotton puts emphasis on the Indian cotton sector to focus on research, quality enhancement, contamination reduction and building the overall infrastructure.

Source: cottongrower.com– Feb 02, 2021

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Trade Deficit Between India and China

The details of export/import and trade deficit between India and China during the last three financial years and current financial year are given below: -

Financial Year	Trade in Million US$		Trade Deficit
	EXPORT	IMPORT	
2017-18	13333.53	76380.70	63047.16
2018-19	16752.20	70319.64	53567.43
2019-20	16612.75	65260.75	48647.99
2020-21 (Apr-Nov)*	13639.18	38817.90	25178.72

*Provisionl

The Government of India has made sustained efforts to achieve a more balanced trade with China, including bilateral engagements to address the non tariff barriers on Indian exports to China. Through these efforts, various protocols have been signed to facilitate export of Indian rice, tobacco, fishmeal /fish oil and chilli meal from India to China. The Government has also taken various measures to extend support to exporters by facilitating Buyers Seller Meets between potential importers of China and the Indian exporters to increase exports. In addition, Indian exporters are encouraged to participate in major trade fairs to showcase Indian products.

The Government has taken theinitiative to sensitize the Export Promotion Councils /Trade Bodies to enhance export of Indian goods.

The Government has also implemented policies to promote domestic manufacturing through ease of doing business and creating an enabling physical environment for manufacturing, through provision of developed land and infrastructure.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Shri Hardeep Singh Puri, in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 03, 2021

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Increase in Exports

The value of India's overall exports (merchandise and services) during first eight months of the current financial year, April-November 2020, was US$ 304.53 billion as compared to US$ 351.83 billion during same period of the previous year, showing a negative growth of 13.45%.

During this period, India's overall exports were US$ 44.87 billion in September 2020 as compared to US$ 43.56 billion in September 2019, showing a positive growth of 3%.

Merchandise exports were US$ 27.1 billion in December 2020, showing a positive growth of 0.14 % as compared to the corresponding month of the previous year.

Policy making is an ongoing exercise and steps are taken based on the prevailing economic scenario. The following are some of the key steps taken by Government to increase exports:

- Foreign Trade Policy (2015-20) extended by one year i.e. upto 31-3-2021 due to the COVID-19 pandemic situation.
- Interest Equalization Scheme on pre and post shipment rupee export credit has also been extended by one year i.e. upto 31-3-2021.
- A new Scheme, Remission of Duties and Taxes on Exported Products (RoDTEP), has been launched with effect from 01.01.2021.
- Common Digital Platform for Certificate of Origin has been launched to facilitate trade and increase FTA utilization by exporters.
- A comprehensive "Agriculture Export Policy" to provide an impetus to agricultural exports related to agriculture, horticulture, animal husbandry, fisheries and food processing sectors is under implementation.
- Promoting and diversifying services exports by pursuing specific action plans for the 12 Champion Services Sectors.

- Promoting districts as export hubs by identifying products with export potential in each district, addressing bottlenecks for exporting these products and supporting local exporters/manufacturers to generate employment in the district.

- Active role of Indian missions abroad towards promoting India's trade, tourism, technology and investment goals has been enhanced.

- Package announced in light of the covid pandemic to support domestic industry through various banking and financial sector relief measures, especially for MSMEs, which constitute a major share in exports.

This information was given by the Minister of State in the Ministry of Commerce and Industry, Shri Hardeep Singh Puri, in a written reply in the Lok Sabha today.

Source: pib.gov.in– Feb 03, 2021

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India's home textile exports decline by 12.56% in 2020

Indian home textiles export decreased 12.56 per cent to $5,021.59 million in 2020 (January to October) compared to the export of $5,743.26 million in the same period in 2019. This was due to sudden export decline in home textiles during the outbreak of Covid-19 which affected the textiles value chain, specifically from March 2020 to May 2020.

The export was least in April at $83.21 million according to **Fibre2Fashion's market analysis tool TexPro**

US, Germany, UK, UAE and Australia achieved the top positions as an export destination for home textiles from India in 2019 as well as in 2020. Also, US and EU contributed for approximately 75.00 per cent of the total home textiles export from India.

Most of the states in the EU such as Germany, UK, France, Italy, Spain, Poland, Belgium and Sweden, and US were put under lockdown in the month of March and April 2020 along with shutting down of home textiles stores for 3 to 4 months.

The Karur Textiles Manufacturer Exporters Association also reported that approximately 70 manufacturing units remained closed in the period after lockdown with poor workforce.

Source: fibre2fashion.com– Feb 03, 2021

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Indian e-com sector to touch $90-100 bn by 2025: Flipkart

The pandemic has brought in a shift in consumer behaviour, offering a major fillip to the Indian e-commerce industry that is now poised to touch $90-100 billion in three to four years, according to Flipkart Group chief executive officer (CEO) Kalyan Krishnamurthy, who recently said while challenges brought in by the pandemic affected businesses, many new avenues also opened up.

"The opportunities that modern retail present are significant for businesses of all sizes, including the kirana ecosystem. Flipkart is also doing its best to help small businesses and artisans embrace the power of technology and be a part of the modern retail opportunity," he was quoted as saying by a news agency.

Krishnamurthy noted that e-commerce has been gaining traction over the years and in 2019, more than 10 per cent of Indians had already shopped something online.

This trend was further accelerated after the lockdown forced people to stay indoors.

"Close to 100 per cent of pin codes in India have seen e-commerce adoption. This includes categories like fashion, appliances, furniture...More than 60 per cent of transactions and orders in India come from tier two cities and smaller towns. We still believe that we are scratching the surface when it comes to e-commerce adoption in India," he said.

He pointed out that only 3.5 per cent of Indian commerce is online as compared to more than 25 per cent e-commerce adoption in China, and other developed economies that have 10-25 per cent adoption rates.

"COVID-induced spike (in e-commerce) has actually changed several categories, there is a new normal. And the meaning of essential categories has also completely changed. We believe the Indian e-commerce economy has seen a permanent shift for the positive," Krishnamurthy said.

He said over the next few years, the Indian e-commerce economy will be bigger than modern retail today.

"The pre-COVID growth rates of e-commerce were roughly 26-27 per cent but if you look at the post-COVID estimates, it has gone closer to 30 per cent...In the next three to four years, what we were estimating the e-commerce market size was roughly in the range of about USD 50-60 billion, today, the same numbers are actually close to USD 90-100 billion," he added.

Source: fibre2fashion.com– Feb 03, 2021

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Demand grows for setting up of MITRA

With finance minister Nirmala Sitharaman making the announcement for establishing seven mega investment textile parks (MITRAs) in the country over the period of three years in the Union Budget-2021, the Southern Gujarat Chamber of Commerce and Industry (SGCCI) and textile associations have started lobbying with the central government for setting up MITRA in Surat.

SGCCI on Tuesday wrote a letter to the FM demanding the establishment of MITRA in Surat to boost the man-made fabric (MMF) sector and to make the textile entrepreneurs globally competitive.

Official sources said that the SGCCI had submitted expression of interest (EoI) to the Ministry of Textile for establishing mega textile park on the 1,000 acres of land in Surat on December-20.

The mega textile park will help in building a stronger manufacturing base and de-risking of business models and attracting more investment in the textile sector.

Source: timesofindia.com– Feb 04, 2021

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