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INTERNATIONAL NEWS

Global Textile Makers Feel 'Very Good' About the Future: ITMF Survey

In the first half of November, the International Textile Manufacturers Federation (ITMF) conducted its 11th "Corona-Survey" among more than 330 companies around the world in all segments along the textile supply chain.

For the fourth time since May, companies were asked the same set of questions about their business situation, business expectation, order intake, order backlog and capacity utilization rate. On average across all regions and all segments, respondents said the business situation has improved significantly since the 10th survey in September.

The balance between companies who describe their business situation as good or poor jumped from plus 10 percent to plus 28 percent. When it came to business expectations in six months' time, the balance was plus 33 percent.

"This means that significantly more companies are expecting business to be more favorable than less favorable by May 2022," ITMF said. "Nevertheless, expectations were slightly higher in the previous surveys."

A look at the different regions reveals that the business situation improved on average in most areas except for East Asia. All regions expressed optimistic business expectations.

As for the different segments, the gap between the upstream sectors–fiber producers, spinners and textile machinery producers–on the one hand and the downstream segments–weavers/knitters, finishers/printers and garment producers–on the other hand is narrowing, ITMF noted.

As far as order intake is concerned, the "very positive situation," up 40 percent, was the source for the "very good" business situation. Order intake expectations increased again from an already high level to plus 41 percent.

Order backlog has remained almost unchanged since May and is around 2.5 months, the survey revealed. ITMF noted that by nature, the textile machinery segment has on average a much longer backlog–six months versus 1.5 months for spinners.

The capacity utilization rate has increased slowly but continuously since May, indicating that the supply chain disruption is still a big, but hopefully diminishing, concern, ITMF added.

Source: sourcingjournal.com– Dec 07, 2021

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US trade deficit narrows in October as exports rebound

The U.S. trade deficit narrowed to USD67.1 billion in October, the lowest in six months, after hitting a record high in September. A big rebound in exports helped to offset a much smaller rise in imports.

The October deficit was 17.6per cent below the all-time peak in September of USD81.4 billion, the Commerce Department reported Tuesday. It was the smallest monthly deficit since a USD66.2 billion imbalance in April.

The strong rebound in exports is seen by economists as evidence of global supply chains beginning to untangle, and they believe smaller deficits this quarter could give a solid boost to overall U.S. economic growth.

There were gains in numerous export categories, suggesting that a recovering global economy is beginning to boost demand for U.S. products. Americans' demand for imports had been racing ahead of export sales as the U.S. economy recovered more quickly than other countries from the pandemic.

In October, exports rose 8.1per cent to USD223.6 billion while imports were up a much smaller 0.9per cent to USD290.7 billion. The deficit is the gap between what the United States exports to the rest of the world and the imports it purchases from foreign nations.

The politically sensitive trade deficit with China, the largest with any country, fell by 14per cent in October to USD31.4 billion. For the first 10 months of this year, the deficit in goods trade with China is running 13.7per cent higher than a year ago.

America's overall deficit trade deficit totaled USD705.2 billion so far this year, 29.7per cent above the same period a year ago. Trade flows were sharply curtailed last year as the COVID pandemic restricted economic activity.

Part of the October increase in exports reflected a surge in oil exports, reflecting a return to more normal operations at Gulf Coast refineries which had been shut down by Hurricane Ida.

Big gains in U.S. auto exports and imports suggest that the global computer chip shortage which had crimped auto production was beginning to ease, a trend that has been noted by leaders in the auto industry.

Andrew Hunter, senior U.S. economist at Capital Economics, predicted that an improving trade picture would add around 1 percentage point to U.S. economic growth in the current October-December quarter. He expects the gross domestic product to expand at an annual rate of 6.5per cent this quarter, a significant improvement from the modest 2.1per cent growth rate in the third quarter.

While the trade report offered evidence that supply chain problems were easing, Hunter noted that while the number of waiting ships anchored off U.S. ports has declined in recent weeks they remain at “historically high levels.” He also cautioned that the emergence of the new omicron variant and the travel restrictions that have been re-instated could dampen services trade in coming months.

Tuesday’s report showed that the deficit in goods totaled USD83.9 billion in October while America’s surplus in services trade, which includes airline and other travel payments, totaled USD16.8 billion.

Source: financialexpress.com– Dec 07, 2021

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Euro area economy is recovering rapidly since Q2: IMF

Thanks to high vaccination levels and continued forceful policy support, the euro area economy is recovering rapidly, the International Monetary Fund (IMF) said in its Staff Concluding Statement of the 2021 Mission on Common Policies for the euro area. After falling by about 6.5 per cent in 2020, euro area output has rebounded strongly since second quarter of 2021.

The euro area includes 19 countries, viz. Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

“The forceful policies implemented in the euro area over the last year have supported household disposable incomes, maintained worker-job relationships, provided credit to the economy, and protected corporate sector balance sheets. Together with high vaccination levels, these policies have underpinned a strong economic rebound through higher private consumption and investment,” the IMF statement said.

However, the fourth quarter looks weaker given growing supply pressures, elevated energy prices, and, more recently, the reintroduction of mobility restrictions in several countries due to a new wave of infections. Taken together, these factors suggest the possibility of modest revisions in the January World Economic Outlook (WEO) Update to IMF’s current forecasts of 5.0 per cent growth for 2021 and 4.3 per cent for 2022.

Beyond the headline numbers, the recovery “is likely to be uneven across countries and sectors, potentially increasing inequality and disparities both across and within countries. Labour market slack is expected to continue declining, with hours worked increasing in line with activity and participation and employment rates slowly converging to pre-pandemic trends,” the statement added.

“Looking ahead, coordinating fiscal, monetary, and financial sector policy normalisation in the face of uncertain pandemic dynamics and legacies will be a challenge. Policies should remain accommodative but become increasingly targeted, with a focus on mitigating potential rises in inequality and poverty.

Fiscal policy space should be rebuilt once the expansion is firmly underway, but credible medium-term consolidation plans should be announced now. Recent inflation readings have surprised on the upside, but much of the increase still appears transitory, with large second-round effects unlikely.

Hence, monetary policy should continue to support the recovery. Structural reforms and high-impact investment, including in climate-friendly infrastructure and digitalisation, remain crucial to enhancing resilience and boosting potential growth," the statement suggested.

Source: fibre2fashion.com– Dec 08, 2021

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VITAS foresees Vietnam's apparel exports growth in 2021 & 2022

The Vietnam Textile & Apparel Association (VITAS) has forecast the country's apparel exports to grow to $39 billion this year, and in between $38-$43.5 billion next year depending on how soon the pandemic is curbed. VITAS said it will also continue to act as a bridge between apparel firms and the Government and State management agencies during the period.

Addressing a press conference in Hanoi, VITAS vice chairman and secretary general Truong Van Cam said VITAS has built three scenarios for apparel export growth next year.

In the first scenario, if the pandemic is basically under control in the first quarter next year, export earnings will hit $42.5-43.5 billion. In the second scenario, if the pandemic is curbed in mid-2022, revenue of $40-41 billion is expected, and in the third scenario, if the pandemic lasts till late 2022, exports will fetch $38-39 billion.

Cam also announced that an online-offline conference will be held on December 17 in Hanoi, Ho Chi Minh City and Da Nang to review the textile and apparel sector's activities this year and outline tasks for the 2020-2025 period, with a vision to 2030.

He said that VITAS will actively work at international organisations and continue connecting local and foreign enterprises for further expansion in export markets. VITAS will also open training courses on design and trademark building.

Source: fibre2fashion.com– Dec 08, 2021

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China's central bank cuts reserve requirement ratio to support economy

To support development of the economy, the People's Bank of China (PBOC), the country's central bank, has decided to cut the reserve requirement ratio (RRR) for financial institutions by 0.5 percentage points, effective December 15. However, the new rate would not be applicable for those financial institutions that already implement a 5-per cent RRR.

Post-reduction, the weighted average RRR for financial institutions in China will stand at 8.4 per cent, PBOC said in a statement.

The latest RRR cut is expected to result in a release of 1.2 trillion yuan (about $188.4 billion) in long-term funds. A part of the released funds will be used to repay the maturing medium-term lending facilities, while the rest will be used to replenish long-term funds to better meet the needs of market entities, the statement added.

The reduction will also lower the fund costs for financial institutions by around 15 billion yuan per year, according to the PBOC calculation.

PBOC said it can guide financial institutions to actively use the funds released to strengthen support for the economy, especially smaller enterprises, and lower the comprehensive financing cost.

Source: fibre2fashion.com– Dec 08, 2021

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Cambodia's Opportunities From Chinese Trade Platforms

Cambodia, one of the trusted allies of China, is confronting challenges of economic vulnerability as a result of the Covid-19 pandemic, climate change and limited export destinations. Simultaneously, a rising trend of trade protectionism with new hidden barriers and de-globalization in the global market are impeding the economic and investment sectors of Cambodia. In this context, China's open door and cooperation policy offers a glimmer of hope for the neighboring countries' prosperity and development, resuming economic growth at a faster rate.

In order to fulfill President Xi Jinping's pledge, China has taken a number of concrete steps in recent years, including one that lets foreign enterprises greater access to the domestic market and a foreign investment law that ensures a business-friendly environment.

At the same time, China has taken new steps to strengthen bilateral and regional cooperation by joining trade blocs such as the RCEP, and the CPTPP, hosting a series of mega trade exhibitions and improving connectivity through the Belt and Road Initiative (BRI).

Of them, China Import and Export Exhibition (Canton Fair), China International Import Expo (CIIE), China International Fair for Trade in Services (CIFTIS), China-ASEAN expo, China-South Asia expo, Euro-Asia Economic Forum and Trade Cooperation Expo, Inter-textile Shanghai Apparel Fabrics, and China Yangling Agricultural High-tech Fair are all key exhibitions that will undoubtedly be of great significance to developing economies like Cambodia, Bangladesh, Nepal, Bhutan and Pakistan. It is expected that participation in these forums would open vistas of business opportunities and further enhance bilateral relations and co-operation.

Beijing has been Cambodia's one of the major trade partner. According to data, Between January to May 2021, Cambodian exports to China were valued at US$558 million, an increase of 56 percent from the same period in 2020.

Despite the fact that of the US$8 billion in bilateral trade in 2020, only US$1 billion was sent from Cambodia. On the other hand, from January to July 2021, the overall import and export volume of China and Bangladesh was US$13 billion, a rise of 58.9% year on year.

However, despite the fact that bilateral trade favors China heavily, Cambodia and Bangladesh, Pakistan, Nepal and other South and East Asian countries have enormous potential that has yet to be realized. In the next ten years, China is expected to import a total of $22 trillion worth of goods. Hence, China's Expo platform will provide a great opportunity for Cambodia and Bangladesh to explore the vast Chinese market and expand exports to bridge the bilateral trade gap and increase revenue.

Bangladesh's major export items, readymade-garments and others including leather goods, jute and jute goods, agricultural products, frozen and live fish, pharmaceutical products, plastic, sports goods, handicrafts, and tea have strong competitive edge in the international market. But its limited exports destination (Mainly USA and EU) might put Bangladesh in a more challenging position due to US's suspension of GSP and India's imposition of anti-dumping duty Also to note, there is no guarantee to get into the EU's GSP+ scheme on expiry of the "Everything but Arms (EBA)" initiative after graduation from the LDC group in 2026.

Similarly, Cambodia's exports are dominated by textile goods, which account for around 70 percent of total exports. Other export products include vehicles, footwear, natural rubber and fish. Cambodia's main export partners are the United States, Hong Kong, Singapore, Canada, Germany and the UK. The European Union's (EU) withdrawn the EBA status in 2020 which provided duty-free access to EU markets. Amid such looming economic uncertainty, the good news is that China has provided duty-free access to 97% and 98% of Bangladeshi and Cambodian products respectively. That's why, the expos are important ways to learn about Chinese consumer preferences and to tap into vast China market. Participating these expos both nations can display and popularize its flagship products and diversify its export destination globally as a large number of buyers, entrepreneurs and companies from Europe, America, Australia, Southeast Asia, Middle East, and Africa attend there.

According to officials at the Cambodian Ministry of Commerce, Cambodia and China are committed to increase bilateral commerce to $10 billion by 2023, up from $8 billion last year.

Click here for more details

Source: eurasiareview.com– Dec 07, 2021

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Sri Lanka: Apparel targets $ 8 b exports by 2025 from 2019's $ 5.5 b

The country's apparel sector plans to reach an export target of $ 8 billion by 2025, from the $ 5.5 billion it earned in 2019, through increased investment in the development of local supply chains, industry experts announced yesterday (7).

Speaking at the Sri Lanka Economic Summit 2021 organised by the Ceylon Chamber of Commerce (CCC), the experts noted that this increased investment is a vital step for the Sri Lankan textile industry in achieving its export targets.

Hirdaramani Group Director Aroon Hirdaramani stated that only around 50% of Sri Lankan garment exports qualified for the Generalised Scheme of Preferences-Plus (GSP+) tax concessions due to the rules of origin criteria which is concerned with whether the clothing is sufficiently originating from the country applying for concessions.

Explaining further, he claimed: "The fastest growing segment is active and lounge apparel that requires a lot of materials that are traditionally manufactured in the far east, especially China and Taiwan. Because of that, the initiative by the Government and our industry to encourage more investment in the local fabric supply chain is crucial to our strategy.

There has been a proposal to set up a textile zone in Eravur, which will be an environmentally friendly textile zone, with recycling of water and use of sustainable energy. We are working very hard to attract some key fabric players to invest in the zone and to also invest in other fabric mills."

Such investments in local fabric supply chains will improve lead times and improve industry value addition, which is currently around 55%. This strategy will not only improve value addition but reduce foreign exchange (forex) outflows and will help the textile industry qualify for more GSP+ concessions.

In order to achieve an integrated supply chain which will be vital for the textile industry going forward, Hirdaramani called for the implementation of a conducive environment for foreign direct investment (FDI) in order to capitalise on the currently fractured relationship between China and the US, which has incentivised customers to move out of China. In order for Sri

Lanka to gain a substantial market share as such, obtaining FDI inflows from leading raw materials players from different parts of the world will be pivotal.

“There has to be consistency in policy and continued incentives given to these suppliers and many of us would like to partner them,” stated Hirdaramani.

Sri Lanka’s Ambassador to the European Union (EU) Grace Asirwatham claimed that over 22% of Sri Lanka’s exports are sent to the EU, which is Sri Lanka’s second-largest export partner. Trade between Sri Lanka and the EU stood at £ 4.6 billion in 2019 with exports accounting for £ 3 billion of which £ 2.5 billion qualified for GSP+ concessions. However, in reality Sri Lanka utilised the GSP+ tariff concessions only for goods amounting to £ 1.6 billion which amounts to a 62.5% utilisation of the GSP+ concession.

“There are various reasons for this low utilisation such as that some of our products do not qualify under the rules of origin criteria. Around 57% of Sri Lanka’s GSP+ eligible exports are garments. However, half of the garment exports are not benefiting from the GSP+ zero tariff concession due to the rules of origin criteria and also the double transformation criteria.

These are reasons why garments are not enjoying maximum benefits out of GSP+ zero tariffs. We need to encourage more investments in fabric manufacturing and also the required accessories for exports from Sri Lanka to the EU in order to avoid rule of origin-related problems”, stated Asirwatham.

Source: nation.lk– Dec 07, 2021

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Greece textile industry shows signs of recovery

The Greek clothing and textile industry is recovering after a difficult 2020, Greek Fashion. Accumulated net profits of the 100 largest enterprises in the sector fell by 70 per cent in 2020, with exporting companies recording the best results. Men's clothing recorded the biggest decline in turnover last year, while underwear had the smallest decline and the sales of sports and casual clothing also declined. Turnover of 102 clothing companies fell by 20.8 per cent with gross earnings down 25.7 per cent compared with 2019 and profit margins at 36 per cent. Accumulated net profits were down 70 per cent from 2019.

Turnover of enterprises with activities in the domestic market fell 24.7 per cent, gross earnings fell 29 per cent. Exporting enterprises' turnover fell 7.1 per cent in 2020, gross earnings fell 2.8 per cent and net profits soared 100 per cent.

From January 2021 to September 2021, retail sales in the domestic market grew 24.7 per cent and exports rose 19.2 per cent, evidence that the industry was staging a strong recovery. Greece is a renowned supplier of various types of textile products to international markets. The textile sector of Greece employs more than two million people in around one hundred thousand businesses. It is a significant part of the country's economy.

Source: fashionatingworld.com– Dec 07, 2021

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From the Factory Floor: 4A Yarn Dyeing in Bangladesh

A few minutes before 8:30 a.m, just after the morning rush of workers making their way to their workstations, a calm descends at the 4A Yarn Dyeing factory in Savar, the Dhaka suburb where many Bangladeshi apparel and textile factories are located.

Some verses of the Koran are recited, then the national anthem plays as management and workers alike stand, hands on hearts.

“It gives a sense of national pride and togetherness and some time at the workstation before the workday really begins,” Abdullah Hil Rakib, owner and managing director of the factory, told Sourcing Journal.

As he arrived, Rakib took a moment to greet the workers and joined the national anthem himself, before a town hall where workers from different areas come to share their thoughts and grievances.

The focus at the plant has turned to 2022, with workwear, rainwear and technical garments the key products.

As the year rounds the corner, the global calendar is omnipresent: the Chinese New Year and holidays in February means all supplies from China need to be in house; production for the majority of the European brands and retailers is already on plan for the next season.

“For Covid-19 we were initially frozen, factories shut down, customers canceled, everybody was panicked. Within this year, everyone realized they had to live with this. In 2022, they are trying to refill their capacities so pressure is more and the cost of production is up,” he said.

This location covers 450,000 square feet, with a new seven-story factory opened last December. The main factory itself debuted in 2009, and although its name still keeps the yarn dyeing title, the facility now produces more than six million garment pieces a year for brands like CK, Tommy Hilfiger, Zara, New Yorker, Costco Wholesale, Didriksons 1913, Intersport, H&M, Matalan, Craghoppers and Mango.

During a year disrupted by Covid, the company has also focused on leveraging technology to enhance its global reach.

“Technology that is also focused on increasing productivity to help monitor industrial systems…will be completed through the factory by early next year,” said Rakib, who is clearly pleased with the changes. “It is not only a way of gauging productivity, but also a way of rewarding those who are doing better, usually a supervisor or a manager was required to check, and it could have a human bias for or against a worker. Now the machine itself helps them understand their targets and how to achieve them better.”

“From a human resource perspective, it helps to see what a person can do, and who is not doing their job; from the industrial engineers perspective it helps to know where the system is unbalanced, where the machine layout can be improved,” he added.

Yet, in a country where jobs are sorely in need, is more automation the best path forward for Bangladesh?

“The way I see it if you can use the technology, you grow your capacity, not reduce the number of people working there. We are targeting garment exports of $50 billion by 2025—to achieve this we have to grow our capacity. If we can produce two million pieces at this time, then the same factory, with the same machines can produce three million if we manage our productivity better,” he said.

Lucky Akhtar, who works on the factory floor as a senior sewing operator, said she isn’t mad at or frustrated with these changing systems and machines. “I don’t have the urge to fight with them,” she said. “But there are times when the Wifi is down and then the machine doesn’t count the work that I have done.”

Overall, though, she said the change in technology that she has begin using at home—she has a Samsung smartphone, uses Facebook and checks her salary deposits online—has already carried her further than the 400 miles she traveled from the provinces to Dhaka for this job and she is ready to integrate it into her work life.

Line managers at the factory are also taking in these changes with interest. Productivity has been an enduring problem in many countries, and a concern in Bangladesh as well.

According to the Asian Productivity Organisation data for 2019, the hourly productivity of Bangladesh was valued at $3.40, compared to $11.10 in China, $15.90 in Sri Lanka and $12.30 in Indonesia.

While Rakib said that those calculations were based on incorrect information, it is hard to argue that several other countries achieve higher productivity.

Working toward that end, the Bangladesh government has set a target of increasing productivity per work hour by 5.6 percent on average per year between 2021 and 2030.

While productivity and technology are factors, Rakib said that he is mindful of the many other things that constitute the factory floor. “It is important to keep worker happiness in mind,” he said, joining them for lunch at the factory with dal (lentils), fish, vegetables and the staple of rice.

Rakib is also director of BGMEA’s new R&D and Innovation Centre opening in February. The center plans to enhance industry best practices through training, workshops and knowledge of industrial relations, business ethics and practices, and related topics.

“It was an awakening over the last few years for many factories, and many of us have moved to more innovative processes for safety as well as for production. Digitization is important, but the most important thing for innovation is to keep an agile attitude,” he said.

Keeping this attitude alive takes the innovation concept to different human levels: time management, and sometimes as he noted, work-life balance.

“Time management may well require the greatest innovations,” he said, noting the travel required to manage the more than $200 million in turnover for the group’s manufacturing segment. “This includes complaints from my daughter about not spending enough time at home.”

Source: sourcingjournal.com– Dec 07, 2021

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Pakistan: Country likely to produce 9.1m bales of cotton

The Chairman welcomed the participants in the meeting and appreciated the stakeholders' interest and participation in the process of cotton crop assessment.

Dr Khalid Abdullah, Cotton Commissioner, presented the overview of cotton production scenario in the country. Dr Abdul Qayum, DG Crop Reporting Services Govt of Punjab assessed the production 5.168 million bales from its earlier assessment of 5.44 million bales.

However, Sindh retained its earlier assessment of 3.5 million bales. Grower members and representatives of PCGA were of the view that the production of Punjab province would be lower than what provincial government has assessed.

Representatives of Provincial Governments of Punjab and Sindh, Plant Protection Department (PPD), Trading Cooperation of Pakistan (TCP), Federal Seed Certification & Registration Department (FSC&RD), Pakistan Central Cotton Committee (PCCC), All Pakistan Textile Mills Association (APTMA), Pakistan Cotton Ginners Association (PCGA) and Pakistan Kissan Ittehad attended the meeting.

Source: brecorder.com – Dec 08, 2021

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NATIONAL NEWS

Payment of GST compensation to States in times of COVID-19 pandemic

As per the provisions of the GST (Compensation to States) Act, 2017, GST compensation for financial years 2017-18, 2018-19 and 2019-20 has already been paid to the States. This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in Rajya Sabha today.

The Minister further stated that the economic impact of the pandemic has led to higher compensation requirement due to lower GST collection and at the same time lower collection of GST compensation cess. Recently, Centre released ₹ 17,000 crore on 03.11.2021 towards GST compensation to States from the Compensation Fund.

Details of GST compensation released to States/ UTs is as per details in **ANNEXURE**. This is in addition to GST compensation of ₹ 1,13,464 crore released to States/ UTs with legislature to partly meet the compensation payable for the period April’20 to March’21 as the amount in GST Compensation Fund was not adequate to meet the full compensation requirement, the Minister stated.

Giving more details, the Minister stated that the issue of shortfall of cess collection into Compensation Fund and GST compensation to States/UTs due to economic impact of the pandemic has been deliberated in 41st, 42nd & 43rd GST council meetings. As per the decision of GST Council, ₹1.1 lakh crore for FY 2020-21 & ₹1.59 lakh crore for FY 2021-22 has been released to States/ UTs as back-to-back loan to meet the resource of the States/UTs due to shortfall in GST compensation. Release of this amount has been front loaded during the financial year to enable States/UTs to undertake capital expenditure. In addition, depending on the amount available in the Compensation Fund, Centre has also been releasing the regular GST compensation to States to make up for GST revenue shortfall.

The Minister stated that taking into account, the GST compensation released from Compensation Fund as well as back-to-back loan released in FY 2020-21 and FY 2021-22, GST compensation of ₹ 37,134 crore for period April’20 to March’21 and ₹ 14,664 crore for April-September’21 is pending to States/ UTs as per provisional figures.

Centre is committed to release full GST Compensation to the States/UTs as per GST (Compensation to States) Act, 2017 for the transition period by extending the levy of Compensation cess beyond 5 years to meet the GST revenue shortfall as well as servicing the loan borrowed through special window scheme, the Minister stated.

On the question of proposal to extend GST compensation beyond 2022, the Minister stated that as per Section 18 of the Constitution (One Hundred and First Amendment) Act, 2016, Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for a period of five years from the date of implementation of GST.

During transition period, the States' revenue is protected at 14% per annum over the base year revenue of 2015-16. Central Government is committed for GST compensation to States/UTs for 5 years as per the Constitutional provision.

Source: pib.gov.in- Dec 07, 2021

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Grey areas in GST law

Normally, a tax law that is into its fifth year should have stabilised. The issues that usually accompany the law should have been ironed out and changes in the law should be only incremental. GST laws are an exception to the above.

In its fifth year, taxpayers are still figuring out some of the provisions of GST laws while the tax department has decided to focus on collecting revenues without completely understanding the nitty-gritty of the laws.

With the GST tribunals not yet completely functional, taxpayers are forced to approach either the High Courts or the Authority for Advance Rulings (AAR) for justice. A majority of the AAR decisions appear to be pro-Revenue while the High Courts can judge only on questions of law.

GST on notice pay

Towards the last stages of the service tax era, an issue that cropped up was whether service tax needs to be collected on notice pay that an employee has forfeited. Initial, it was ruled that this was chargeable to service tax under the logic that this was a service provided by the employer to the employee. Later, it was held to be non-taxable by different appellate authorities.

In QX KPO Services Pvt Ltd, Gujarat State Fertilizers & Chemicals Ltd vs Assistant Commissioner, Central Excise & Customs,Anand Commissionerate, HCL Learning Systems vs CCE, Noida, and Nandinho Rebello vs Deputy Commissioner of Income-Tax, it was held that service tax is not payable on notice pay.

Tax officers under GST have chosen to ignore the logic of the decisions given under service tax on similar transactions though there isn't too much of a difference between the two laws.

This would mean that taxpayers will have to go through the entire chain of litigation once again and wait for a few years for the issue to be decided either by a High Court or the Supreme Court. One cannot fault the taxpayers for thinking that the more things change, the more they remain the same.

Another strange ruling was given by the AAR, Maharashtra, in Jayshankar Gramin vs Adivasi Vikas Sanstha, a registered charitable trust. The trust undertakes supply of services to orphans and homeless children by way of shelter, education, guidance, clothing, food and healthcare.

The trust also renders service to destitute women who are litigating divorce or homeless or the victim of domestic violence. The trust represents them before legal forums, including lodging FIR at police stations against the culprits. The trust also arrange for counselling them through expert counsellors to bring them out of the trauma and help them lead a normal life.

The AAR looked at the exemption entry for charitable trusts in Serial No 1 of Notification No 12/2017 (Central Tax-Rate) to see if the activities being done by Jayshankar Gramin were included and concluded that: “From the information provided by the applicant, it cannot be concluded as to whether the services provided to orphan and homeless children are specifically for advancement of educational programmes or skill development of orphan or homeless, as stated in point (iii) of charitable activities.” Hence, it was subject to GST.

The decision is bound to be appealed because the trust has suffered due to a situation that is not uncommon in tax laws — an inadequately drafted tax provision is interpreted even more inadequately by the tax officers. It is ironical that care or counselling of persons addicted to a dependence-forming substance such as narcotics drugs or alcohol is exempt from GST due to a specific insertion in Notification 12/2017 but the care or counselling done to destitute women is not.

There are many such contrarian tax positions in GST laws. Such situations would not prevail if the tax authorities interpreted a transaction on substance rather than searching for that transaction in GST Notifications. Like many other things in GST, one can only hope that it happens.

Source: thehindubusinessline.com- Dec 07, 2021

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Helping MSMEs regenerate

More than one-third of the total clusters approved by the Ministry of Micro, Small and Medium Enterprises under Scheme of Fund for Regeneration of Traditional Industries (SFURTI) have become functional.

SFUTRI is meant to organise traditional industries and artisans into collectives for providing sustainable employment. Under SFURTI, traditional industries have broadly been categorised as Khadi Industries, Village Industries and Coir Industries, according to information provided by Union Minister for MSME, Narayan Rane.

Financial aid of ₹321 crore

In the last two financial years, 264 SFURTI clusters have been approved by the Ministry and as on date 152 clusters have become functional. These functional clusters, located across 21 States in the country, have received a cumulative financial assistance of ₹321 crore and support more than 90,000 artisans.

Under Khadi Industries, any cloth woven on handlooms in India from cotton, silk or woollen yarn handspun in India or from a mixture of any two or all of such yarns is supported. It comprises manufacturing units for hand-spun and hand-woven cotton, woollen, muslin and silk varieties.

Village Industries includes any industry located in rural area which produces any goods or renders any service with or without the use of power and in which the per-capita fixed capital investment does not exceed ₹1 lakh (except for hilly areas wherein the limit is ₹1.5 lakh).

Khadi & Village Industries represent a heritage product that is 'ethnic' as well as ethical. It has a potentially strong clientele among the middle and upper echelons of society.

Coir sector

Coir Industry is an agro-based traditional industry, which originated in Kerala and has now established itself in other coconut producing States like Tamil Nadu, Karnataka, Andhra Pradesh, Orissa, West Bengal, Maharashtra, Assam and Tripura. This industry employs more than 7 lakh persons of whom a majority is from rural areas, belonging to the economically weaker sections of society. Nearly 80 per cent of coir workers in the fibre extraction and spinning sectors are women.

Being eco-friendly with natural origin, the coir industry is an export-oriented industry and has greater potential to enhance exports by value addition through technological interventions and diversified products like coir geotextiles.

Source: thehindubusinessline.com- Dec 07, 2021

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‘No operator has refused to handle cargo from any Nation’

Shipping Minister clarifies in RS, such restrictions can only be imposed by competent authorities

The Ministry for Ports, Shipping and Waterways has clarified that no operator at any major port has denied handling of EXIM (export-import) cargo from any nation.

“Port operators are supposed to provide their services on non-discriminatory basis. However, port restrictions provision can be exercised by the competent authorities of Government of India, Ministry of Commerce, Directorate General of Foreign Trade,” said the Minister for Ports, Shipping and Waterways Sarbananda Sonowal in a written reply in Rajya Sabha on Tuesday.

Adani Ports’ notification

At the same time, the Minister also acknowledged that Adani Port and SEZ (APSEZ) has issued advisory through circular dated October 11, according to which from November 15, APSEZ is not handling EXIM containerised cargo originating from Iran, Pakistan and Afghanistan. The trade advisory is applicable to all the terminals, including third party terminals at any APSEZ port, he added.

Following a large drug haul at the Mundra port in Gujarat in October, APSEZ had issued the trade advisory. Iran had objected to the “unprofessional” move and complained to the Centre about it.

The Customs Department had then written to APSEZ questioning its ban and pointing out that such restrictions can only be authorised by the DGFT. Provisions for examination of the goods are already there in the Customs Act, 1962, the Minister said.

Source: thehindubusinessline.com- Dec 07, 2021

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MoU to enhance India's capacity in formulating its foreign trade policy

On 26 November 2021, the Permanent Mission of India to the WTO in Geneva (PMI), the Centre for Trade and Investment Law, New Delhi (CTIL), Indian Institute of Foreign Trade, and the Centre for Trade and Economic Integration of The Graduate Institute, Geneva (CTEI) signed a tripartite Memorandum of Understanding (MoU) in Geneva to begin collaboration towards research and capacity-building in the field of international trade law and policy.

The MOU was signed by India's Ambassador and Permanent Representative H.E. BrajendraNavnit, Prof. James J. Nedumpara, Head, Centre for Trade and Investment Law, and Prof.JoostPauwelyn, Professor of International Law at The Graduate Institute.

The MOU seeks to provide valuable academic and research opportunities to the professional staff of CTIL and the officials of the Government of India in the field of international trade and investment law.

The tripartite MoU establishes collaboration channels between CTIL and CTEI while the PMI will play a key facilitative role for activities under the MoU.

For the next three years, various capacity-building programmes and activities will be carried out under the MoU to enhance the understanding of the government officials and CTIL's research staff and academics on contemporary issues of international trade and build support for India's positions on international trade and investment law.

CTIL and CTEI will undertake joint research projects, conferences and workshops in the field of international trade and investment law.

The MOU aims to enhance India's capacity in formulating its foreign trade policy and contribute towards ensuring stability in the global trade regime through, first, exchange of faculties and staff for study, research or teaching purposes, second, through an internship programme for CTEI students at CTIL, and third, submission of India focused projects to CTIL/CTEI TradeLab, a clinical legal education project on trade and investment law.

Overall, this MOU is an important initiative in providing valuable global academic and research opportunities in the field of trade and investment law to Indian government officials, CTIL professional staff and Indian students focused in this discipline.

Source: pib.gov.in - Dec 07, 2021

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Why India and Russia are moving closer

There was a symbolic touch to President Vladimir Putin's visit to India. Exactly 50 years ago, Indian troops were advancing on Dhaka and India had just recognised Bangladesh. Would India's battlefield moves have been possible without the Indo-Soviet treaty and full-throated Soviet support? Possibly, but India might have had a tougher time and faced censure without the Soviet Union to defend it in the Security Council.

Obviously, times have changed. India is no longer as impoverished as it was in 1971 and is demanding recognition as a muscular regional power. Russia, meanwhile, is diminished from the global superpower that the sprawling Soviet Union once was. Both sides are getting used to the new realities but, as one analyst says: "Comparisons shouldn't be made with Indo-Soviet relations but we are still in a good place."

Now, Prime Minister Narendra Modi has engaged in a delicate balancing act. He's moved closer to the US and wants its presence in Asia's seas to keep a check on the Chinese dragon. But on our land borders, the US has only been able to help in a limited way. Certainly, it hasn't made any major moves to distract the Chinese from the eyeball-to-eyeball confrontation in the snowy Ladakh wastelands. In New Delhi, there's certainly a feeling membership in the Quad alliance hasn't delivered all the hoped-for benefits.

Putin is playing an even tougher high-wire act. Even as he made only his second trip outside Russia since the pandemic began 21 months ago, underscoring the emphasis Moscow puts on its India relationship, the action is hotting up in Ukraine. The Russian Army has Ukraine surrounded on three sides and Putin has recruited Ukrainian opposition leaders into his United Russia party. Putin went straight from Delhi to a video meeting with US President Joe Biden, who's lining up sanctions and threatening military action if Russia enters Ukraine.

That puts an even bigger question mark over Russia's India arms sales. The Americans say anyone buying Russian arms will face sanctions under CAATSA (Countering America's Adversaries Through Sanctions Act). Delhi is hoping Washington will turn a blind eye due to India's urgent need for modern weaponry in its border face-off with China and is taking delivery on a $5.4-billion 2018 deal to acquire Russian S-400 missiles.

India is also pushing ahead with a $600-million joint-venture agreement to make AK-203 rifles for the Indian Army. With these deals, Russia is firmly in top position as India's main arms supplier. The countries also inked a pact to extend a military technology cooperation agreement for a further decade which isn't likely to be viewed enthusiastically by the US.

Oddly, it's China bringing India and Russia together. Both countries have long land borders with China that, in some ways, make them natural allies against their superpower neighbour.

But the Russians have developed a mutually advantageous relationship with the Chinese who give easy finance to Russian firms and are a natural market for Russian raw materials and other goods. Bilateral trade has soared to $100 billion, a not inconsiderable sum and certainly not one India can match in the foreseeable future. India and Russia, in fact, have set themselves a much more modest $30-billion trade target and that too, only by decade-end.

The Russians have their strong reasons for signalling they aren't being reduced to being China's sidekick while Beijing does the heavy lifting and faces off against the US. Signing deals with India and selling the country weapons sends out the right messages for Russia. (In 2019, the Russians awarded Modi the Order of St Andrew, a singular honour as he's the only foreign leader to receive it).

Favour returned

Besides that, India has surprised international observers by voting with the Russians more than once at the UN in recent times. Says Nandan Unnikrishnan, Distinguished Fellow, Observer Research Foundation: "They committed themselves to us in the conflict with China covertly, if not overtly, by supplying arms. We have returned the favour and they've realised India is interested in the relationship."

One of the inescapable facts of international diplomacy is you can't change geography. China is a nervous-aggressive superpower because it has 14 land-based neighbours and other powers that don't like what it does in the South China Sea. Its two neighbouring countries with the strongest armies are unquestionably Russia and India. The third is Vietnam which gave the Chinese a bloody nose back in 1979.

India's border with China stretches across mostly inhospitable mountainous terrain for 3,400 km. Russia has an even longer 4,200 km border and in 1969 had an undeclared seven-month war with it. Off the record, Russian diplomats concede they're not entirely happy with the new aggressive China that's emerged in recent years. They've worked quietly to reduce the differences between China and India.

For Russia, there's also the tricky question of the Quad.

On this subject, Russian views have been more aligned to China which views it as the US muscling into Asia to contain Beijing. Pointedly, it's been described as an alliance of democratic powers. But from India's side, there's disappointment about the Quad as it appears to have been upstaged by the strange-sounding Aukus (Australia, UK, US) alliance. The fact is everyone's playing high-wire games. It could be, too, the US has doubts about how far India is willing to go to contain China. Also, the Biden administration might like to have a less confrontational relationship with China and so isn't keen on openly offering India more help militarily.

But India has definitely abandoned its earlier hesitations about the Quad after the Ladakh stand-off. Before, its official statements wouldn't even acknowledge the Quad's existence. It's now dropped all such pretences.
This is Putin's third lightning trip to India during which he's spent less than 24 hours in the country. Some observers reckon that's sending out the signal that Russia considers India an important but not utterly crucial ally. This time, too, the signing of Relos, an agreement aimed at sharing military logistics, was put off.

The Russian counter-argument is this was only Putin's second foreign trip during the pandemic (the other was to Geneva was to meet Biden). He skipped the climate summit and even put off a meeting with China's Xi Jinping. Says Unnikrishnan: "The Russians were making a statement you're very important for us. Putin's making his first bilateral country visit in two years." The fluid state of international relations is also a reminder of the old maxim that, in high-level diplomacy, there are no permanent friends, only permanent interests. And India and Russia's interests have been closely aligned in the past and could come closer in the future too.

Source: thehindubusinessline.com- Dec 07, 2021

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DEVELOPMENT OF NEW PORTS IN THE COUNTRY

The Government of India has accorded in-principle approval for development of Major Port at Vadhavan in Maharashtra by a Special Purpose Vehicle (SPV) incorporated under Companies Act, 2013 with Jawaharlal Nehru Port as lead partner. Non-Major Port is under the jurisdiction of concerned State Governments/Maritime Boards.

Vadhavan Port will be developed without any budgetary support from Government of India. However, the total estimated project cost including GST, preliminary pre-operative expenses, contingencies, working capital and Interest During Construction (IDC) is work out to be Rs. 65,544.54 crores. Internal Rate of Return (IRR) is expected to be 16.90% approximately.

This information was given by Union Minister for Ports, Shipping and Waterways Shri Sarbananda Sonowal in a written reply in Rajya Sabha today.

Source: pib.gov.in- Dec 07, 2021

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IBC Rules: Resolution for individuals

There's a mismatch at the heart of the IBC (Insolvency and Bankruptcy Code) process: individual creditors are broadly recognised as 'operational creditors', but individual debtors are not part of the system. With the onset of Covid, this contradiction has come into relief. Operational creditors which includes MSMEs have their own grievances, in that they do not have much of a voice in the Committee of Creditors.

But bonafide operational debtors who want to liquidate their struggling businesses under the aegis of a fair and efficient process, and move on — without carrying any stigma — have been blanked out. In the wake of the Covid-induced shake-out, these individuals, partnerships and sole proprietorships, particularly in contact-intensive sectors, deserve a smooth exit.

For example, while the travel and hospitality sector as a whole has been hit by the Covid storm, the impact on individual travel operators and small hotels has been far worse. In macroeconomic terms, a reformed IBC will liberate such locked-up capital for better uses — more so where institutional credit is involved. It ties in with changes in the regulatory framework for credit institutions.

At present, small units can move Debt Recovery Tribunals (DRTs), which take an eternity to resolve bankruptcies. Section 179(1) in Part III of the Code says the adjudicating authority with regard to insolvency matters of individuals and partnership firms shall be the DRTs.

Likewise, Section 179(2) provides that the DRT shall have jurisdiction to entertain or dispose of any suit or proceeding by or against the individual debtor. DRTs are at the bottom of the table in terms of recovery rates as well, at 4 per cent, compared to over 25 per cent in the case of SARFAESI and IBC (excluding the top nine or 10 accounts). They are ill-equipped to distinguish between fraudulent activity and genuine business failure.

Small debtors are stigmatised through newspaper notices and such like, irrespective of whether they are wilful defaulters or not. It does not help that banks too lack the project appraisal skills to be able to rescue a debtor at the right time, or take a call on whether the business has a future. In fact, this failing explains the mountain of cases before the NCLT.

The IBC rules, rather Part III of the IBC, need to be operationalised to include sole proprietorships, partnerships and individuals. In November 2019, the Government notified rules that introduced personal guarantors to corporate debtors in the ambit of insolvency resolution.

The NCLT will handle these cases. But sole proprietorships, partnerships and individuals identified under Section 2(f) and 2(g) of the IBC are out in the cold. Former Union Minister and BJP MP Suresh Prabhu has rightly underscored the need for rectifying this anomaly and frame clear rules. For a government that is keen on promoting small-scale job creators (who dominate the enterprise landscape), this must surely be a priority.

Source: thehindubusinessline.com- Dec 07, 2021

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Top 10 Trends in India's Home Furnishing and Decor Industry

An exponential rise in the number of time individuals spend at home and ensuing newly regimented practices of hygiene and cleanliness, has led consumers to invest more in their home furnishings and décor. This post-Covid shift in consumers' mindset and availability of more discretionary expense (redirected from travel) has made home textiles a rapidly emerging and one of the fastest recovering sectors after the pandemic.
Here are the top 10 trends that are redefining the home furnishing and décor industry:-

Leading Exports - India has always led the leaderboard from the second place when it comes to home textile exports. It holds 11 percent of a $100+ billion global market share, which is now expanding rapidly with the universal shift toward the work-from-home lifestyle.

Bouncing Back Better: Optimism for Home Textile Industry - Consumers have become increasingly conscious about maintaining their indoor spaces, and the hospitality industry is being revived after a dry spell. This has contributed to home textiles being one of the fastest recovering retail sectors post the pandemic.

As per industry reports, home furnishings and decor trade in India is expected to clock 20-25 percent growth with healthy margins in FY22 – setting expectations for large trading volumes in the coming months.

Conscious Consumers - There is an uptick in fashion sensitivity toward household furnishings, which has been exaggerated because of work-from-home, video calling, and quarantines. To respond to these demands, the variety and availability of home textile options have grown manifold. The industry now spans from luxury brands to cheap fast fashion.

Eco-Friendly Fabrics - Organic fabrics, textures, and natural weaves are becoming popular through the emerging conversations around eco-friendliness. With focus shifting toward sustainability, eco-conscious consumers are reducing their carbon footprint by choosing locally and ethically sourced fabrics like jute, khadi, etc. This will immensely benefit micro-entrepreneurs like cottage industry producers and women SHGs organized in the handicraft industry.

Hometech: The Future of Functionality Fabric - Technical Textiles are functional fabrics engineered for use across various industries. Their global market is anticipated to cross $200 billion by 2022. HomeTech is a leading segment, featuring products like fiberfill, blinds fabrics, mosquito nets, and furniture fabrics. In India technical textiles are set to occupy a significant share of the entire textiles market by 2025 – giving rise to new modern manufacturing units, potentially also leading to the evolution of many traditional production methods like handloom towards the niche luxe category.

Comfort with Online Shopping - Post Covid-19 lockdowns, digital natives and immigrants alike are moving past the 'touch feel' inhibitions of online shopping, and are more willing to trust product quality, reviews, and virtual displays, leading to exponential growth in the segment past few years; particularly soft furnishing (cushions, rugs, etc.) and multipurpose movable lightweight decors and functional furniture. Also, strong demand from Tier I to Tier IV cities and shift of buying behavior to online-first stores has led to demand shifting from unorganized players to branded organized players.

Demand for Doorstep Delivery - The pandemic has re-coded consumer perceptions of home delivery. Initially just an option, it is now becoming an essential mode of purchase. Purchase decisions today are often based on whether a retailer offers home delivery services or not. More than half the consumers in a recent survey across Tier I to IV cities said home delivery was important to their purchases, with home furnishings making the list of products they anticipated needing and ordering soon.

Energy and Efficient Improvement - The industrial sector is directly responsible for nearly half of the country's total energy consumption and has the second-highest potential for decarbonization. Going forward, we can expect environmentally conscious developments in the sector given the renewed effort toward net-zero emissions after COP26.

Government Assistance Through PLI Scheme - The government recently announced a Rs 10,683 crore Production Linked Incentive (PLI) scheme for the textile industry. Over the next 5 years, this scheme aims to create investments of over Rs. 19,000 crore and garner a cumulative turnover of over Rs. 3 lakh crore. We can certainly expect large investments in home textiles to feed the global rise in demand.

Developing Textile Parks - The government's 'Mega Integrated Textile Region and Apparel (MITRA) Park' scheme has pledged to establish seven textile parks over a three-year period. These parks will have the capacity for creating an integrated textiles value chain at a single location, right from spinning and weaving to producing the manufactured garment. This will attract new technology and boost FDI investments.

To meet growing market demands with ease, the home furnishing industry, largely made up of MSMEs, would benefit from digitizing and organizing its entire trade ecosystem. With general retail patterns in the industry shifting toward digital channels, small home furnishing businesses can digitize all their sales and supply, whether B2C or B2B, allowing them access to a larger market (both in terms of supply and demand).

Online B2B platforms that ensure end-to-end ordering to doorstep delivery can help smaller stores in dense neighborhoods to compete better in terms of price & quality with online counterparts, as well as access to credit lines through anchor-led supply chain financing programs. This can help MSMEs expand their business significantly at a time when the home textile industry is on the cusp of a boom.

Source: indianretailer.com- Dec 07, 2021

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Eway bill must for inter-district consignment of over ₹50k in MP state

The government of Indian state of Madhya Pradesh has tightened the provisions of e-way bill under Goods and Services Tax (GST) act for 41 items, including all types of fabric and garment. With effect from December 2, it is required to generate e-way bill for inter-district transport consignment of value of more than ₹50,000 for notified items.

This is as per the Notification number FA3-08/2018/1/V (85) issued by the commercial tax department of Government of Madhya Pradesh on December 2. The department has also amended an earlier notification issued on April 24, 2018.

The items covered under the purview of e-way bill for textile sector includes all types of fabric with HS codes 5007, 5111 to 5113, 5208 to 5212.5309 to 5311. 5407. 5408, 5512 to 5516, 5802 to 5804,5806, 5809, 5902 to 5903, 5906 to 5908, and 5911.

All goods coming under chapters 60, 61, 62, 63 and 6505 are also covered under the new provision. These include articles of apparel and clothing accessories, knitted or crocheted / not knitted or crocheted.

The validity of e-way bill is fixed as one day for every 100 km or part thereof. However, the validity can be extended online before the expiry.

Source: fibre2fashion.com - Dec 07, 2021

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Garment, textile dealers seek GST rollback

The Kerala Garments and Textile Dealers Welfare Association (KTGA) State council, which met here, demanded immediate rollback of the GST increase on ordinary textiles and all garments priced below ₹1,000.

GST rate on fabrics has been increased to 12% from the present 5% with effect from January, 2022.

Family budget

The meeting said, according to a press release, that this would lead to collapse of small and medium businesses and would also have an impact on the family budget of the common man.

The meeting pointed out that in addition to the sharp rise in prices, the increase would also lead to bureaucratic corruption.

"As the garment sector goes through more than 20 value-added stages, the final tax of 12% is tantamount to robbing people," it said.

Concessions

The meeting sought all concessions given to industries to be extended to the business sector.

Source: thehindu.com- Dec 08, 2021

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India's RIL introduces unique fabric technology R|Elan Kooltex

India’s Reliance Industries Limited (RIL) has introduced a unique fabric technology within R|Elan product portfolio called R|Elan Kooltex, a fabric that enhances the performance of garments by keeping them dry and cool amid various conditions. The company aims to provide advanced textile technologies that also capture the latest style trends.

Advanced moisture management property of R|Elan Kooltex helps control temperature and provide cooler feeling to the wearer – be it formal or sports outfit. R|Elan Kooltex keeps the wearer cool and dry through the day ensuring enhanced performance and encouraging heightening physical activities, RIL said in a press release.

The pandemic has transformed the consumer mindset with an emphasis on better apparel with embedded performance attributes. Ever evolving consumers are demanding more innovations in their everyday apparel, brands are also introducing new solutions under the performance category. R|Elan’s specially engineered products have emerged as a perfect choice for trendy and performance enhancement seeker consumers.

R|Elan Kooltex has inherent moisture management mechanism with its unique structure supporting wicking of sweat through micro-channels. This facilitates rapid moisture management property that the body uses to regulate its temperature. It can be used in major apparel application segments such as denim, knitwear, athleisure and wovens.

Dealing with sweat during exercise or hot weather is not a concern anymore. Now, garments have become smarter with R|Elan Kooltex that enhances performance and at the same time provides comfort - day in and out, the release said.

Source: fibre2fashion.com- Dec 07, 2021

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