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INTERNATIONAL NEWS

US textiles & apparel imports up 25.63% in Jan-Oct 2021

The import of textiles and apparel by the United States increased by 25.63 per cent to $93.510 billion in the first ten months of 2021, compared to $74.432 billion in January-October 2020. With 27.82 per cent share, China continues to be the largest supplier of textiles and clothing to the US, followed by Vietnam with 13.86 per cent share.

Apparel constituted the bulk of textiles and garments imports made by the US during the initial ten months of this year, and were valued at $66.915 billion, while non-apparel imports accounted for the remaining $26.594 billion, according to the latest Major Shippers Report, released by the US department of commerce.

Segment-wise, among the top ten apparel suppliers to the US, imports from Pakistan, Honduras and Nicaragua shot up by 56.34 per cent, 46.47 per cent and 42.07 per cent year-on-year respectively. On the other hand, imports from Indonesia registered a growth of only 10.36 per cent compared to the same period of the previous year.

In the non-apparel category, among the top ten suppliers, imports from Italy, India, and Turkey soared by 56.36 per cent, 55.17 per cent and 44.66 per cent, respectively. The sharp rise in numbers is due to the base effect, as imports were disrupted last year due to the COVID-19 pandemic.

Of the total US textile and apparel imports of $93.510 billion during the period under review, cotton products were worth $40.479 billion, while man-made fibre products accounted for $48.537 billion, followed by $2.790 billion of wool products, and $1.703 billion of products from silk and vegetable fibres.

In 2020, the US textile and apparel imports had decreased sharply, mainly on account of the COVID-19 pandemic induced disruption, to $89.602 billion compared to imports of $111.033 billion in 2019.

Source: fibre2fashion.com– Dec 31, 2021

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Trade between China & 14 RCEP members touch $1.72 tn

Trade between China and the rest of the fourteen members of the Regional Comprehensive Economic Partnership (RCEP) collectively reached 10.96 trillion yuan (approximately $1.72 trillion) between January and November 2021, as per data released by the General Administration of Customs (GAC). It accounts for 31 per cent of the total foreign trade of China.

China is also taking steps to familiarise companies with import and export procedures and driving mutual recognition of Authorized Economic Operators (AEOs) with 5 RCEP members to further increase trade, as per the GAC.

The AEO system aims to facilitate customs clearance for companies through authentication of companies by customs agencies. China has signed the AEO agreement with 5 RCEP members already and is looking to sign it with the other five.

Source: fibre2fashion.com– Dec 31, 2021

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FTAs, RCEP raise Cambodia's hopes for brighter, post-pandemic recovery

Cambodia is hopeful of a post-pandemic economic recovery due to free trade agreements (FTAs) with China and South Korea, and membership in the Regional Comprehensive Economic Partnership (RCEP). Analysts say Phnom Penh had aggressively pursued these trade deals amid the crushing economic impact of the pandemic and withdrawal of some trade perks by the European Union.

Two-way trade with China topped $8 billion in 2020 and is expected to reach $10 billion in 2023 with October's signing of the FTA. A similar agreement was also inked with South Korea after two-way trade reached $880 million in 2020. Under that deal Cambodia will lift tariffs on 93.8 per cent of all products traded, and South Korea will remove tariffs on 95.6 per cent of all items.

RCEP will eliminate up to 90 per cent of tariffs on goods traded between signatories over the next 20 years, which analysts say would further underpin regional integration by building upon China’s Belt and Road Initiative infrastructure projects, according to a US media report.

Source: fibre2fashion.com– Dec 31, 2021

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Vietnam can act as bridge to access ASEAN markets: Italian envoy

With an average economic growth rate of 6-7 per cent over the past 30 years, the Vietnamese market is viewed as a destination for Italian businesses, according to Italian ambassador to Vietnam Antonio Alessandro, who recently said the country can act as a bridge towards the rest of the Association of Southeast Asian nations (ASEAN) market.

The nation is also in the process of fully recovering from the impact of COVID-19 and represents a production base for Italian investment, he said.

The Vietnamese socio-economic development model brings positive stability to businesses, thereby earning plaudits from Italian enterprises, the envoy was quoted as saying by an Italian newswire.

Trade between the two countries is currently worth €4.5 billion.

Italy is currently continuing to promote its national branding communication campaign launched by its ministry of foreign affairs. Vietnam is one of the priority countries, with media content being translated into Vietnamese.

Source: fibre2fashion.com– Dec 31, 2021

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Cambodia-U.S. trade reaches over $6 billion in first ten months

Bilateral trade between Cambodia and the United Sates was valued at about $6.35 billion in the first ten months of 2021, a year-on-year increase of 40 percent.

The figures from the Ministry of Commerce showed that from January to October 2021, Cambodia exported $6.08 billion worth of goods to the United States, up 40 percent compared to the same period last year.

At the same time, Cambodia's imports from U.S. were amounted to $278 million, a year-on-year increase of 42 percent, added the same source.

Cambodia mostly exported textiles, footwear, travel goods and agricultural products to the U.S. while its imports included vehicles, animal feed and machinery.

Source: khmertimeskh.com– Dec 30, 2021

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With Minimum Wage Doubling Jan. 1, Egypt Has What 'Buyers Are Looking For,' Expert Says

Ten years after the social media-fueled protests and uprising in Egypt boosted Hosni Mubarak from his presidential residence at the Heliopolis Palace in Cairo, many still feel a strong sense of a promise waiting to be fulfilled.

While the turbulent political landscape might not have turned out quite as protestors envisioned, business in the country has unexpectedly flourished despite the Covid-19 pandemic's hardest hits. Egypt's advantages include a strong vertical cotton sector, strategic access to the Mediterranean, the Red Sea and the Suez Canal, a competitive and skilled labor force, trade deals with key partners like the U.S., and an entrepreneurial zeal invigorating the apparel industry.

"It is as if we have put aside our wait for government policies to settle down and are making our own way forward because we learnt so many things during Covid-19 about connecting better through the Internet and social media, learning many skills that we never knew about," said a Cairo garment manufacturer who asked not to be named.

Government policies might be fickle, but snail's pace progress is starting to aid an industry that accounts for more than 4.5 percent of the country's GDP.

The government's plan to double the minimum wage from 1,200 Egyptian pounds ($76.32) to 2,400 Egyptian pounds ($152.65) beginning in January has brought cheer to laborers who have struggled with job losses as factories temporarily shut down or cut working capacity. But the news also brought some garment manufacturers to the negotiating table seeking a lower minimum wage.

According to the Central Agency for Public Mobilization and Statistics' 2018 data, textile sector, including textiles, apparel and home textiles, encompassed 85,000 businesses dominated by privately owned small and medium enterprises.

But Covid-19 was damaging.

Roughly 50 factories closed down from March through September last year. Many more drastically trimmed working days or were forced to slash their workforce in half.

“But very few of our members reported a permanent shut down for Covid,” Rasha Fahim, executive director of the textiles sector for EgyptTextiles & Home Textiles Export Council (THTEC), told Sourcing Journal.

Many companies quickly pivoted, with more than 50 percent producing critical PPE. “Within the textiles sector; spinning mills had a very rough time during Covid, especially when producing such a primary commodity that couldn’t be easily converted into another product. Yet, weaving mills and apparel manufactures succeeded in producing face masks and were a great help for the country to fulfill the domestic needs facing the pandemic,” Fahim said.

According to a report by the Global Textiles and Clothing Programme (GTEX) and its related work in the Middle East and North Africa (MENATEX) project, more than 80 percent of companies in the apparel sector cut wages by at least 25 percent. Implemented by the International Trade Centre, the joint agency of the of the United Nations (UN) and the World Trade Organization (WTO) in partnership between the Egyptian and the Swiss governments, the project in Egypt has been working to increase employment and income generation along the value chain.

Many hope change is on the horizon. The report outlined manufacturers’ need to embrace flexible production and shorter lead times, as retailers abandon their decades-long chase of cheaper product in pursuit of faster, leaner value chains.

Covid-19 has hastened some of these changes.

“The impact of Covid-19 was severe for everyone, but if I make a comparison with the other countries, it seems that Egypt was responsive in taking the necessary measures to lessen the effects on the apparel sector. We have approximately 35 beneficiary factories taking part in our project but none ceased operations, although in general, there was a slowdown and adjustment of the products being manufactured in the industry,” said Delphine Clement, Project Officer, Fibres, Textiles and Clothing Programme, International Trade Centre (ITC), the joint agency of the UN and WTO.

"Egypt was also able to manage the markets—they are oriented towards the U.S., and the demand side, and the phases of lockdown were different in the EU and U.S," she added.

As 2020 drew to a close, many garment and textile manufacturers were already more optimistic, with more than 76 percent projecting a return to pre-Covid levels. There were good reasons for that upbeat outlook—apparel exports climbed 41 percent to $1.7 billion from January to September 2021 over the same period the prior year. The textiles, apparel and home textiles combined saw 26 percent growth over this period, to $2.92 billion, according to THTEC.

Egypt's textiles sector has also jumped feet first into sustainability and innovation.

"Besides Covid-19 the sector in Egypt demonstrated a high level of awareness regarding ways to adapt to more sustainable and quality products. This trend has been accelerated and further reflected, as in this ever-changing industry, fast fashion is also transitioning towards the latest concerns of consumers and markets. How long it will last and how [will business adapt] to the way the market is changing? This will have a huge impact on Egypt," Clement said.

Driving change and innovation is also the evolving ethos from global buyers, as order sizes, payment cycles, delivery terms, styles undergo seismic shifts.

"If you are looking for one word that characterizes the industry in Egypt, it is 'flexibility,'" said Yasmine Helal, national project coordinator, Egypt for GTEX. "One of the strengths the factories in Egypt have is their ability to shift quickly, and the fact that they can work with orders of relatively low minimum quantity in comparison to other countries. This is something that buyers are looking for at the moment, especially after Covid."

While Egypt has an abundant labor force, with more than 1.5 million employed in the apparel industry, Helal said innovation must come from within. "We are supporting the middle management to optimize the work-flow, and production line better and to be able to plan higher productivity for the workers," she added.

But change requires both a shifting mindset and a rigorous commitment to transformation.

“It is not easy for manufacturers who are used to working with a certain way to transform–but the argument for fashion and sustainability is going on all over the world, and factory owners are seeing that the younger generations are not pro-fast fashion. Step by step many of them are trying to adapt and to see how they can work on sustainability,” Helal said.

Mohammed Husseiny, an enterprise advisor at Better Work Egypt who has guided factories in Egypt over the past decade, noted that change has manifested in other ways over the years.

“In the last 10 years, manufacturers in Egypt have been trying to seek out proper technology to compete with global sourcing models. We have seen new machines and new technologies that support workers and enhance their capabilities. We have seen factories adding operations they would outsource before, like printing, dyeing, knitting. Egyptian manufacturers are trying to add value to their products to compete with other markets,” he said, adding that factories are also working on building capacity to comply with labor standards, a critical factor in the global market.

“The industry is moving forward,” he said.

Source: sourcingjournal.com– Dec 30, 2021

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USA: Retail Price Hikes Could Be Here for the Long Haul

As shoppers head into the new year, they could actually be spending more than usual on specific items, according to retail data analytics firm DataWeave.

Not only are consumers seeing fewer products being discounted this winter, MSRPs are up an average of 15 percent, Krish Thyagarajan, DataWeave president and chief operating officer told Sourcing Journal. The increase is not a fluke, he said—it's an indication that retailers expect to see prices remain at an elevated level for the foreseeable future.

DataWeave conducted year-over-year analysis on thousands of fashion, furniture, health and beauty, bed and bath, and electronics products at Amazon and Target, looking into the pricing of about 1,000 SKUs per category. "Our objective was to determine whether prices were on average higher or lower than last year, and to what degree," Thyagarajan said.

In the fashion category specifically—which encompasses apparel, footwear and handbags—DataWeave saw "a significant dip" in product availability, from over 90 percent in Q4 of 2020 to the low 70th percentile one year later. "This suggests that prices will be higher through the rest of the season as retailers have less to sell," he said.

Meanwhile, shoppers, sensing scarcity, have changed their discount-driven outlook. "From the consumer's point of view, it's better to pay higher price and get the product on time, versus waiting for better prices and missing out altogether," he said, echoing previous outlooks seeing a rise in prices.

The shift started before Thanksgiving, when DataWeave observed far fewer deals than the same timeframe last year. "For example, when we looked at the furniture category, we found only 3 percent of SKUs on discount—compared to 26 percent during the same time period last year," he said.

While the price drops are common during the holidays, Black Friday and Cyber Monday bucked the tradition this year, Thyagarajan said. "We observed across categories price increases on around 13 to 20 percent of SKUs, with an average price increase of around 15 percent," he added.

DataWeave found that the prices of most everyday products were higher during November than the year-ago period. In the bed and bath category, more than 80 percent of SKUs sold at 30 percent higher than the previous year, while more than 50 percent of health and beauty products were sold at a 176 percent increase. “Luxury fashion saw a strong uptick leading to the holiday season as reflected by average price increases as well as the number of SKUs available,” he said.

A DataWeave study earlier in the fall showed that just 37 percent of Louis Vuitton accessories were discounted on Farfetch.com last year, a far cry from the 2019’s 92 percent. This year, no the LVMH-owed brand’s accessories on Farfetch have been marked down.

While many products saw price increases, consumers could still find discounts during the peak season. Thyagarajan believes retailers resorted to deep discounts for the most hard-to-move items.

“A confluence of inflationary trends, product shortages and consumer liquidity has driven this,” he said. The shock to the supply chain motivated consumers to begin shopping for gifts earlier out than usual, meaning that they were purchasing goods at full price rather than risking missing out.

“Retailers have needed to rely much less on across-the-board discounts,” he added, noting that “promotions have been more strategic.” Retailers likely used deeper discounts on fewer products to draw consumers in to buy certain items, he said, “and once they’re there, customers are buying everything else at a non-discount level.”

Government-issued stimulus checks and augmented pandemic unemployment benefits also injected more money into the economy, prompting a willingness to spend. “When these factors once again normalize, we could see a return to the ‘race to the bottom’ that has occurred since the financial crisis of 2008-2009,” Thyagarajan added. However, the fact that retailers were able to maintain pricing power as the holiday shopping season played out likely indicates that MSRPs could remain elevated in 2022.

Source: sourcingjournal.com– Dec 30, 2021

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Bangladesh: Apparel makers reassert reign in 2021

Bangladesh's apparel export boasts a 'turnaround' in 2021 with a considerable rise in earning, recording a 28-per cent year-on-year growth in eleven months.

Data suggest that the whole-year readymade garment (RMG) earnings would leapfrog the pre-pandemic 2019 level in a robust rebound after bearing the brunt of disruptions by the Covid-19 pandemic that had upended global order.

Apparel exports fetched the country US$31.76 billion during January-to-November period of 2021 calendar year, recording a 28-per cent growth over $24.81 billion earned during the corresponding period of 2020, according to the industry account.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data show the earning at US$33.07 billion in 2019 and down at $27.47 billion in 2020-the year of corona onslaughts.

Industry-insiders bill 2021 as a 'turnaround' year for the sector after a severe blow dealt by the pandemic since the beginning of 2020.

Lockdowns in major importing countries to contain the spread of corona virus had eaten up the demands for the 'made-in-Bangladesh' apparel while such restrictions here resulted in about a month-long factory shutdown last year.

Even in 2021, industrial units remained closed for at least two weeks in July following a strict lockdown to ward off a wave of viral infections.

But with an improved Covid-19 situation due to mass vaccination consumer demand in western markets began to register a rebound and work orders started flooding in Bangladesh, they added.

After a drastic fall since April 2020, export earnings got on an upturn in July 2020, mostly with the resurrection of the cancelled orders. Later, the trend continues in 2021, with the highest US$3.56 billion single-month export earnings recorded in October, according to the data.

Since September this year, the sector continued earning more than three billion each month while exporters expected the trend

to sustain in December, too, to mark an upbeat yearend.

For some external reasons, including trade war between the US and China, western buyers search for China alternative. Besides, recent disruptions to supply chain, factory closure in Vietnam and Cambodia due to deteriorating Covid situation and Myanmar crisis have created a new opportunity for Bangladesh, industry people say.

When asked, BGMEA President Faruque Hassan described how the recovery could be achieved. Despite challenges and risks, they reopened factory after the first lockdown last year by strictly following health and safety guidelines.
"Entrepreneurs have invested a lot in maintaining health safety while they restarted factory operation with lesser workforce initially," he says.

And this bold gambit helped the sector regain the confidence of the global buyers.

"Now we have much work order. And 2021 is a year of bounceback," he told the FE on Thursday.

For last six months, prices of local apparel also have increased, he says, explaining that prices have risen mainly because of high prices of raw materials like cotton, yarn and other logistic charges like freight costs.

"But there has hardly been any hike in CM (cost and making)," he noted.

Mr Hassan hopes December earnings from RMG exports will also surpass $3.0-billion mark.

The BGMEA president holds the hope that the good performance will continue into 2022 with innovation, product diversification and value addition.

He, however, stressed simplification in import-export activities, infrastructure development, especially in airports, road connectivity and all land ports, to facilitate increased export activities so that they can deliver in time on the huge work orders they have in hand and in the pipeline.

Talking to the FE, Bangladesh Textile Mills Association (BTMA) additional director Monsoor Ahmed also terms 2021 'good' for textile millers.

"Followed by high demand, spinners and weavers were also engaged much in yarn and fabrics production," he says.

According to textile millers, the global cotton index remained below 100 points in August and jumped over the mark at the end of last September and hit 107 points on October 01, the highest in a decade.

Apparel makers and textile millers locked horns over the high price of yarn on the local market that later resulted in fixing the highest ceiling of locally made yarn until November 30. They also agreed on a review of the rate if the price fell or went up, industry people said.

Local textile millers meet over 80 per cent of the demand of knitwear exporters while the percentage is only 35-40 for the woven sub-sector.

According to BTMA, Bangladesh imported about 1.81 million tonnes of cotton during the January-November period of 2021. The import was 1.55 million tonnes in 2020.

Though Bangladesh's RMG in 2021 shows an impressive recovery despite the Covid-19 shadows, a recent Centre for Policy Dialogue (CPD) study found this growth mainly featured by volume.

The rate of apparel-price increase has been really low with regularity coming into being in the global supply chain after the pandemic-led nosedive, according to the study that focused on two main export destinations of Bangladesh - the USA that accounts for 24 per cent and the EU 64 per cent of total RMG export.

Source: thefinancialexpress.com.bd– Dec 31, 2021

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NATIONAL NEWS

Economy likely to see steady growth in 2022

The coronavirus pandemic continues to pose questions about the Indian economic recovery going into 2022. After the second wave of the pandemic, GDP has broadly returned to its pre-pandemic size in the July-August quarter.

While the economy will continue to steadily recover and grow during the upcoming year, it still faces numerous impediments to getting back onto a sustainable and high growth path.

The primary impediment is the emergence of the Omicron variant. Initial research shows that the variant is more transmissible than Delta, but the severity of the disease caused is unclear.

Sixty per cent of the Indian population is inoculated with one dose of the vaccine and 40 per cent with two doses; this may help stem a large wave of infections. However, the efficacy of domestically used vaccines against the variant is also unclear.

Our healthcare system though, is in better shape to deal with a surge in hospitalisations than it was during the second wave.

A useful statistic that is a signal for fast and broad-based growth is the employment rate (share of the working-age population that is employed). The employment rate in India stands at slightly less than 38 per cent in December 2021, according to data provided by the Centre for Monitoring Indian Economy.

This is significantly less than the 40 per cent employment rate at the start of 2020, which equates to about two crore fewer people working than would have been the case otherwise.

This may be a result of a structural change in the labour market created by the pandemic or maybe just people dropping out of the labour force owing to an inability to find employment. In any case, getting this large number of people working again, in addition to the continuous new entrants in the labour force will be a momentous task.

And all this at a time when recent GDP data suggests that the growth impulse is still lacking, with private consumption remaining below its pre-pandemic levels and capital investments in the economy still being largely supported by public spending and not the private sector's confidence.

Further, high inflation in the US has forced the Federal Reserve to try and pull back its monetary policy support in a hurry.

Policy tightening by many of the world's major central banks will pose headwinds for economic growth in India, as it will suck out some of the liquidity in capital markets causing a general rise in bond yields and making a further dazzling rise in equity markets harder to maintain.

This will, in turn, also pare back the support capital markets have been providing to the economy. A possible hard landing by the Federal Reserve in its monetary tightening will also continue to pose risks for India through 2022.

Good run for exports

However, not all is gloomy! In face of all of these issues, the Indian economy has some things going for it. Exports have had a stellar run, partly owing to unprecedented fiscal stimulus in the Western economies; this should continue to provide much-needed support to the domestic economy.

India may also be on the verge of a multi-year capital expenditure cycle, which is key to sustained economic growth. This would be a result of the government's push for the infrastructural pipeline, continued investments supported by the Production Linked Incentive (PLI) schemes, improved corporate balance sheet throughout the pandemic, and a healthier-than-expected banking system that will be more able to provide lending.

The pandemic also saw the government taking a more serious approach towards economic policies and further recognition of their importance in India's growth story, as shown by the liberalisation of labour laws and their efforts to liberalise the now-retracted farm laws.

A more vigorous approach towards privatisation, with the government prioritising having a limited presence only in sectors deemed of strategic importance, will also help induce efficiencies in many different parts of the economy. This will certainly act as a tailwind for the country.

Risks facing the Indian economy might keep it from achieving extraordinary growth in 2022, economists expect GDP to grow at around 7 per cent in FY23 after two years of lost growth.

Nevertheless, 2022 will help in setting the base for steady, strong and sustainable growth over the medium to long term.

Source: thehindubusinessline.com– Dec 30, 2021

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Year End Review 2021 for Department of Commerce, Ministry of Commerce and Industry

The major highlights of the Department of Commerce during the year 2021 are as follows:

Export Target of US$ 400 billion for Merchandise in 2021-22

Target of US$ 400 billion for 200 countries and 30 Quick estimates commodity groups has been set by Department of Commerce for the year 2021-22, based on past trend, current scenario and policy dynamics in India and rest of the world. India's merchandise exports have reached 65.89 percent of the target of USD 400 Billion, till November 2021.

For monthly monitoring of achievement of targets, an Export Monitoring Desk under Statistics Division of DGFT has been set up. The disaggregated targets enable tight monitoring by country/ region/ mission/ products/ commodity groups/ Export Promotion Councils.

The Prime Minister addressed the Ambassadors/ High Commissioners/ Commercial Missions, Line Ministries/ Departments, States/ UTs, EPCs, Commodity Boards/ Authorities, Industry/ Trade Associations, etc. on 6th August 2021 on "Local Goes Global - Make in India for the World" for achieving target US$ 400 billion of exports.

Export Performance

Merchandise

India's exports have been performing extremely well in last 8 months with exports exceeding USD 30 billion for the 8th consecutive month in the current financial year.

The cumulative value of exports during April-November 2021 has been estimated at USD 263.57 Billion compared to USD 174.16 Billion during April-November 2020, which is a positive growth of 51.34 percent.

As compared to April-November 2019, exports in April-November 2021 exhibited a positive growth of 24.82 per cent.

Services

India's services exports remained relatively resilient to the pandemic which impacted world trade in commercial services in 2020. India's share in world commercial services exports has increased from 3.5% in 2019 to 4.1% in 2020, leading to improvement of India's rank in leading exporters of commercial services from 8th to 7th in 2020.

Azadi Ka Amrit Mahotsav (AKAM)

To commemorate Azadi Ka Amrit Mahotsav, the Department of Commerce organised 'Vanijya Saptah' from 20th to 26th September, 2021 with an objective to highlight how India is empowering every stakeholder in the international trade ecosystem to produce quality products which can stand the global competition – Make in India for the world. To that end the Department of Commerce worked in collaboration with State Governments, UT administrations and all relevant stakeholders in the export process throughout the country to set up a week long string of activities.

Various activities organised during week long programme on the themes or the aspirational goals like (i) Towards Greater Self Reliance (ii) Showcasing India: A Rising Economic Force (iii) Green and Swachh SEZs (iv) Vanijya Utsav (v) From Farm to Foreign Lands, which the Government is pursuing in arena of International trade with Central idea of attaining excellence in terms of quality of the products which can withstand global competition, a sine qua non for achieving the goal of Make in India for the World.

Events organised were a fusion of business and celebration as part of the Azadi Ka Amrit Mahotsav. All the events were widely and enthusiastically participated in not only by the primary stakeholders of trade i.e. the exporters but also by States Govt./ UTs Administrations, Export Promotion Councils, Industries, Traders, Producers, Plantation workers, MSMEs and other stakeholders on Pan India basis covering around 700 districts. All the events around the five themes were a resounding success as every State and Union Territory along with all the stakeholders participated with exuberance.

Ease of Doing Business

In order to provide policy stability during the pandemic period, Foreign Trade Policy (FTP) 2015-20 was extended for the year 2021-22 i.e. up to 31st March 2022.

Exemption from Integrated Goods & Service Tax and Compensation Cess under Advance Authorizations (AA)/ EPCG, EOU scheme extended up to 31st March 2022.

IT systems of DGFT revamped with API based message exchange with community partners on export promotion schemes.

The common eCoO portal has been extended for issuing non-preferential certificates of origin also.

Information on Foreign Trade Policy Updates, Import/Export Policy, Export/Import Statistics, status of applications, 24x7 virtual assistance has been made available through the DGFT Trade Facilitation App that was launched by Hon'ble CIM on 12.04.2021.

Export Obligation period of specified Advance & EPCG Authorisations extended till 31st December 2021.

Implementation of RoDTEP Scheme

Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) has been notified on exports from 1st January 2021. The Scheme creates a mechanism for reimbursement of taxes/ duties/ levies, which are currently not being refunded under any other mechanism, at the central, state and local level, but which are incurred in the process of manufacture and distribution of exported products. Major component of such taxes is electricity duty and VAT on fuels used in transportation / distribution.

RoDTEP scheme covers around 8555 HS lines, with rates of remission ranging from 0.01% to 4.3%.

The RoDTEP Scheme operates with an end to end digitization and no separate application is required to be filed to claim RoDTEP benefits. Central Board of Indirect Taxes and Customs (CBIC), Ministry of Finance is implementing the Scheme. The CBIC's ICEGATE online module has been operationalized and exporters have started availing e-scrips under the Scheme.

Notification of SEIS scheme for the FY 2019-20

For the services rendered in the FY 2019-20, Service Exports from India Scheme (SEIS) was notified vide Notification No. 29 dated 23.09.2021, containing the list of eligible service categories and rates

India and Mauritius signed the Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

India and Mauritius signed the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) on 22nd February 2021 which entered into force on 1st April 2021.

The CECPA is the first trade Agreement signed by India with a country in Africa. The Agreement is a limited agreement, which will cover Trade in Goods, Rules of Origin, Trade in Services, Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) measures, Dispute Settlement, Movement of Natural Persons, Telecom, Financial services, Customs Procedures and Cooperation in other Areas.

The India-Mauritius CECPA provides for an institutional mechanism to encourage and improve trade between the two countries. The CECPA between India and Mauritius covers 310 export items for India. As regards trade in services, Indian service providers will have access to around 115 sub-sectors from the 11 broad service sectors.

India-UAE Comprehensive Economic Partnership Agreement (CEPA) Negotiations

India-UAE CEPA negotiations were launched on 22nd September 2021 during the visit of UAE delegation. Two rounds of negotiations have been held so far and both sides are aiming to conclude the negotiations by December 2021 and signing of the Agreement by March 2022.

During the negotiations, both sides reiterated the importance of the India-UAE CEPA and its potential to not only expand economic and investment opportunities, but mark a new phase of cooperation and collaboration This new strategic economic agreement is expected to increase bilateral trade in goods to US$ 100 billion within five years of the signed agreement and increase trade in services to US$ 15 billion.

India-Australia Comprehensive Economic Cooperation Agreement (CECA) Negotiations

India-Australia CECA negotiations are at an advance stage. Both countries are expected to complete negotiations for the Interim Agreement soon. Final agreement is expected to be completed by end of 2022. The key negotiating subjects are Trade in Goods, Services, Investment, Rules of Origin, Customs Facilitation, Legal and Institutional issues etc.

BRICS Trade Fair 2021 during 16th to 18th August 2021 (Virtual)
BRICS Trade Fair, an initiative of the Department of Commerce, a key engagement was held virtually under India's Chairmanship from 16th to 18th August, 2021.

The BRICS Trade Fair 2021 witnessed the participation of over 5000 delegates, and the event had over 2500 pre-fixed B2B meetings. The Trade Fair also saw over 8000 Virtual booth visits by the business delegates, which attributed to over 2000 business interactions.

India Pavilion at World Expo 2020 at Dubai
World Expo 2020 is being held in Dubai from 1st October, 2021 to 31st March, 2022. This is the first expo which is being held in MEASA (Middle East, Africa and South Asia) region. The India Pavilion at World Expo at Dubai was inaugurated by CIM on 01.10.2021.

The main theme of World Expo 2020 is "Connecting Minds, Creating the Future". The main theme is further branched into three sub themes of the Expo viz. - Opportunity, Mobility and Sustainability. World Expo, Dubai is expected to herald the revival of global economy post the COVID-19 pandemic with participation of more than 190 countries and 25 million expected visitors.

India Pavilion at the Dubai Expo has turned out to be a huge draw, registering another landmark by receiving more than six lakh visitors in just 83 days of its opening.

Government e-Marketplace (GeM): Open and Transparent Procurement

A total 31.8 Lakh vendors have been onboarded on GeM, out of which 7.39 Lakh are MSMEs, which constitute about 23% of the vendor base and contribute over 57% of the cumulative Gross Merchandise Value on GeM.

GeM has drastically brought down waiting time and prices for buyers and ensured timely payments to the sellers. It has enabled various modes of procurement as prescribed in GFR and has made available various analytical tools to facilitate buyers to make informed decision while making procurement.

GeM has created a Unified Procurement System for the country in line with the vision of the Government, by bringing the functionalities of the Defence Public Procurement Portal, the Central Public Procurement Portal and its sub-portals onto GeM to provide a single user experience. The Unified Procurement System will consolidate the scattered vendor bases on publishing portals onto GeM leading to advantages of economies of scale, better price discovery and dissemination of best practices in procurement.

In order to promote inclusion, MSMEs, Self-Help Groups (SHGs), tribal artisans, craftsmen, startups, in consultation with the Ministry of MSME and the Ministry of Rural Development, GeM has taken various initiatives for their onboarding through STARTUP RUNWAY, SARAS COLLECTION, TRIBESINDIA eSTORE, onboarding of Artisans and Weavers, Bamboo and Womaniya etc.

Re-development of Pragati Maidan

IECC Project

The landmark Pragati Maidan fair ground is being redeveloped into a world class International Exhibition cum Convention Centre (IECC) in two phases (2nd phase will be taken up a few years later). The work on the IECC project is underway and all its segments are now scheduled to be completed by June 2022. Hon'ble Prime Minister inaugurated the new Exhibition Complex (Halls 2, 3, 4 & 5) as a part of the IECC Project on 13.10.2021 on the sidelines of the Launch of PM Gati Shakti.

National Logistics Policy

National Logistics Policy has been developed after wide consultations with all Central Ministries on the supply and demand side and takes a comprehensive view of the sector defining specific action points with the key objective of matching and improving upon global standards in logistics efficiency and to integrate with Global supply chains.

A 75-point National Logistics Reform Action Plan has also been prepared with specific actionable items on the policy.

Revised policy is in its final stages of approval. The Policy targets to reduce the cost of logistics by about 5% over the next 5 years, achieving a ranking in top 25 of major global logistics-related performance indices, and encourage environmentally sustainable, inclusive and future ready logistics.

PM Gati Shakti NMP

PM Gati Shakti National Master Plan for multi-modal infrastructure connectivity to Economic Zones which is an Integrated Plan depicting Economic zones and Multi-modal Connectivity Infrastructure on a GIS Platform was launched in October, 2021 to holistically integrate individual interventions of various Ministries/Departments with a national perspective and provide coordinated IT enabled Map based approach to planning, operations and monitoring of projects.

Empowered Group of Secretaries and Network Planning Group has been constituted and their first meetings have been held. Constitution of Technical Support Unit is under way. Training workshops by BISAG-N have been completed. Zonal Conferences of States on PM Gati Shakti for onboarding States in the National Master Plan is currently progressing since November 2021 till January 2022.

The National Master Plan on GIS Platform being developed by BISAG-N is expected to be complete and launched by April 2022.

The Logistics Performance Index (LPI) released every two years by the World Bank is one of the most widely referred reports used to assess logistics performance of countries. On the index, India was ranked 44 out of 160 countries in 2018 vis-à-vis rank of 54 in 2014 (most recent study conducted till date is in 2018).

Trade Infrastructure for Export Scheme (TIES)

The Department of Commerce is implementing TIES w.e.f. FY 2017-18 with the objective to enhance export competitiveness by supporting development of export linked infrastructure that can be utilized by multiple exporters.

The scheme has been extended further for 5 years i.e. from 2021-22 to 2025-26 with total budget outlay of Rs. 360 crores. In BE 2021-22, Rs. 75 crores has been allotted for the Scheme.

In the FY year 2021-22 till December 8, new projects with total TIES fund of 113 crore has been approved by the Empowered Committee.

Agri Export Policy (AEP)

After pursuance with the concerned State Govt. officials requesting for cooperation for finalising the State Agri Export Action Plan in a time bound manner, five States and one UT have finalized the State specific Action Plan viz. Mizoram, Meghalaya, Tripura, Arunachal Pradesh, Himachal Pradesh and UT of A&N Islands. The action plans of remaining States are at different stages of finalization.

APEDA signed an MoU with NAFED for strengthening the export linkage of Farmer Cooperatives.

In pursuance to the series of interactions held with Amazon Web Services (AWS) team, the approval was accorded for executing two pilot projects for the proposals submitted on Blockchain traceability for GI Mangoes (Alphonso) and Digital assaying at APEDA packhouses.

Blockchain Technology in GrapeNet: APEDA implemented Blockchain solution as part of its GrapeNet traceability system. The Blockchain technology helped tracking all the activities and steps involved in the grape lifecycle, right from farm allocation to the delivery of grapes.

Coffee Development Programme in Odisha

Coffee Board has initiated a programme with the Government of Odisha to promote coffee and black pepper cultivation by tribals in Koraput District. This four-year programme, designed to be implemented with financial assistance from the Government of Odisha and technical assistance from the Coffee Board, has a budget of Rs. 16.46 crore and envisages support to about 4100 tribal growers to produce coffee and black pepper in an area of about 2000 ha (existing and new).

Rubber Census

Rubber Board is conducting nationwide census on rubber by using digitalized mobile application, ‘RUBAC’, developed in association with Digital University, Kerala, with a view to ascertain the area under rubber, new-planted area, re-planted area, the age profile of trees, discarded area over the years, level of adoption of new clones, size of holdings and details of tappers etc. Field enumeration has started in Kottayam District.

Collaborative Project for rubber plantation development in NE region with ATMA

A project for supporting development of new rubber plantations in North East and improving quality of processed forms of rubber with a contribution of Rs.1,100 crore from major tyre companies, represented by Automotive Tyre Manufacturers Association (ATMA), is approved and MoU signed under the initiative and guidance of Hon'ble Commerce and Industry Minister.

The plan is to develop 2,00,000 ha of rubber plantations in North East in five years. Planting of rubber started in July 2021 and expected area to be planted in 2021 is 5000 ha.

Source: pib.gov.in– Dec 30, 2021

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'India-Australia interim FTA talks to close soon'

Final pact by end-2022, says the Commerce Ministry

India and Australia are expected to complete negotiations for an interim free trade agreement (FTA) soon, a move aimed at boosting economic ties between the two countries, the Commerce Ministry said on Thursday.

It said that the final agreement, which is officially dubbed as the Comprehensive Economic Cooperation Agreement (CECA), is expected to be completed by the end of 2022.

The pact covers areas such as goods, services, investment, rules of origin, customs facilitation, legal and institutional issues.

The Ministry also said that a similar agreement with the UAE is likely to be signed in March 2022.

"This new strategic economic agreement is expected to increase bilateral trade in goods to $100 billion within five years of the signed agreement and increase trade in services to $15 billion," the Ministry elaborated.

On the export target of $400 billion for this fiscal year, the Ministry said India's merchandise exports had reached 65.9% of the target till November. "For monthly monitoring of achievement of targets, an Export Monitoring Desk under Statistics Division of DGFT has been set up," it added.

It also said the India Pavilion at the Dubai Expo has attracted six lakh visitors in 83 days of its opening.

Further, the ministry informed in its year-end review that at the Government e-Marketplace (GeM), total 31.8 lakh vendors have been onboarded.

"GeM has created a Unified Procurement System for the country in line with the vision of the government, by bringing the functionalities of the Defence Public Procurement Portal, the Central Public Procurement Portal and its sub-portals onto GeM to provide a single user experience," it said.

The system will consolidate the scattered vendor bases on publishing portals onto GeM leading to advantages of economies of scale, better price discovery and dissemination of best practices in procurement.

On National Logistics Policy, it said that the policy has been developed after wide consultations with all ministries.

"A 75-point National Logistics Reform Action Plan has also been prepared with specific actionable items on the policy. Revised policy is in its final stages of approval. It targets to reduce the cost of logistics by about 5 per cent over the next 5 years, achieving a ranking in top 25 of major global logistics-related performance indices," it added.

The ministry said that during 2021-22 till December 8, new projects with a total Trade Infrastructure for Export Scheme (TIES) fund of Rs 113 crore have been approved by an empowered committee.

About Rubber Board initiatives, it said that board is conducting nationwide census on rubber by using digitised mobile application, 'RUBAC', developed in association with Digital University, Kerala, with a view to ascertaining the area under rubber, new-planted area, re-planted area, the age profile of trees, discarded area over the years, level of adoption of new clones, size of holdings and details of tappers.

Source: thehindu.com– Dec 31, 2021

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Finance Minister Smt. Nirmala Sitharaman chairs Pre-Budget consultation with Finance Ministers of States

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman chaired the pre-budget consultations with the Finance Ministers of States and Union Territories (with Legislature) for Union Budget 2022-23 here today.

The meeting was attended by Union Minister of State for Finance, Chief Ministers, Deputy Chief Ministers, Finance Ministers, Ministers and Senior Officers from the States and Union Territories (with Legislature) and the Union Government.

The Union Finance Secretary welcomed all the participants to the deliberation and informed the importance of this particular consultation meeting. Most of the participants thanked the Union Finance Minister for financially supporting their States/Union Territories during the worst months of pandemic, by enhancing borrowing limits, providing back to back loans to States, and through Special assistance for capital expenditure.

The participants also gave numerous suggestions to the Union Finance Minister for inclusion in the Budget Speech. The Finance Minister thanked the participants for their inputs and suggestions towards Union Budget 2022-23 and assured to examine each of the proposals.

Source: pib.gov.in– Dec 30, 2021

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Relook at inverted duty structure for textiles, the main agenda

Industry may get some relief; rate rationalisation unlikely to be taken up
The one-point agenda for the 46th meeting of Friday's GST Council is to review the new taxation regime for textiles that is to come into effect from January 1. The textile industry is likely to get a relief.

BusinessLine learns that rate rationalisation is unlikely to be taken up as the Group of Ministers (GoM) tasked to study this is yet to finalise its report. The seven-member group under Karnataka Chief Minister Basavraj S Bommai was constituted in September and asked to give its report within two months. It has already held two meetings.

Fear of job losses

The proposed hike in the rate for textiles from 5 per cent to 12 per cent has become a major bone of contention with many States demanding a rollback saying it would lead to job losses and closure of a large number of units. The Centre has also received a flurry of representations for putting off the new regime from the industry.

"Textile GST is expected to be the main point of discussion. It is more of a political issue now than economic," a government source said.

At its previous, September 17, meeting in Lucknow, the Council had decided that "GST rate changes in order to correct the inverted duty structure in footwear and textiles sector, as discussed in earlier Council meetings and deferred for an appropriate time, will be implemented with effect from January 1, 2022."

An inverted duty structure means higher rates on inputs and lower levies on output. This results in refunds to industry affecting cash flows for companies and revenue collections for the government. Consumers do not gain anything.

Inverted duty structure

According to sources, the lower duty on finished products creates an inversion and consequently the annual refund amount exceeds ₹4,000 crore. "The amount is expected to grow, considering that in the first year (of implementation of the GST), refund of accumulated ITC (Input Tax Credit) was not allowed," a source explained. The Textile Ministry, too, has pitched for removing the inversion to free the sector from the burden of taxes, including accumulated ITC.

There are representations from the footwear sector, too, but the Council is unlikely to revise its decision there.

Many rates

As on date, there are multiple GST rates — the four main ones of 5, 12, 18 and 28 per cent, and some special rates such as 0, 0.25, 1 and 3 per cent. There has been a thinking for long to reduce the number of rates by, say, merging 12 per cent and 18 per cent slabs and introduce a 15 per cent rate. The GoM was to suggest the best possible option.

Other terms of reference for the GoM on rate rationalisation include reviewing the set of exempted goods and services with the objective of expanding the tax base, eliminating the breaking of the Input Tax Credit chain and re-looking instances of inverted duty structure.

Source: thehindubusinessline.com– Dec 30, 2021

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States demand GST rate hike on textiles be put on hold

Ahead of the GST Council meeting, several states on Thursday flagged higher tax rate on textile products from January 1 and demanded that the rate hike be put on hold.

In the pre-budget meeting chaired by Union Finance Minister Nirmala Sitharaman, states like Gujarat, West Bengal, Delhi, Rajasthan and Tamil Nadu said that they are not in favour of a hike in Goods and Services Tax (GST) rate on textiles to 12 per cent, from 5 per cent currently, with effect from January 1, 2022.

The 46th meeting of the GST Council, chaired by Sitharaman and comprising state FMs, is scheduled on December 31, with a single agenda to consider Gujarat's demand of putting the rate hike "decision on hold", as also representations received from trade in this regard.

Delhi Deputy Chief Minister Manish Sisodia said the move to raise GST on textiles from 5 per cent to 12 per cent is not people friendly and this should be withdrawn. If a common man buy clothes of Rs 1,000, he has to pay GST of Rs 120. "Delhi is not in favour of this," said Sisodia, who is also the Delhi Finance Minister.

Tamil Nadu Finance Minister P Thiaga Rajan said, "It is one point agenda (for tomorrow's Council meet). It is an agenda that many states have raised. In the agenda item it says that it was raised by Gujarat but I know that many states raised it. .. It should be stalled (move to raise GST rate on textile)".

Rajasthan Education Minister Subhash Garg said the Friday's GST Council meeting is likely to be on rate hike on footwear and textiles and Rajasthan does believe that rate hike on textiles should be rolled back especially when countries like Bangladesh are giving us stiff competition in such sector.

The Council in its previous meeting on September 17 had decided to correct the inverted duty structure in footwear and textile sectors.

With effect from January 1, 2022, all footwear, irrespective of prices, will attract GST at 12 per cent, and all textile products, except cotton, including readymade garments will have 12 per cent GST.

West Bengal's former finance minister and current advisor to state Chief Minister Amit Mitra had earlier urged the Centre to roll back a proposed hike in textile from 5 per cent to 12 per cent saying this would lead to closure of around 1 lakh textile units and 15 lakh job losses.

Telangana Industries Minister KT Rama Rao too had made a case for withdrawal of its proposed plan to increase GST rates.

Industry too has opposed the rise in tax from 5 per cent, citing higher compliance cost especially for the unorganised sector and MSMEs besides making poor man's clothing expensive.

Source: economictimes.com– Dec 30, 2021

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Year End Review- 2021 Ministry of Micro, Small & Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises (MSME) has undertaken several path-breaking/ important initiatives during the year 2021.The following details provide a glimpse of various initiatives of the Ministry during 2021:

1. Atmanirbhar Bharat Initiatives:

i) Distressed Assets Fund -Subordinate Debt for stressed MSMEs-Credit Guarantee Scheme- Subordinate Debt (CGSSD):

The Scheme was launched on 24.06.2020 and it has been extended till 31.03.2022. During the period of January, 2021 to November, 2021, guarantee to 537 borrowers amounting to Rs. 59.98 crore have been released.

ii) Fund of Funds Scheme for MSMEs: Self Reliant India (SRI) FUND

a) SRI Fund is a Category-II Alternative Investment Fund registered with SEBI with Mother Fund / Daughter Fund structure. The Government of India is the sole anchor investor with the initial budgetary support of Rs. 10,000 crore to the mother fund in phased manner.

This shall stand leverage to the extent of Rs. 50,000 crores through Daughter Funds. For anchoring the Mother Fund, NSIC Venture Capital Fund Limited (NVCFL), subsidiary of The National Small Industries Corporation Limited (NSIC) has been incorporated under the Companies Act 2013.

b) NVCFL has been registered as a Category II Alternative Investment Fund and the Private Placement Memorandum of SRI Fund has been approved. Contribution Agreement, duly vetted by the Department of Legal Affairs, Ministry of Law & Justice was executed by the Anchor Investor (M/o MSME, Government of India), Sponsor (NSIC), AIF Company (NVCFL) and the Investment Manager (SBICAP Ventures Limited), in the presence of the Hon‟ble Minister of MSME, Hon‟ble Minister of State for MSME and Secretary MSME.

c) Within 3 months of signing of the Contribution Agreement, Rs. 2,640 crore (representing 26.38% of the total Fund corpus) has been committed. By the end of FY2021-22, it is expected another Rs. 500 crore worth of commitments will be provided. However, deployment of Funds will be in phases as per demand raised by the empanelled Daughter Funds.

Benefits

a) To provide funding support to the MSMEs through the Daughter Funds, as growth capital in the form of equity or quasi-equity, for enhancing equity / equity like financing to MSMEs, listing of MSMEs on Stock Exchanges and supporting faster growth of MSME Businesses and thereby ignite the economy and create employment opportunities.
b) supporting enterprises which have the potential to graduate beyond the MSME bracket and become National / International champions; and
c) supporting MSMEs in making India self-reliant by producing relevant technologies, goods and services.
d) The fund shall be dispersed through daughter funds across the Nation to all MSMEs as defined in MSMED Act.

2. Policy Initiatives:

a) Udyam Registration (UR) Portal:
It provides faceless, fully online, paperless and transparent MSME registration process fully integrated with Income Tax and GSTIN systems. Total MSMEs Registered on Udyam Registration Portal during the period from 01.01.2021 to 31.10.2021 is 38,78,748.
b) Exemption from requirement of having GSTIN
This Ministry, wide notification No. S.O.1055(E) dated 05.03.2021, has notified that the exemption from the requirement of having GSTIN shall be as per the provisions of the Central Goods and Services Tax Act, 2017 (12 of 2017), which will let more and more MSMEs to register on Udyam Registration portal.
c) Inclusion of Retail and Wholesale Trade:
With effect from 2nd July, 2021, the Government has included Retail and Wholesale trades as MSMEs. They are allowed to be registered on Udyam Registration Portal. Benefits to them are restricted to Priority Sector Lending only. Click here for more details

Source: pib.gov.in– Dec 30, 2021

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Reconsider decision to increase GST on textiles, handlooms: KTR

Telangana Industries and IT Minister K T Rama Rao has asked the Centre to withdraw the move to raise Goods and Services Tax (GST) on the textile and handlooms sector.

He appealed to Finance Minister Nirmala Sitaraman not to take the proposal forward in the GST Council meeting, which is scheduled for Friday. "Instead of waiving off the 5 per cent GST on handloom products and raw materials, the Centre is planning to increase it to 12 per cent beginning January 1, 2022. It will sound the death knell for the industry and lakhs of people will lose their jobs," he said.

In a letter to the Finance Minister on Thursday, he said that the industry and weavers' community had organised protests across the country, demanding that the Government withdraw the move.

This sector, which was battered during the pandemic, has not received any relief from the Central Government. "Considering the current scenario, the Centre should extend additional advantages and incentives to the sector," Rama Rao said.

"As it is, costs of raw materials, yarn, chemicals, packaging material and transportation have gone up substantially post Covid. The increase in GST will further escalate production costs by 15 to 20 per cent," he said.

If the GST rate was increased, about 15 lakh people would lose their livelihoods, he said.

Source: thehindubusinessline.com– Dec 30, 2021

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States pitch for continuation of GST compensation for another five years

Rajasthan Education Minister Subhash Garg said extension of compensation cess window till 2026-27 is a valid demand of states and the Centre should consider it.

State governments, including Chhattisgarh, Kerala, Delhi and West Bengal on Thursday pressed for continuation of the GST compensation for another five-year period in view of the financial stress created by the outbreak of the pandemic.

The demand for extension of the GST cess regime among others was made by several state finance ministers at a pre-budget consultation called by Union Finance Minister Nirmala Sitharaman here.

Besides, many states also demanded raising the share of the Union government in the Centrally Sponsored Schemes (CSS).

Currently, the central government and state government share in some CSS is 60:40 while in others it is 75:25.

GST compensation to states for revenue shortfall resulting from subsuming of local taxes such as VAT in the uniform national tax, Goods and Services Tax (GST) will end in June next year.

There has been a loss of revenue to states due to the GST tax system, the Centre has not made arrangements to compensate the loss of revenue of about Rs 5,000 crore to states in the coming year, so the GST compensation grant should be continued for the next five years after June 2022, Chhattisgarh Chief Minister Bhupesh Baghel said.

“Many states have asked for this. We have also asked to extend GST compensation. If it is not extended, the finances of many states will be in a bad shape,” Delhi Deputy Chief Minister Manish Sisodia said after the pre-budget consultation.

The GST Constitutional Amendment Act provides for the Centre compensating states for five years for loss of revenue arising on account of implementation of GST, and during the transition period, states’ revenue is protected at 14 per cent per annum over the base year revenue of 2015-16.

GST, which subsumed indirect taxes like excise duty, service tax and VAT, was rolled out on July 1, 2017 and the compensation window ends on June 2022.

Pointing out that Chhattisgarh has received less share of central taxes by Rs 13,089 crore in the Union Budget of the last three years, Baghel demanded that the share of central taxes be given to the state completely in the coming year.

He also demanded that Rs 4,140 crore deposited with the Centre at the rate of Rs 294 per tonne on coal mining from coal block companies should be transferred to Chhattisgarh soon.

Rajasthan Education Minister Subhash Garg said extension of compensation cess window till 2026-27 is a valid demand of states and the Centre should consider it.

He also demanded reduction in import duty on gold and silver from 10 per cent to 4 per cent.

“Our most significant demand is that the Centre’s share in centrally-sponsored scheme has gradually reduced and states share has increased. Earlier share would be 90-10 and now it is 50-50 or 60-40, our request is that it should go back to 90-10,” Garg said.

Rajasthan also requested that all irrigation and water work projects should be brought under the Centre’s ambit and declared central schemes.

West Bengal also pitched for extension of GST compensation for another five years citing two years of difficult time due to COVID-19.

COVID crisis was not anticipated when this was fixed, said West Bengal Urban Development & Municipal Affairs Minister Chandrima Bhattacharya. Asked if BJP ruled states too demanded extension, she said, some of them were in favour of extension.

For CSS, the Centre should increase its share, she said, adding, there are various areas from where the central government can actually augment finance but it is very difficult for states because the area is very short.

With regards to state borrowing, she said that additional borrowing window should be without any condition.

Tamil Nadu Finance Minister P Thiaga Rajan said he has demanded extension of GST compensation cess regime for at least two years because of COVID-19.

“We have said at least two years that we lost due to COVID-19. Many states have asked for five years,” he said. He also made a case for raising share of the Centre in the CSS.

Kerala has also demanded extending GST compensation period by another five years. The current period will end in June 2022. State’s Finance Minister K N Balagopal, who participated in the meeting, said the broad focus of most states was on having packages to boost economic activities.

Many states also mentioned about the GST compensation issue, the minister told reporters in the national capital.

Kerala has also demanded increasing the allocation under CSS to compensate the “steady decline in the state’s inter-se share of devolution”. Besides, it has pitched for allowing state-specific grants as recommended by the Finance Commission.

The meeting was also attended by Union Minister of State for Finance Bhagwat K Karad and other senior officials.

According to an official statement, Union Finance Secretary T V Somanathan welcomed all the participants to the deliberation and highlighted the importance of the consultation meeting.

“Most of the participants thanked the Union Finance Minister for financially supporting their states/Union Territories during the worst months of pandemic, by enhancing borrowing limits, providing back to back loans to states, and through special assistance for capital expenditure,” it said.

The participants also gave numerous suggestions to the Union Finance Minister for inclusion in the Budget speech, it said, adding, the Finance Minister thanked the participants for their inputs and suggestions towards Union Budget 2022-23 and assured them that each proposal will be examined.

Source: financialexpress.com– Dec 30, 2021

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GST Council meet: Delhi govt to demand rollback of proposed GST hike on textiles

Delhi Deputy Chief Minister Manish Sisodia said the Delhi Government will protest against the proposed tax hike on textiles. "The government won't let the common man's voice be suppressed," Sisodia said. He stated that the textile traders are opposing the increase in Goods and Services Tax (GST) rates from 5 per cent to 12 per cent and their demands are justified, so the Aam Aadmi Party (AAP) Government shall take them forward.

In a statement, Sisodia further said that the Delhi Government under the leadership of Delhi Chief Minister and AAP convenor Arvind Kejriwal has always been in favour of keeping tax rates low. "I will raise the demand to withdraw the increased tax on textiles in GST council meeting on December 31. The Central Government should wake up and take note of the backbreaking inflation; they can't rub salt on the wounds of the poor like this," he said.

He added that the businesses of small traders will die a slow death if taxes on clothes increase. "Despite the backbreaking inflation in the country, the Central Government has proposed a humongous tax hike on textiles under the new GST regime. The Centre has proposed to shoot up GST rates to 12 per cent from the current rates of 5 per cent in a complete disregard of the common man's woes," he said.

Notably, the GST Council had made certain recommendations for revision in GST rate, mostly to correct inverted duty structure and other anomalies. This includes revision of rates in the textiles sector which shall come into effect from the January 1, 2022. Currently, a 5 per cent tax on sales up to ₹1,000 per piece is charged.

The recommendation of the GST Council to increase the GST rates on textiles from 5 per cent to 12 per cent, shall impact a large number of small traders dealing in the textile sector as well as the consumers who will be forced to pay exorbitant rates if the regime is implemented. People in the textile sector argued that such a decision may create a negative impact resulting in drop in demand and recession.

Source: livemint.com- Dec 31, 2021

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