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INTERNATIONAL NEWS

US remains Kingdom's major textile exports market

Despite the Covid-19 crisis, about 30 percent of textile-related exports from Cambodia went to the United States, according to the Ministry of Labour and Vocational Training.

During a discussion on US-Cambodia bilateral relations, W. Patrick Murphy, US Ambassador to Cambodia, said that the increase in exports of textiles indicates the excellent cooperation between Cambodia and the United States, despite some other challenges.

At the same meeting, Ith Sam Heng, Minister of Ministry of Labour and Vocational Training, appreciated Murphy for strengthening the cooperation between both countries.

The minister said that Cambodia continued to focus on combating human trafficking through labour trafficking, and the elimination of child labour has made significant progress, despite some challenges and issues.

"To achieve this goal, we have promoted these activities responsibly, ensuring the protection and promotion of the rights and benefits of migrant workers, protection from labour exploitation or discrimination in the workplace. We provide legal assistance and well-being, assisting workers in obtaining proper legal documents and helping undocumented migrant workers, facilitating access to social security and other benefits under the target country's laws.

"On the issue of child labour, the Labor Inspectorate is working to continue the education campaign to inform the handicraft enterprises and guardians to understand the laws and regulations clearly. The laws will define children's use in any work, while also applying the law to enterprises."
Both the countries agreed to promote these activities further and work together to improve the relationship.

The ministry will continue to encourage factory owners, enterprises in the manufacturing of travel products and bags to become members of the Better Factories project in Cambodia in order to obtain certificates of origin.
In the case of labour disputes, the ministry invites the parties to meet and arrive at a peaceful settlement under legal procedures.

According to the latest data from the Garment Manufacturers Association in Cambodia, the exports of textile-related products went up 15.2 percent to $11.3896 billion in 2021 compared to the exports in the previous year.
The garment exports accounted for $8 billion, footwear $1.390 billion, and travel goods were to the tune of $1.490 billion, while other categories amounted to $0.49 billion.

Kaing Monika, Deputy Secretary General, GMAC, told Khmer Times that the main export markets for Cambodia are still the US, EU, Canada and Japan. Moreover, the unstable political situation in some countries works in favour of Cambodia. Cambodia's new investment law and how the Kingdom handled the Covid-19 situation have helped attract many investors.

Source: khmertimeskh.com– Mar 09, 2022

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Bangladesh, India, Nepal finalise MoU to enable inter-vehicular movement

Bangladesh, India and Nepal have finalised an enabling memorandum of understanding (MoU), to be signed by the three countries, for implementation of the much-awaited BBIN Motor Vehicles Agreement (MVA), pending its ratification by Bhutan, to facilitate movement of passenger, personal, and cargo vehicular traffic.

The decision to finalize the MoU was taken at a two-day meeting of senior officials of Bangladesh, India and Nepal in New Delhi on March 7-8. Bhutan participated in the meeting as an observer, reports our New Delhi correspondent.

The officials agreed on specific steps and timelines needed to expeditiously finalise the passenger and cargo protocols for the implementation of the BBIN MVA which was signed on June 15, 2015.

The Bangladesh delegation at the meeting was led by ATM Rokebul Haque, director general (South Asia) of the foreign ministry.

Recalling the commitments made at the highest level for implementation of the BBIN MVA, the delegations at the meeting expressed their desire to sign the MoU at the earliest to give momentum to the implementation of the agreement, the Indian External Affairs Ministry said.

The officials of the countries at the meeting emphasised the importance of operationalising the BBIN MVA expeditiously to enable seamless movement between them for facilitating trade and people-to-people contact.

The two-day meeting in New Delhi was held to discuss the passenger and cargo protocols that are essential to operationalize the BBIN Motor Vehicles Agreement (MVA) for the regulation of passenger, personal and cargo vehicular traffic, which was signed on June 15, 2015.

This was the first meeting of the officials since the outbreak of the Covid-19 pandemic. The last meeting was held in February 2020 in New Delhi.

Operationalizing the MVA by concluding the passenger and the cargo protocol will help realise the full potential of trade and people-to-people connectivity between the BBIN countries by fostering greater sub-regional cooperation.

The Asian Development Bank provided technical and knowledge support to the New Delhi meeting held on March 7 and 8.

Source: thedailystar.net – Mar 08, 2022

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UK faces large EU bill over Chinese imports fraud

The British government faces paying a hefty charge to the EU after the European court of justice ruled it had been negligent in allowing criminal gangs to flood European markets with cheap Chinese-made clothes and shoes.

Publishing its final ruling on Tuesday, the court concluded that the UK as member state had "failed to fulfil its obligations" under EU law to combat fraud and collect the correct amount of customs duties and VAT on imported Chinese goods. The failures by HMRC date from 2011 to 2017.

Under the withdrawal agreement signed by Boris Johnson, the UK remains subject to ECJ jurisdiction for any breaches of EU law during its time as a member state. The European Commission has been seeking since 2018 to force the UK to pay more than €2bn (£1.7bn) in compensation to the EU budget.

The complaint emerged in 2017, when the EU's anti-fraud office said British authorities had allowed criminals to evade customs duties by making false claims about clothes and shoes imported from China. It found that more than half of all textiles and footwear imported into the UK from China were below "the lowest acceptable prices".

In a blow to the government, the EU's highest court upheld the complaint, finding "that the United Kingdom has failed to fulfil its obligations under EU law by failing to apply effective customs control measures or to enter in the accounts the correct amounts of customs duties".

It also said the British government had failed to provide EU officials with all the necessary information to calculate the amount of money owed.

But it was not a complete victory for the commission, which had claimed a €2.7bn payment from the UK government to cover the EU's losses. The court said the commission's calculations had not met the "requisite legal standard" and instructed EU officials to recalculate the losses based on recommendations in the judgment.

The UK cannot appeal against this final verdict but has the right to challenge the commission over how much money it should pay into the EU budget, once a revised bill is published. The British government has also been ordered to pay four-fifths of the commission's legal costs.

The case emerged after a 2005 decision championed by the then EU trade commissioner, Peter Mandelson, to abolish quotas on textiles and clothing from all World Trade Organization countries, including China. In subsequent years, EU fraud officials became concerned that shell companies were using fake invoices that undervalued Chinese-made clothes and shoes. In 2014, the EU's anti-fraud office launched Operation Snake to check import declarations, which included a method to calculate undervalued goods.

British customs officials declined to use the EU method, arguing it was counterproductive and disproportionate. In court, the UK defence team said its customs officers had done everything required to combat fraud, contending that EU law did not mandate any method to calculate undervalued goods. The government was supported by six member states: Belgium, Estonia, Greece, Latvia, Portugal and Slovakia.

The court, however, sided with EU officials, suggesting the UK should have used EU-wide method set out by the bloc's anti-fraud office, Olaf.

In a statement, the court said: "According to Olaf, fraudulent imports were increasing significantly in the United Kingdom on account of the inadequate nature of the checks carried out by the United Kingdom customs authorities, encouraging the shift of fraudulent operations from other member states to the United Kingdom."

A UK government spokesperson said they would consider the judgment and respond in full in due course, adding: "Throughout, we've made the case that we took reasonable and proportionate steps to tackle fraud in question and that the Commission vastly overstated the size and severity of the alleged fraud.

The UK has always and continues to take customs fraud very seriously and evolves its response as new threats emerge."

Source: theguardian.com – Mar 08, 2022

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Russia most important trading partner of Germany's sea ports in 2021

Current sanctions against Russia are expected to affect Germany's maritime transport as the Russian Federation was the number one trading partner of German sea ports from January to November 2021. About 24.1 million tonnes of goods were loaded or unloaded in trade with Russia, 45 per cent of which were fossil energy carriers, according to the Federal Statistical Office (Destatis).

Russia was followed by Sweden (23.7 million tonnes), and China (20.2 million tonnes).

A total of 265.3 million tonnes of goods were loaded and unloaded in German sea ports from January to November 2021. This was an increase of 5.2 per cent compared with the same period of 2020, which was affected strongly by the COVID-19 pandemic, as per Destatis.

Source: fibre2fashion.com– Mar 09, 2022

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Farming, textiles hold key to Kenya's exports

Agriculture, textiles and minerals could spur Kenya's export output in the next decade, Standard Chartered Bank says.

In a report titled Future of Trade 2030: Trends and Markets to Watch, the bank identifies major corridors and five trends shaping the future of global trade. Kenya is the only East African country in the top 13 countries that will experience major export growth in the next 10 years.

The research also found that 10 percent of global companies currently are or plan to manufacture in Kenya within the next five to 10 years.

Kenya is projected to grow its exports annually at more than seven percent to cross $10.2 billion by 2030, with Pakistan, Uganda and the US the fastest growing export corridors for Nairobi.

Kenya's business with Pakistan, one of its main tea markets, is set to grow to 10.7 percent of total exports by 2030, followed by Uganda at 11 percent and the US accounting for 9 percent of exports.

During the past 24 years, Kenya's exports to Uganda have increased at an average annual rate of 4.85 percent, with data indicating that the country exported goods valued at more than $635 million to Uganda in 2021. The main products were palm oil ($63.8 million), coated flat-rolled iron ($42.2 million) and refined petroleum valued at $36.1 million.

The US is the largest export destination of Kenya's apparel, accounting for over 90 percent of garment exports every year. Of the total $667 million US imports from Kenya, nearly 70 percent ($453 million) was apparel, making the sector the single largest stakeholder in the proposed Free Trade Agreement.

With ongoing developments in production, government support and newly signed trade deals, Kenya's textile and apparel industry is expected to continue its growth in the global market.

Standard Chartered Head Transaction Banking Makabelo Malumane said the predicted doubling of global trade offers strong evidence that globalisation is still working despite recent dislocation. In addition to the

growth of intra-regional trade pathways, the corridors of the future will still cut across continents.

The report, commissioned by Standard Chartered and prepared by PwC, is based on an analysis of historical trade data and projections until 2030. "Global trade will be reshaped by different key trends based on the wider adoption of sustainable and fair-trade practices, a push for more inclusive participation and greater risk diversification," reads the report.

Countries that adopt digitisation and rebalancing towards high-growth emerging markets are expected to increase their export growth.

Source: theeastafrican.co.ke– Mar 08, 2022

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Pakistan: Textile, automotive and furniture sectors show higher growth

Pakistan's manufacturing industry has seen an uptick in output during the first half of the current fiscal year, indicating that the economic growth was gaining sustainability after the Covid-19 pandemic shocks, WealthPK reported.

According to the Pakistan Bureau of Statistics (PBS), the production increased in textile, tobacco, leather products, food, beverages, coke and petroleum products, fabricated metal, automobile, machinery and equipment, iron and steel products, paper and board, chemicals and furniture in the first half of the current fiscal year (1HFY22) as compared to the 1HFY21.

On the other hand, production decreased in pharmaceuticals, electronics, rubber products and fertilisers. Textiles ccording to PBS statistics, textile and clothing exports grew 26% year-on-year to $9.38 billion in the first half (July-December) of this fiscal year from $7.44 billion in the corresponding period of last year, according to WealthPK.

Imports of textile machinery jumped 88.24% in July-December, reflecting expansion or modernisation in the industry.

The government's supportive policies, which include the introduction of regionally competitive energy tariffs, the elimination of duty and taxes on industrial raw materials, a lower interest rate, and the payment of pending refunds to exporters, have resulted in a stronger export capacity in Pakistan's textile industry.

Source: pakobserver.net – Mar 07, 2022

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NATIONAL NEWS

PM Modi to address global investors on privatisation, asset monetisation on March 9

Prime Minister Narendra Modi will on Wednesday address global investors as well as infrastructure, real estate and legal sector experts on the strategy of CPSE privatisation, asset monetisation and their contribution to India's growth.

The Department of Investment and Public Asset Management (DIPAM), in collaboration with NITI Aayog, is organising the apex level consultative post-Budget webinar, which will see participation from 22 ministries and senior management from PSEs.

Global sovereign funds, private equity, global pension funds, investment banks, asset monetisation companies especially real estate, infrastructure, and legal experts along with other stakeholders from North America, Europe, Middle East, Asia and Far East, and Australia would also participate.

"With this webinar, DIPAM aims to elicit ideas and views from the sectoral experts, investors' community and other eminent stakeholders on the issues to chalk out a time-bound implementation plan/strategy regarding Privatization/Disinvestment of Public Sector Enterprises and Asset Monetization of Core and Non-Core assets for realization of optimal outcome/contribution in India's growth," an official statement said.

Finance Minister Nirmala Sitharaman will give her address in the concluding session of the webinar.

DIPAM will incorporate valuable thoughts/experiences from the panellists and participants to formulate robust implementation strategy for privatisation, asset monetisation and disinvestment programme of the Government of India with sharper focus, the statement added.

The government has set a Budget target of Rs 65,000 crore from CPSE disinvestment/privatisation in the next fiscal beginning April 1.

In the current fiscal, the disinvestment target has been scaled down to Rs 78,000 crore in the revised estimates, from Rs 1.75 lakh crore pegged in the Budget. So far this fiscal, over Rs 12,400 crore has been realised from minority stake sales and Air India privatisation.

Source: financialexpress.com – Mar 08, 2022

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India's Exports Share In GDP Should Rise To At Least 20% Says Piyush Goyal

The share of India's exports in its gross domestic product (GDP) should rise to at least 20 per cent—and ideally 25 per cent as the country needs to support its import of oil—if it wants to be a $5-trillion economy, according to minister of commerce and industry Piyush Goyal, who recently told an industry body session that a strong rupee will be good for exports.

Goyal also holds the portfolios of consumer affairs, food and public distribution and textiles.

Delivering the keynote address virtually at the annual session of the Associated Chambers of Commerce and Industry of India (ASSOCHAM) on 'The great Reset: Reinforcing India's Global Positioning', he said he is hopeful of India's exports touching $410 billion in this fiscal.

"I am delighted that we are at $374 billion until February 2022, i.e. 11 months of this (financial) year. So I do believe that irrespective of problems that we have in the northern parts of Asia-Europe, we are well on track not only to achieve 400 [$400 billion], I am hoping closer to 410 [$410 billion]," he said.

Goyal called for the reorienting of economic laws to suit the changing needs of time, according to an official release from his ministry.

He urged the industry to explore various free trade agreement provisions and use them to their full potential, take active part in existing negotiations, and focus on the development of aspirational districts and tier2 and tier 3 cities, some of which can be future export hubs.

Source: business-standard.com – Mar 08, 2022

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India may consider alternative pay system for exporters if Russia-Ukraine war continues for long

India may consider alternative payment mechanisms for exporters if the Russia-Ukraine conflict continues for a long time and key trade sectors such as gems and jewellery face a problem in international cash transfer, government sources said on Tuesday.

This consideration came against the backdrop of the Russia-Ukraine war and sanctions being imposed by western countries, including the Group of Seven (G-7) economies, that has imposed punitive sanctions against the Russian central bank. They have also decided to remove Russian banks from the SWIFT inter-banking system, which is intended to isolate Russia from global trade.

“India is closely monitoring its foreign trade situation in the wake of the Ukraine situation and may consider alternative payment mechanisms if the adverse situation continues for a long time and key trade sectors such as gems and jewellery face a problem in international cash transfer,” one of the sources said.

Exporters of gems and jewellery have received assurances of support from Russia’s Alrosa, which accounts for about 30 per cent of global diamond output, and sells around 10 per cent of its rough-diamond output to India. Diamonds account for about 50 per cent of India’s gems and jewellery exports.

So far, the supply of rough diamonds from Russia has not been interrupted but the industry is concerned about US sanctions on Russia and the country being banned from the SWIFT financial network, sources said adding that bulk of the payments have been done and the gems and jewellery trade in hubs like Surat is doing well.

They added that a lot of business has been contracted by the Indian industry before February 24 and as a result, payment-related issues have not come up although banks are being cautious. Many manufacturers have made payments in euros.

While the trade has continued without any major impact, the government is constantly in touch with importers and exporters and is ready to consider their concerns about adverse outcomes in case the situation develops into a long-term crisis for international trade, they said.

Russia's Alrosa sent a letter to GJEPC (gem and jewellery export promotion council) on February 28 stating Alrosa is ready to address concerns related to day-to-day operations in wake of the US restrictions imposed on Alrosa. The Russian company has told the Indian industry that it has been able to operate normally, without delays, because of its diverse banking partners and that its settlement with foreign partners has continued normally.

It is estimated that there would not be any short-term impact on the Indian diamond industry. However, a long-term crisis potentially can have an impact as the industry depends on imports. Alrosa sells 68 per cent of its rough diamonds by value through trading centres (Belgium 40 per cent, UAE 22 per cent and Israel 6 per cent), 77 per cent sales are through long term contracts, 12 per cent by tenders and 11 per cent in the spot market.

According to the Federation of Indian Export Organisations (FIEO), the rupee-rouble trade is one of the alternative mechanisms for payments between India and Russia.

"We have suggested this to the government. Decisions will have to be taken by our central bank. The challenge in this would be fixing exchange rates for the currencies. But, our banks have experience for doing payments in local currencies because we have done that with Iran," FIEO Director-General Ajay Sahai said. Leading exporter of Mumbai and founder chairman of Technocraft Industries India Sharad Kumar Saraf said India can also explore the possibilities of using BRICS' bank for routing the bilateral trade. "We can put one public sector bank as a nodal bank which would monitor the debits and credits," Saraf said.

Source: financialexpress.com– Mar 08, 2022

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Several letters exchanged between Commerce Ministry, EC on ironing out past differences

India is trying to persuade the European Union to come to the negotiating table to work out the contours of the proposed bilateral free trade agreement instead of putting in place numerous preconditions for starting the talks, sources have said.

"The European Commission has been sending us numerous letters on narrowing areas of divergences that negotiators had during the previous phase of the India-EU FTA talks. It is also seeking newer concessions that India is extending to some of its other trade partners bilaterally," a source tracking the matter told *BusinessLine*.

Source: financialexpress.com– Mar 08, 2022

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Rupee-rouble trade arrangement: Will it work?

What is rupee-rouble trade?

Rupee-rouble trade is a payment mechanism which can allow Indian exporters to be paid in Indian rupees for their exports to Russia instead of standard international currencies such as dollars or euros. Under this arrangement, a Russian bank will need to open an account in an Indian bank while an Indian bank will open its account in Russia.

Both sides can then mutually agree to hold currency worth a specified amount in the local currencies in their respective accounts. If the specified amount is say, $100 million, then the Russian bank's account in India will have rupees worth that amount while the Indian bank's account in Russia will have roubles worth that amount.

There has to be a notional value of equivalence, say in euro or dollar, to which the value of the rupee and rouble will be pegged and the exchange value has to be mutually decided. Once the payment mechanism is in place, the Indian exporter can be paid in rupee from the Russian bank's account in India and imports from Russia can be paid for with roubles from the Indian bank's account in Russia.

Has it been attempted before?

India has attempted the rupee-rouble payment mechanism with Russia on a very small scale earlier for a few items like tea. But it has happened in normal times and never on a large commercial scale. A rupee-rial payment mechanism, however, had successfully worked in India's trade with Iran when economic sanctions were imposed on the country by a number of Western nations in 2012.

India successfully used the mechanism for partly paying for its oil purchase from Iran. This worked well for several years till the Trump regime placed product-specific sanction on oil trade with Iran and India stopped its purchases from the country.

How critical is the rupee-rouble mechanism for India?

It is important for India to have an alternative payment mechanism in place with Russia as the US, the EU and the UK have blocked at least seven Russian banks from accessing the Society for Worldwide Interbank Financial Telecommunication (SWIFT), a global secure interbank system that communicates payment instructions and enables transactions between banks from all the countries around the world.

An estimated $500 million is pending for goods already shipped by Indian exporters and it is now not possible to get the payment through the regular SWIFT channel. Since transaction with Russia cannot be carried out in international currencies such as the dollar or the euro, a rupee payment mechanism could play a pivotal role in deciding whether Indian exporters will get their payments and if trading can be continued with Russia.

Will the high volatility of rouble now make such a facility unattractive? What are the problems that may crop up?

The fluctuation in the value of rouble could make it difficult to implement the rupee-rouble payment mechanism. Firstly, it will be difficult to decide a fair exchange rate between the rupee and the rouble.

Moreover, if the value of the rouble continues falling sharply, then trading may not happen as the rouble in the Indian bank's Russian account will lose value. This is a risk that India will have to take if it decides to go ahead and put a rupee payment mechanism in place.

What are the strategic ramifications for India? Will the world see this as an arrangement by India to by-pass the sanctions post-Russia's invasion of Ukraine?

India has to be very careful before taking a final decision on the proposed rupee-rouble payment arrangement. Much would depend on the final shape the Western economic sanctions against Russia would take. At present, there is only a sanction against the use of SWIFT. There is nothing to bar India from trading with Russia using alternatives such as a barter system or a rupee-rouble payment mechanism.

However, if the sanctions turn product-specific, then it may be difficult for India to use this arrangement. The US and the EU are already unhappy with India for abstaining at the UN Security Council and the UN Human Rights Commission on all resolutions that criticise Russia for invading Ukraine. On top of that, if India helps Russia flout economic sanctions, it may then be accused of siding with Russia and this could hurt New Delhi's diplomatic relations with the Western powers.

Source: thehindubusinessline.com– Mar 07, 2022

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How GST is killing small businesses with inspector raj and suffocating compliance

The introduction of the Goods and Services Tax or GST was supposed to create a unified market of 1.4 billion people and encourage entrepreneurship and job creation. The other aim was to bring more and more firms into the formal sector of India's economy, which will help expand the tax base needed to raise the country's tax-to-GDP ratio that has been hovering around 10-11 per cent for a long time.

However, multiple rates and never-ending filing and reporting requirements have turned the GST regime against smaller businesses and first-time entrepreneurs. No wonder, out of 6.3 crore enterprises (the latest available data from NSSO 2015-16), only 1.34 crore have joined the GST network. There is no official data on how many firms have cancelled their GST registrations. But anecdotal evidence suggests that an increasing number of small businesses are either de-registering, and/or trying to remain small by not letting their sales turnover increase the threshold of Rs 20 lakh for services firms and Rs 40 lakh for manufacturing entities, above which GST registration is mandatory.

The current discourse on GST is mostly about how unscrupulous elements are using fake invoices to claim more input tax credits (ITC) than they should. That's true. However, the major reason for that is too many rates and wide gaps between rates (0-28 per cent) for different inputs that facilitate over-claim of ITC. For instance, cement attracts 28 per cent GST while steel bars 18 per cent. Obviously, real estate firms will use more cement (on paper) than steel to claim more ITC than they should. The solution is to cut multiple rates into fewer ones and reduce the rate differentials. However, the regulators responded by dis-allowing input tax credit for real estate players, which defeats the purpose — to check cascading effects of tax on tax.

What is not getting serious attention but should is how suffocating compliance burden and unchecked inspector raj are discouraging smaller business entities and first-time entrepreneurs from turning formal by joining the GST network.

How small companies suffer

I am listing some common irritants.
In addition to helping expand the tax base for the government, formalisation also helps smaller businesses entities in getting access to cheaper finance from banks. So, to promote formalisation, RoC (Registrar of Companies) has rightly simplified the registration process and has been allowing registration of businesses with (registered) addresses in residential buildings and apartments that help save on office rentals. That, in turn, encourages skilled professionals engaged in consultancy, online coaching, yoga and fitness training, research and advisory, and other knowledge-intensive services to have their own formal setup. Separate office space is not really needed for such ventures. Rather the only thing needed is laptops with internet connection, and most employees can work from their homes till the business operations become big enough to require separate offices and more employees.

But GST inspectors (many of them have seen the good old days of sales tax and VAT, and obviously don't want to let go of their power to extract bribes) harass such firms on flimsy grounds like 'why don't you have a company's nameplate clearly displayed' that can create nuisance in residential areas. That is quite stupid at a time when the difference between home and office has blurred. Moreover, this runs counter to the contributory role played by RoC and discourages entrepreneurship and creation of knowledge-intensive well-paying jobs that India badly needs, the more the better.

Of late, small business entities are getting automated GST notices based on their bank statements and being asked to furnish documents that are easily available with the government, for instance, tax returns or audited balance sheets.

The registered office of a company I deal with is Noida, but its bank branch is in Dehradun where the directors of the company live. All tax returns are filed properly. As the company has 100 per cent export sales, there's no GST payment obligation, and yet it has got a notice from the GST Dehradun office simply because the company's bank branch is in Dehradun. Unlike large corporations, small business entities can't really afford to have full-time "government affairs" teams to navigate the opaque tax bureaucracy and struggle to deal with it.

GST tightens the noose

The system of invoicing and GST payment is a big pain. Suppose company A raises a GST invoice against its client company B, say in November 2021, for supply of goods or service that attracts 18 per cent GST, A (the seller) is liable to pay up the GST amount equal to 18 per cent of the invoice value (on behalf of B) to the government, latest by 20 December 2021, irrespective of whether A has received the payment from B or not. Company A can't cancel the invoice merely because it expects delays or default on payment because it has already supplied goods or services with respect to the GST invoice raised. Thus, seller A must pay GST on behalf of their buyer/client B by December 20, 2021.

In case A doesn't deposit the GST amount in the government's account by the said date due to whatever reason—A doesn't have sufficient cash balances and the buyer delays (or defaults)—the GST authorities cancel A's GST registration, usually after a month or two. It's difficult to understand why the seller's GST registration is being cancelled when the problem lies with the buyer.

Suppose, the buyer B now has money and wants to pay up their supplier A. The client/buyer checks the GST registration status (as GST registration cancellations by officials have become quite common these days) of the seller/supplier A, but doesn't find it because of cancellation, B then would obviously want to pay only the principal amount to A and not the applicable 18 per cent GST as they can't claim input tax credit. That is not all.

Now suppose seller A gets a new client 'C' who is interested in buying goods or services from A but asks for A's GST registration as they want to avail ITC. Now A has the following option: Pay up the GST dues of its former client B with interests and penalty if any, and bribe or plead the concerned GST inspector for restoration of its GST registration or forget sales to client C. Or, A may ask C for reverse GST charges i.e. the buying client (C) to pay GST on A's behalf and pay only principal amount to A. In this case, C will be able to claim ITC but seller A won't be able to do so as the latter's GST registration has been cancelled.

Usually, large companies (the kind of client a small vendor must not lose) delay paying smaller vendors forcing them to pay GST from their own pocket. This consumes a lot of working capital (even if temporarily) of the supplying vendors, and reduces the amount of working capital needed by the buying companies. But that would cost the small vendor interest on

additional working capital. This is one of the ways in which large companies are squeezing smaller vendors.

Seller A can think about raising the invoice in December 2021, the actual month in which they expect to get the payment. This is possible in the case of supply of services but not in the case of goods as it involves the generation of E-way bills for transportation at the time of sale. In either case, the seller will have to bear the cost of delayed payments from the buyer. The only relief the seller (of services only) can get is that they could pay up GST later and yet his registration will not be revoked. But tax inspectors can always threaten to cancel the GST registration, especially of a small firm for delaying payment (forced by delayed payment from the buyer) to extract bribes. That is another side effect of this strange GST rule.

The way forward

It's next to impossible to do away with inspector raj completely. However, the following tweaks can help. At the moment, manufacturing firms with annual sales turnover of Rs 40 lakh are exempted from compulsory GST registration. This limit is Rs 20 lakh for services firms. It would help to raise this limit to Rs 50 lakh for both manufacturing and services. This will free up thousands of smaller firms from clutches of inspect raj and let them focus on business development. That's the way to faster GDP growth and job creation. The switch to GST shouldn't be forced upon a small business entity that doesn't see any benefit from joining the network.

Second, the suppliers of goods and services should be asked to pay GST only after they receive the payment from buyers. This can end all harassment related to invoicing and payment.Third, making GST payment and filing GST returns quarterly just like income and corporation taxes irrespective of size and sales turnover, will help all kinds of businesses by cutting down compliance cost. Tax avoidance can be checked by better coordination between direct and indirect tax departments without hurting entrepreneurship. I rest my case.

Source: theprint.in– Mar 07, 2022

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Ministry of Culture and Ministry of Textiles to organise pan-India programme "Jharokha – Compendium of Indian handicraft/ handloom, art and culture"

As part of the Azadi ka Amrit Mahotsav Ministry of Culture and Ministry of Textiles are organizing "Jharokha-Compendium of Indian handicraft/ handloom, art and culture". It will be a PAN India celebration which will be held at 16 locations in 13 states and UTs.

Jharokha is acelebration of the traditional Indian handicrafts, handlooms, and art & culture. The first event under this celebration is being organized in Bhopal, Madhya Pradeshstarting from 8th March 2022 on the occasion of International Women's Day. It will be organized at Rani Kamlapati Railway Station which is named after the brave and fearless Queen Kamlapati of the Gond kingdom of Madhya Pradesh.

Thisfirst event celebrates womanhood and the contribution of women in the field of art, craft and culture. All the stalls at the event are being setup by the women artisans making it more special. The event will be inauguratedby women who have been role models in the societyfeaturing renowned artist and Padma Shree awardee – Ms. Durga Bai Vyam,Director, AKAM; Ministry of Culture – Ms. Priyanka Chandra, IAS officer – Ms. Anubha Shrivastava, IPS officer – Ms. KiranlataKerketta and professor – Ms. Jaya Phookan. These women are a shining example of women empowerment. Their participation in the event will be an inspiration for other women to come forward and showcase their talent in different fields.

The celebrations at Jharokha will include showcasing of handicraft and handloom products from across the country.

Women artisans, weavers, and artists who have given their significant contribution in promoting and reviving Indian handloom and handicrafts will also be felicitated in the event.

A literary corner focused on local art, culture and festivals will be setup at each venue along with food stalls celebrating local Indian cuisines.

Another highlight of Jharokha will be the cultural events. These events will continue for 8 days and will include folk dance and singing performances by local teams and artists.

A dedicated corner for Ek Bharat Shrestha Bharat (EBSB) encompassing the culture and art of Manipur and Nagaland will also be setup at the venue.

Azadi Ka Amrit Mahotsav is an initiative of the Government of India to celebrate and commemorate 75 years of progressive India and the glorious history of its people, culture, and achievements.

Source: indiaeducationdiary.in – Mar 08, 2022

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Exporters seek freight support, flag refund issues with government

Exporters have sought freight support from the government, and flagged the issues of pending goods and services tax (GST) refunds and the status of various export incentive schemes.

In a meeting with commerce and industry ministry on Tuesday, exporters said that freight support is much required. With crude oil prices soaring to their highest since 2008 at $139 per barrel amid the Russia-Ukraine conflict, container rates have risen ten-fold in less than a fortnight while war insurance premiums are up 3-5%, as per sources.

"We are unable to execute exports as most of them would be made at a loss with high freight charges," said a representative of an export body who participated in the meeting.

India's merchandise exports in April-February FY22 were $374.05 billion, up 45.8% year-on-year while imports rose 59.21% to $550.12 billion.

Source: economictimes.indiatimes.comom– Mar 08, 2022

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Tirupur exporters tense over Russia-Ukraine war

With the ongoing Russia-Ukraine war, garment exporters in Tirupur are worried that the volatile market would have a cascading effect on the garment industry here.

Tirupur Exporters Association's president Raja M Shanmugham said 40% of its export business is with the European Union (EU) and the UK with a monthly turnover of `1,200 crore. Most of the European buyers and brands have branches or franchises set up in Russia. Though no specific data is available on the quantum of garments sent by European buyers to Ukraine and Russia, exporters here estimate that it could be around Rupee ET50 crore a month.

Last year, Rhythm Knit India in Tirupur, which manufactures children's garments made `5 crore in the Russian market. Rajkumar Ramasamy, the managing director of Best Corporation said they do not have direct business ties with Russia. But, a UK-based client of theirs was selling Tirupur products in Russia through a franchise. Rajkumar has business of `15 crore a month with the EU, a small portion of which might be going to Russia.

Though the current sale of Tirupur garments in Russia and Ukraine is minuscule, the companies had plans to expand there, which has been put on hold now, affecting long-term business plans. "Given the situation, we have halted our plans to expand our business to Russia," said S K Saminathan, executive director Rhythm Knit India.

Exporters said they had done export business with Russia in the past. "Due to several issues like lower Dun & Bradstreet rating and no payment guarantee from Russian buyers, we stopped doing business in the country," said E Siva Sankar, managing director of Exel Sourcing Company. Due to the ongoing crisis, Siva believes buyers from the EU may slow down purchase. There could be a cascading effect of the war — a possible slowdown of the economy — which might force the European buyers to cut expenditure, industrialists feel. Garment makers also fear the crisis may push up the cost of logistics, price of raw material and of finished goods. "At this time, many people are refraining from doing textile shopping. Hence, buyers may slow down purchase," Siva said.

K E Raghunathan, convenor of the Consortium of Indian Associations, an umbrella body of MSMEs, said the textile industry in Tamil Nadu is most likely to take a hit due to the war. “If the war continues, it would cripple the supply chain. Not only garment exports, but other exporters who are into automobiles could also face the heat because of the ongoing crisis,” he said. K Selvaraju, secretary general of Southern India Mills’ Association, said exporters have been advised to wait and watch.

Source: timesofindia.indiatimes.com– Mar 08, 2022

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