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INTERNATIONAL NEWS

New ITMF Coronavirus Survey Indicates Improved Outlook for Textile Sector

Are things looking up for the textiles sector? Survey says: yes.

The fifth International Textile Manufacturers Federation (ITMF) "Corona-Survey," conducted between Sept. 5-25 among members and affiliated companies and associations about the impact the coronavirus pandemic has had on the global textile value chain, indicated an improving outlook.

When representatives from the 216 companies from around the world who participated in the survey were asked about sales expectations for this year compared to last, their forecast fell to 16 percent compared to the previous survey taken May 20 to June 8, when respondents said they were expecting a drop in sales of around 32 percent.

The most recent survey asked for the first time about the sales expectations for the next four years. On a global average, the expectations are that in 2021, the global textile industry is expecting stagnation (-1 percent).

In 2022, companies said they are projecting a sales increase of 9 percent, followed by a 14 percent gain in 2023 and an 18 percent hike in 2024 compared to the base year of 2019.

Looking at the different segments of the textile value chain, finishers and printers had the most extreme outlook, expecting a 30 percent sales decline in 2020.

Weavers and knitters forecast volume to fall 23 percent, fiber manufacturers projected a 22 percent decrease, yarn spinners said a 17 percent drop-off was expected, garment manufacturers predicted a 16 percent decline and integrated manufacturers expect a 15 percent sales drop.

"The Corona pandemic has proven in a brutal way how important digital capabilities are when physical interactions with suppliers or customers are impossible or restricted," ITMF said.

"Twenty-one percent of all companies see a necessity to improve their digital capabilities, 18 percent are of the opinion that reducing the dependency from few customers is important going forward, followed by 17 percent of companies for which both broadening the products on offers and strengthening the balance sheet are crucial in the future."

ITMF conducted its first three industry survey in March and April as the pandemic was reaching global proportions, and factory and retail shutdowns were being imposed.

Source: sourcingjournal.com– Oct 05, 2020

HOME

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Global trade of clothing accessories dips 10% in 2019

The global export of clothing accessories was $21,188.61 million in 2017, which plunged moderately by 5.89 per cent to $19,941.08 million in 2019. Total exports declined by 10.07 per cent in 2019 over the previous year, according to data from TexPro. It is expected to move up to $21,731.69 million in 2022 with a rate of 8.98 per cent from 2019.

The global import value of clothing accessories was $14,199.99 million in 2017, which surged slightly by 1.29 per cent to $14,382.55 million in 2019, according to Fibre2Fashion's market analysis tool TexPro. Total imports decreased by 5.36 per cent in 2019 over the previous year and is expected to increase to $15,252.52 million in 2022 with a rate of 6.05 per cent from 2019.

China ($9,764.00 million), Italy ($1,837.83 million) and France ($877.18 million) were the key exporters of clothing accessories across the globe in 2019, together accounting for 62.58 per cent of total export. These were followed by South Korea ($723.57 million), India ($604.33 million) and Germany ($528.22 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Italy (49.44 per cent) and France (33.68 per cent).

The US ($2,532.21 million), Japan ($1,070.99 million), Germany ($980.06 million) and France ($961.01 million) were the key importers of clothing accessories in the globe in 2019, together comprising 38.55 per cent of total import. These were followed by Vietnam ($677.62 million), the UK ($641.93 million) and Italy ($560.91 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by France (20.21 per cent).

Source: fibre2fashion.com- 05, 2020

HOME

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Global economy is facing its worst crisis in 100 years: G-20 biz leaders

Top business leaders said on Monday the global economy was facing its worst crisis in a hundred years due to the ongoing coronavirus, and "downside risks remained elevated" unless urgent reforms were enacted during the G-20 summit which will be hosted by Saudi Arabia in November.

"The global economy is in its worst state in a century," warned Yousef Al-Benyan, chairman of the Business Twenty (B20), a group made up of high-level CEOs from around the world, according to CNBC. "The challenging opportunity is to build back better, with real urgency required from policymakers and business leaders," he added.

The B20 is an engagement group that seeks to represent the voice of the global business community across all member states and economic sectors in the Group of 20.

The group is urging G-20 leaders to undertake "bold and broad based" policy action to put the post-pandemic economic recovery on a stronger, more stable growth path.

It said trade tensions, policy uncertainty, geopolitical strains and building financial vulnerabilities were key risks to the outlook, as societies and economies navigate the crippling impact of the coronavirus.

The G-20 Leaders' Summit will be held virtually during November 21-22 and chaired by Saudi King Salman bin Abdulaziz Al Saud. The summit will focus on protecting lives and restoring growth by tackling vulnerabilities uncovered by the pandemic.

This will be the second virtual G-20 Leaders' Summit since March, when Saudi Arabia, the current chair of the grouping, had convened a meeting following a suggestion from Indian Prime Minister Narendra Modi to discuss ways to counter the pandemic and its economic impact. India is set to take over as the G-20 chair in 2022.

The upcoming summit will also build on the outcomes of more than 100 virtual working group and ministerial meetings, said a statement from the G-20 secretariat. The G20 has contributed more than $21 billion to support the production, distribution and access to diagnostics, therapeutics, and vaccines, and injected $11 trillion to safeguard the global economy as part of the fight against the pandemic.

Source: business-standard.com- 05, 2020

HOME

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Vietnam Tariff Threat Sparks AAFA Outcry

Fashion isn't thrilled at the growing prospect of tariffs on goods out of Vietnam, a major sourcing destination for footwear and apparel.

A move by the U.S. Trade Representative (USTR) to launch a Section 301 investigation on Vietnam, which could open the door to imposition of punitive tariffs on U.S. imports from the country, drove the American Apparel & Footwear Association (AAFA) to urge the government to "refrain from sowing further supply chain disruption" during the Covid-19 pandemic.

Late Friday, USTR said it was initiating an investigation at the direction of President Trump addressing two significant issues with respect to Vietnam. USTR will investigate Vietnam's acts, policies and practices related to the import and use of timber that is illegally harvested or traded, and will investigate Vietnam's acts, policies, and practices that may undervalue its currency and thus damage U.S. commerce.

USTR said it will conduct the investigation under Section 301 of the 1974 Trade Act, the same action that resulted in a trade war with China over the past two years and resulted in steep tariffs levied on a wide range of goods, including apparel, textiles and footwear, between the two countries. As part of its investigation on currency undervaluation, USTR said it will consult with the Department of the Treasury on issues of currency valuation and exchange rate policy.

“Vietnam is an important trading partner for the U.S. apparel, footwear and travel goods industry, and has become even more important as U.S. companies have implemented diversification strategies away from China,” said Steve Lamar, AAFA president and CEO. “As brands did their best to restructure their sourcing models to protect American consumers and American global value chain workers from increased costs caused by the administration’s tariffs, and follow the administration’s edict to diversify from China, many turned to their trusted partners in Vietnam.

“Imposing new punitive tariffs on imports from Vietnam would cause extreme disruption, directly threatening those investments and increasing prices for hard-working American families at the register or costs on the supply chains that directly support millions of U.S. jobs,” he added.

USTR Robert E. Lighthizer said the government charged Vietnam with using illegal timber in wood products exported to the U.S. market that harms the environment and is unfair to U.S. workers and businesses who use legally harvested timber.

“In addition, unfair currency practices can harm U.S. workers and businesses that compete with Vietnamese products that may be artificially lower-priced because of currency undervaluation,” Lighthizer said. “We will carefully review the results of the investigation and determine what, if any, actions it may be appropriate to take.”

However, Lamar said this is not the time to impose new costs on U.S. supply chains, particularly on job creators still recovering from the impacts of the coronavirus pandemic.

“Further, new punitive tariffs could make it even harder to source the personal protective equipment that our communities need to safely regrow the economy,” he said. “Tariffs are taxes on American consumers and American workers. It is time for the administration to take a different approach to trade policy, one that does not punish American consumers, American workers, and the American communities they support."

Vietnam is the second-largest supplier of apparel, footwear, and travel goods to the U.S. market, and has experienced dramatic growth since 2016. For the year to date through July, U.S. companies imported $6.94 billion worth of apparel from Vietnam, a, 11.06 percent decrease compared to the same period in 2019. During the same time, Vietnam's footwear shipments were down 8.6 percent to $3.62 billion.

USTR said it will issue two separate Federal Register notices this week that will provide details of the investigation and information on how members of the public can provide their views through written submissions.

Source: sourcingjournal.com– Oct 05, 2020

HOME

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Cambodia's 6th support measure round for private sector

The Cambodian government recently announced another round of support measures to aid the garment, textile, footwear and travelling bag industries and the tourism and aviation sectors until the end of the year.

This is the sixth such round of support measures for the private sector, which has been severely affected by the novel coronavirus pandemic.

According to an official statement, the government will pay $40 per month for a worker who has been laid off from work in the garment and textile, footwear, travel bag and tourism industries for another three months until the year end. However, the garment factory owners must add another $30 per month, so that each laid-off worker will receive $70 a month.

The government will continue to implement its relief cash support programme for poor and vulnerable families from October to December and will allow them to delay paying a fixed levy to the National Social Security Fund until the year end.

The government has also exempted the payment of patent tax and tax on branding. As of September 10, the government has distributed $78 million to poor families hit by the pandemic.

Source: fibre2fashion.com– Oct 05, 2020

HOME

****

Sri Lanka's Trade Institutions To Leverage Statistics-Backed Analysis On Covid-Hit Export Sector for Improved Trade Policy Making

The International Trade Centre (ITC) in collaboration with the Department of Commerce (DoC) of Sri Lanka successfully completed a specialized training in September for 15 public sector officers and researchers on the globally acclaimed statistical software package STATA. The ITC – a joint agency of the World Trade Organization (WTO) and United Nations (UN) – conducted the training as part of the European Union (EU) funded EU–Sri Lanka Trade-Related Assistance Project, to empower participants and enhance their empirical analysis skills to drive Sri Lanka's post COVID-19 economic and trade revival.

The training, conducted by University of Colombo Senior Lecturer Dr. Priyanga Dunusinghe and Dr. Dilini Hemachandra, Senior Lecturer at the University of Peradeniya, kicked off in February 2020 and spanned across 19 highly concentrated sessions over a seven-month period. Officers belonging to the DoC, Export Development Board (EDB), Department of Trade and Investment Policy (DTIP) and Board of Investment of Sri Lanka (BOI) participated in the training.

STATA is a powerful statistical software that enables users to analyze, manage and produce graphical visualizations of data. During the training, participants were educated on leveraging STATA to conduct a wide range of trade policy related analyses on trade flows and tariffs as well as economic modeling, general equilibrium and partial equilibrium.

With their newfound knowledge and skill capacities, the participants were assigned research projects covering key export sectors such as spices, tea, textile & apparel, fisheries, rubber and electronics.

These STATA-analyzed research findings on the impact of COVID-19 on Sri Lanka's export sector were presented by the participants during the final session of the training, which was attended by Mr. Ananda Dharmapriya - Acting Director General of Commerce of the DoC, Mrs Kumudinie - Director/Policy & Strategic Planning of the EDB and Dr. Dayaratna Silva -

National Project Coordinator of the EU-Sri Lanka Trade-Related Assistance Project.

Speaking about the initiative, Dr. Silva mentioned that this training was organized following an initial request by the DoC and the objective was to enhance the analytical capacities of officers in undertaking empirical research in their day-to-day work, using STATA as a statistical tool.

Also expressing his views, Mr. Dharmapriya commented, “It is highly commendable that the STATA training was successfully completed despite unprecedented challenges that resulted from the COVID-19 pandemic.

We believe that leveraging a powerful statistical tool such as STATA will not only provide a crucial skillset in terms of career development and analytical capacities for our staff, but also greatly enhance the efficiencies across our trade-focused institutions. I thank the EU, the ITC and the trainers for their efforts in funding, organizing and implementing this training,” he said.

All participants were awarded certificates from the ITC upon their successful completion of the training.

Source: bizenglish.adaderana.lk– Oct 05, 2020

HOME

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Taiwan govt-sponsored fashion week to be held Oct 6-10

Taipei Fashion Week recently announced the theme for its upcoming multimedia extravaganza taking place in Songshan Cultural and Creative Park from October 6 to 10.

A portmanteau of two words, Reconnect and Next, the show's RE:CONNEXT theme conveys the sector’s hopes for reconnecting and reconstructing the future after sustained blows by the global pandemic.

The event will open with a social media challenge, ‘Your Inner Fashion’, calling fashion lovers' creative submission on social media and @TPEfashionweek to connect fashion week with the public, according to an official press release.

The organisers will launch an online interactive buyer's meeting for the first time, to keep up with the frequent waves of new fashion trends as these emerge across the world.

Designers can interact with international buyers instantly, without time and space restrictions, using the new Taipei Fashion Week brand database developed by the ministries of culture and economic affairs. The database will be virtual and interactive for this event.

The show will combine multimedia arts, virtual reality and Taiwanese aborigines performances, seamlessly integrating virtual elements for a reinvention of the fashion show experience.

Taipei Fashion Week will also launch a new ‘Fashion Challenge’ via Instagram, urging for creative people to submit their best fashion looks, using the hashtags #TaipeiFashionWeek and #RECONNEXT.

Source: fibre2fashion.com– Oct 05, 2020

HOME

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Bangladesh: Exports up 3.53% in September

According to the Export Promotion Bureau (EPB) data, during the July-September period of the first quarter of the fiscal year 2020-21, Bangladesh earned $9.89 billion with a 2.58% increase in export earnings, which was $9.64 billion in the same period last year.

Export earnings in September posted a 3.53% growth to $3.01 billion against $2.91 billion in the same month of last year.

On the other hand, export earnings from the apparel sector, the largest contributor to overall exports, went up by 0.85% to $8.12 billion during the July-September period of FY21, which was $8.05 billion last time.

Knitwear products earned $4.46 billion, up by 7.04%, compared to $4.17 billion in the same period of last year.

On the other hand, export earnings from woven garments declined by 5.78% to $3.66 billion, which was $3.88 billion a year ago.

Among the major products, agricultural products posted a 3.4% growth to $271.49 million during the period.

Jute and Jute goods earned $307.55 million, registering a 39.26% growth while export earnings from home textile grew by 40.74% to $252.35 million during the first quarter of the current fiscal year.

But the specialized textile sector saw an 11.13% decline to $29.54 million during the period.

Pharmaceutical exports marked a 20.90% growth to $42.17 million against $35 million in the same period of last year.

Export earnings from leather and leather goods in July-September this year declined by 11.49% to $225.15 million from $254.39 million in the same period of last year.

Leather footwear exports saw a fall of 6.83% to $148.36 million while other leather products fetched $53 million with a 17.79% negative growth during the period.

On the other hand, export earnings from frozen and live fish rose by 5.11% to $131.6 million while the shrimp export fell by 3.35% to $97 million during the July-September period of FY21.

“Amid the pandemic, positive growth in export earnings especially in the apparel sector, the main export earner, is a relief for the country’s economy,” Centre for Policy Dialogue research director Dr Khondaker Golam Goazzem told Dhaka Tribune.

The growth means global buyers, especially the European buyers, are relocating work orders to Bangladesh from other countries, said the economist.

Positive growth in knitwear products will create new employment opportunities and workers from the woven sector can be transferred in the sector, said Moazzem.

On the other hand, positive growth in pharmaceuticals, agriculture and jute is a good sign for the country. These products are mostly exported to non-traditional export destinations and it means the demands for our goods are on the rise, he added.

Since the buyers are moving toward cost cutting and online marketplace, manufacturers have to concentrate to meet their demands and increase productivity to remain competitive, said the researcher.

"As expected during the normal scenario, we are still in negative growth. The present growth is pushed by the export of Personal Protective Equipment and other covid related products," Mohammad Hatem, first vice president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) told Dhaka Tribune.

Nonetheless, the sector is running with insufficient work orders. If the work orders peak, the export earnings will return to its form, said the business leader.

Since the people are working from home, the demands for the knitwear products are higher as a result the sector posted positive growth, said Hatem.

Meanwhile, BGMEA president Rubana Huq said retail sales in Bangladesh's major markets have gained some momentum in the past two months so there is some surge in orders, however price-wise, it is still very challenging.

Source: dhakatribune.com– Oct 05, 2020

HOME

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Vietnam's garment exports losing 10.3 percent in first nine months

On Monday October 5 the General Statistics Office stated that Vietnam's entire textile and garment export value in the first nine months of this year refused 10.3 percent yearly to approximately 22.1 billion United States dollars.

Its major export markets incorporated China, Japan, South Korea, the European Union and the United States, In September alone; Vietnam's textile and garment exports dropped 1.3 percent yearly to 2.8 billion United States dollars.

Local Bao Dau Tu (Vietnam Investment Review) newspaper current account the garment and textile sector is between the sectors hardest strike by the Coronavirus pandemic, in company with tourism and aviation.

The account stated that at this point of time in preceding years, the textile and garment businesses would have received instructions for the rest of the year, nevertheless, because of the decreasing demand in the middle of the coronavirus pandemic, they were receiving instructions merely on a monthly or weekly foundation.

Source: menafn.com– Oct 05, 2020

HOME

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China-Pak ties: FTA-II a significant milestone

Lower trade deficit, rise in exports will provide relief to Pakistan's economy

Esar Ali, owner of a garment badges factory in Federal B Industrial Area, shifted his business to a cattle farm when imports became tougher due to strict government policies to push down imports and step up exports.

Though the government policies helped to curb imports and increase exports, the trade deficit of Pakistan is still large.

The China-Pakistan Free Trade Agreement (CPFTA) came into effect in 2007 but it was criticised for failing to provide preferential access for Pakistani goods to the large Chinese market. CPFTA phase-II had been under negotiation since 2012 and it was finally signed in early 2019 and took effect in January 2020.

The purpose of FTA was to enhance bilateral trade between the two countries. CPFTA-I served the purpose of promoting bilateral ties but Pakistan's exports could not be enhanced much.

With a reduction in tariffs, bilateral trade grew 184% between 2007 and 2019, nearly six times faster than the growth in Pakistan's trade with the rest of the world in the same period. In that sense, the FTA achieved the objective of promoting bilateral trade ties.

According to trade figures for the past seven years (2013 to 2019), exports to China declined 26% by 2019 compared to 2013 while imports rose 47% in the same period.

"Pakistan's imports from China grew more than its exports," remarked Karachi Chamber of Commerce and Industry (KCCI) former president Agha Shahab Ahmed Khan. "Consequently, Pakistan's trade deficit with China rose."

Business groups, who believed that Pakistan negotiated the CPFTA-I poorly, both in terms of getting access for its products and granting access to Chinese goods, blamed it for contributing to premature deindustrialisation, he said.

In CPFTA-I, there were no safeguard measures for industries, no synergy between relevant institutions, impact on balance of payments was not incorporated and no data exchange policy was agreed to counter under-invoicing issues, said the KCCI former president.

However, the signing of CPFTA-II is a significant milestone in the economic and trade relations between the two countries, which is an attempt to improve the agreement in a bid to ease the negative impact on Pakistan.

The impact of changes would not be limited to the industry but it would also help shape government policies that were currently being framed, which included industrial, small and medium enterprises (SMEs) and textile policies, for the next five years, he said.

Given the balance of payments challenge, limiting the trade deficit with China and boosting export earnings could provide much-needed relief to the economy.

"CPFTA-II provides details of tariffs levied by China on 8,238 product lines. The most basic yardstick of the concessions offered by China is how many of these tariff lines it actually imports from the world," said Businessmen Group General Secretary AQ Khalil.

China has given immediate duty-free access for 3,707 (45%) tariff lines. A further 30% of tariff lines will have duty-free access by 2030. Tariffs on 412 tariff lines will be reduced by 20% in five years while tariffs will remain at base year (2013) levels for 1,867 (20%) tariff lines.

CPFTA-II will significantly improve Pakistani exporters' access to the $2 trillion Chinese import market and thus help address the country's trade deficit.

The tariff structure applicable to Pakistan under CPFTA-II shows a marked improvement over CPFTA-I. On over 80% of CPFTA-II product lines that China imports, Pakistan is now offered tariffs that are lower than or equivalent to those applied to China's main trade partners.

Tariffs on nearly 40% of CPFTA-II products that China imports have been reduced compared to CPFTA-I and 45% of the tariff lines are now being offered duty-free access to China. Potential items that Pakistan could export to China include seafood, garments, synthetic blankets and knitwear shirts.

"Focus on these items in exports to China can provide Pakistan with easy gains in the short to medium term," said Khalil. In the long term, "Pakistan needs to export those items which China imports but Pakistan does not export at present," he said.

As a starting point, Pakistan can gain market access for export of machinery, mechanical appliances, electrical equipment and parts, mineral fuels, optical, photographic and surgical equipment, plastics, vehicles and essentials.

Industrialisation in the country and production of these goods must be the top priority of the government in a bid to ease the burden of imports and gain access to the Chinese and other global markets.

Market demand

With this opportunity, a question arises whether Pakistan can produce goods according to demand in the Chinese market?

"In order to evaluate Pakistan's ability to produce good-quality goods as per Chinese market demand, it is important to see it in the context of Pakistan's trade performance in general," suggested Khalil.

Pakistan's global export performance has declined over the past two decades – reasons for this include low competitiveness and exports of low value-added and non-unique products.

Apart from the textile sector, Pakistan has largely lost the world market over the past five years. Low value-added products are the main hindrance in the way of meeting Chinese market demand.

“Industrialisation is the need of the hour for building capacity to produce sufficient goods, which can satisfy domestic and international demand,” said Khalil.

“There is also a substantial information deficit facing Pakistani businesses. Factors behind this include a lack of research on China, identifying Chinese partners and meeting regulatory requirements,” he said.

“In order to translate the improved tariff concessions into sustained exports, the government must address the issues related to capacity building amongst Pakistani businesses and issues pertaining to ease of doing business – both of which affect the ability to deliver orders of the scale required in China within the specified time,” said the former KCCI official

Pakistan should learn from its mistakes, which worsened the trade deficit and created hurdles in the way of domestic manufacturing. FTA phase-II could turn out to be a failure for Pakistan if the trade deficit did not improve, he added.

“As the FTA has already been signed, we can now hope that the Ministry of Commerce has done its homework and the deal will bring positive results. Trade must never come at the cost of domestic cottage industry, which provides massive employment opportunities.”

Pakistani businessmen have often complained about under-invoicing of goods imported from China.

“Under-invoicing is unfortunately very rife in Pakistan,” remarked Khalil. “There is discrepancy between the trade data reported by Pakistan and China, particularly Pakistan’s imports from China, due to possible under-invoicing.”

Esar Ali, while recalling the import process, said he used to enter into contracts with an export-import agency that took care of everything from logistics to paperwork with the Customs.

"This is the standard practice and I never knew what the company showed to the Customs," he said. "They can play with the government system through goods misdeclaration."

The KCCI former president said Pakistan lacked trained personnel and financial resources to counter the problem of under-invoicing. "It is high time for the government and Federal Board of Revenue to look into this manipulation for the sake of industry," he said.

Earlier, goods were being smuggled from China via Afghanistan but after the signing of CPFTA-I in 2007, it became cheaper to import goods legally.

Under-invoicing and goods smuggling posed a number of challenges to Pakistan's economy as well as business and industrial community, Khalil said.

The main issue is that Pakistan's tax and customs duty rates as well as regulations make the country uncompetitive in the region. High rates force some businesses to indulge in illegal practices such as under-invoicing and smuggling.

"Businesses that do not indulge in such practices are then unable to compete, which jeopardises their growth prospects," he said.

Naturally, consumers prefer the goods priced lower rather than paying higher prices for the same products. This, at times, forces other businesses to resort to things like smuggling and under-invoicing to survive in the market.

Such practices bring down government's tax receipts, which trigger a response in the form of even higher taxes and duties as well as stricter trade regulations.

Communication links

Exporters can establish good relations with Chinese companies by forging proper communication links with a large proportion of businesses. The exporters must also have knowledge of foreign trade regulations in China as a lack of knowledge becomes a barrier to trade.

"One of the most serious issues facing Pakistan's exports to different countries including China is the unsatisfactory foreign marketing," said the KCCI former president.

Pakistani companies generally focus on the domestic market. A large proportion of the companies sell locally produced as well as imported goods in the domestic market.

"As a result, exports are limited to certain sectors of the economy," he said. "The lack of interest in exports deters foreign interest in Pakistan as an import source."

He said, "Pakistan should invest in marketing in a diverse range of sectors. If domestic manufacturers and exporters see that foreign companies are taking interest in various sectors, they will certainly try to capitalise on the opportunity."

The country should also invest in gaining sound manufacturing capabilities in sectors other than textile. This way, Pakistan can rely less on imports and focus on production to meet demand of domestic industry and then create exportable surplus for the global market.

Source: tribune.com.pk – Oct 05, 2020

HOME

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Bangladesh: Committee formed to review proposal to waive Tk 649cr for RMG factories raking in losses

The commerce ministry yesterday formed a high-powered committee to review the proposal to waive Tk 649 crore in favour of 133 garment factories that are either out of business or raking in losses, Commerce Secretary Md Jafar Uddin said.

The committee, headed by an additional secretary (export wing) of the commerce ministry, is expected to review the proposal in a month, Jafar Uddin told The Daily Star over phone after the meeting.

As this is an old matter dating back to at least 2012, the secretary said he decided to form a committee to decide on these factories.

"The committee members will scrutinise the proposals in detail and submit the report within one month. We will then decide about those factories," Jafar Uddin added.

Members from the Federation of Bangladesh Chambers of Commerce and Industry (FBCC), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Bank and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) have also been included in the committee.

The Bangladesh Garment Manufacturers and Exporters Association on Sunday demanded exemption from repayment of at least Tk 649 crore in principal amount of loans and interests for 133 readymade garment factories that are either out of business, failing to earn any profit or have shut down entirely.

Source: thedailystar.net– Oct 06, 2020

HOME

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NATIONAL NEWS

Recommendations of the 42nd GST Council Meeting

The 42nd GST Council met under the Chairmanship of Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman through video conferencing here today. The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Finance Ministers of States & UTs and senior officers of the Ministry of Finance& States/ UTs.

The GST Council has made the following recommendations:

1. Levy of Compensation Cess to be extended beyond the transition period of five years i.e. beyond June, 2022, for such period as may be required to meet the revenue gap. Further details to be worked out.

2. Centre is releasing compensation of ₹ 20,000 crore to States today towards loss of revenue during 2020-21 and an amount of about ₹ 25,000 crore towards IGST of 2017-18 by next week.

3. Enhancement in features of return filing:In its 39th Meeting held in March 2020, the Council had recommendedan incremental approach to incorporate features of the new return system in the present familiar GSTR-1/3B scheme. Various enhancements have since been made available on the GST Common Portal. With a view to further enhance Ease of Doing Business and improve the compliance experience, the Council has approved the future roadmap for return filing under GST.

The approved frameworkaims to simplify return filing and further reduce the taxpayer's compliance burden in this regard significantly, such that the timely furnishing of details of outward supplies (GSTR-1) by a taxpayer and his suppliers would –(i) allow him to view the ITC available in his electronic credit ledger from all sources i.e. domestic supplies, imports and payments on reverse charge etc. prior to the due date for payment of tax, and (ii) enable the system to auto-populate return (GSTR-3B)through the data filed by the taxpayer and all his suppliers. In other words, the timely filing of GSTR-1 statement alone would be sufficient as the return in FORM GSTR-3B would get auto prepared on the common portal.To this end the Council recommended / decided the following:

a. Due date of furnishing quarterly GSTR-1 by quarterly taxpayers to be revised to 13th of the month succeeding the quarterw.e.f. 01.1.2021;

b. Roadmap for auto-generation of GSTR-3B from GSTR-1s by:

i. Auto-population of liability from own GSTR-1 w.e.f. 01.01.2021; and

ii. Auto-population of input tax credit from suppliers' GSTR-1s through the newly developed facility in FORM GSTR-2B for monthly filers w.e.f. 01.01.2021 and for quarterly filers w.e.f. 01.04.2021;

c. In order to ensure auto population of ITC and liability in GSTR 3B as detailed above, FORM GSTR 1would be mandatorily required to be filed before FORM GSTR3Bw.e.f. 01.04.2021.

d. The present GSTR-1/3B return filing system to be extended till 31.03.2021 and the GST laws to be amended to make the GSTR-1/3B return filing system as the default return filing system.

4. As a further step towards reducing the compliance burden particularly on the small taxpayers having aggregate annual turnover < Rs. 5 cr., the Council's earlier recommendation of allowing filing of returns on a quarterly basis with monthly payments by such taxpayers to be implemented w.e.f. 01.01.2021. Such quarterly taxpayers would, for the first two months of the quarter, have an option to pay 35% of the net cash tax liability of the last quarter using an auto generated challan.

5. Revised Requirement of declaring HSN for goods and SAC for services in invoices and in FORM GSTR-1w.e.f. 01.04.2021 as under:

a. HSN/SAC at 6 digits for supplies of both goods and services for taxpayers with aggregate annual turnover above Rs. 5 crores;

b. HSN/SAC at 4 digits for B2B supplies of both goods and services for taxpayers with aggregate annual turnover upto Rs. 5 crores;

c. Government to have power to notify 8 digit HSN on notified class of supplies by all taxpayers.

6. Amendment to the CGST Rules: Variousamendments in the CGST Rules and FORMS have been recommended which includes provision for furnishing of Nil FORM CMP-08 through SMS.

7. Refund to be paid/disbursed in a validated bank account linked with the PAN &Aadhaar of the registrant w.e.f. 01.01.2021.

8. To encourage domestic launching of satellites particularly by young start-ups, the satellite launch services supplied by ISRO, Antrix Corporation Ltd. and NSIL would be exempted.

Source: pib.gov.in – Oct 05, 2020

HOME

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GST Council: States to get ₹20,000 cr compensation cess collected in FY21

States to also get ₹24,000-cr IGST dues as borrowing issue remains unresolved

The GST Council meeting on Monday remained inconclusive on the issue of borrowing to meet the compensation shortfall and will meet again on October 12.

But the Council agreed to release ₹24,000 crore I-GST (Integrated Goods & Services Tax) for the financial year 2017-18 to States, which had not received the full amount as only a temporary settlement was made at that time. It has also been decided to disburse immediately to States/UTs the ₹20,000 crore collected so far this fiscal year through the compensation cess.

"It is not correct that States that are not going for any borrowing option will not get anything. No State/UT is going to be denied compensation. Nobody ever thought that there will be a pandemic. However, compensation will be paid whether shortfall is on account of GST implementation or on account of the pandemic," Finance Minister Nirmala Sitharaman told media persons after the day-long meeting of the Council. She also reiterated that borrowing will have to be done.

Two options

On August 27, the Centre offered two options to States/UTs for borrowing to meet the compensation shortfall during the current fiscal. States/UTs could either borrow ₹97,000 crore (the shortfall on account of GST implementation) via a special window facilitated by the RBI or borrow from the open market the ₹2.35-lakh crore (shortfall on account of GST implementation issue plus the pandemic effect).

The Centre said that 21 States/UTs have opted for the first option. However, barring Odisha and Andhra Pradesh, non-BJP ruled States such as West Bengal, Punjab, Kerala, Delhi, Telangana, Chhattisgarh and Tamil Nadu are opposing the borrowing plan. There was also a demand to rework the calculation of the shortfall assuming 10 per cent nominal GDP growth.

The Finance Minister said that based on the suggestions given by State officials, a change has been made in the first option (borrowing of ₹97,000). Now, the growth assumption has been lowered to 7 per cent and, accordingly, the borrowing amount will jump to ₹1.10-lakh crore. Under the first option States will not have to pay interest.

Compensation cess

Sitharaman also said the Council has decided to increase the time period for levying the compensation cess beyond 2022. "Out of the compensation cess collected beyond 2022, first it will be charged for interest on borrowing, then for 50 per cent of the principal amount and then for the remaining amount," she said while adding that officials will decide the time line for levy beyond June 2022.

Commenting on Monday's proceeding, Divakar Vijayasarathy, Founder of DVS Advisors, felt though the Centre has increased the borrowing limit under the first option, it is not expected to pacify the opposition-ruled S\tates and they can be expected to stick to their guns at the upcoming meeting on October 12 forcing the Centre to either constitute a committee of ministers or formulate a dispute resolution mechanism to bring consensus.

Amidst all this, the decision to disburse the compensation cess collected till date to the States, resolution of IGST devolution and decision of only quarterly returns for small taxpayers are welcome and indicates the Council's ability to resolve other pending issues in spite of the differences on the compensation issue, he said.

Source: thehindubusinessline.com– Oct 05, 2020

HOME

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Is India's trade policy protectionist?

Over the last few months, a number of media articles have implied that India's trade policy is becoming increasingly protectionist. The argument seems to be largely centred around reports on increase in nominal customs duties, mostly in the areas of electronics. However, before one labels a whole policy as 'protectionist', it is important to note that in today's world nominal tariffs may have no relation to trade protectionism and, in fact, many of the assumptions behind the efficacy of free trade may be invalid.

First, consider the argument that an increase in nominal tariffs implies that a country is becoming more and more protectionist. This is not always true. For one, the traditional concept of free trade as the optimal policy assumes that all traded commodities are meant for final consumption. The reality is completely different. In fact, 70-80% of merchandise trade today is of trade in intermediate products: the so-called intra-industry rate (IIT). Here, countries are exchanging one kind of input (for example, steel rods) for another kind of input (for example, steel plates) in order to assemble products like cars at various points of consumption.

The only way to measure protection is by seeing if the effective rate of protection (ERP) is increasing or decreasing. The ERP is a measure of the value added in the production of any traded commodity. This implies that a commodity could be protected by increasing the duty on the goods (for example, computers) or by reducing duties on some inputs like computer parts, computer chips, casings, etc.

Evidence also shows that over a long period till about 2015 or so, while nominal tariffs were increasing, the ERP actually declined. In fact, many empirical studies now show that countries are moving towards use of non-tariff barriers (NTBs) like standards in phytosanitary specifications, environmental standards, etc, in regulating commodity trade.

Even if one accepts that nominal protection implies greater effective protection, it is also true that trade theory indicates that, by and large, trade must be balanced over any reasonable period of time. The traditional theory of superiority of free trade rests on the assumption that trade should be balanced or sustainable. The logic is simple. If I am importing a component to produce a commodity for export then, by and large, I should be able to pay for it via my export earnings. When applied to all countries taken together, this implies that no country should be running large and growing trade deficits or surpluses.

Particularly, in the last decade or two, this assumption is clearly unfounded. China is a case in point. In reality, all trade deficits (including trade in merchandise goods and services) are financed by capital imports. Since capital import implies a sale of assets to another country, the intuitive parallel is one of selling one's house to pay for one's present consumption! Over the long term, this is clearly unsustainable.

A third factor in assessing protectionism, particularly after 2008, is the issue of 'structural adjustments'. As world trade expands and countries produce according to their competitive advantage, production structures in countries will have to change. For example, while in the 1970s and the 1980s, the US was a major producer of textiles, steel and automobiles, this is no longer true.

Today, Pittsburgh is better known for its services sector than for steel and Chicago for its commodity exchanges than automobiles. Again, in India, apparel and textiles constituted about 23% of exports at the start of this century, but less than 13% today. The typical assumption in trade theory is that someone (the state or 'planner') will ensure smoothness of adjustments without a tremendous loss of livelihood when some sectors contract and others expand.

While developed countries have managed this on the basis of a well-established system of unemployment benefits, this is not true in countries like India where about 40% of exports used to come from the MSME sector which has been hit by not only structural adjustments over time but also by the pain of adjusting to trade disruptions due to the Covid-19 pandemic. A democracy will not tolerate such long, consistent disruptions. A reskilling programme is essential and the market is unlikely to provide this.

The Great Depression of the 1930s was also preceded by tariff protectionism by then-leading countries like the UK and Japan. The objective of establishing the twin institutions of the World Bank and the International Monetary Fund, along with the trade-related GATT (General Agreement on Tariffs and Trade), was to prevent tariff wars of the 1930s and ease structural adjustment. Free trade flourished from 1950 till 1980, and in the period from 1990 till about 2008, despite some glitches in some parts of the world.

However, since 2008, the expansion in world merchandise trade has come to an end and countries are looking for alternatives to tariff protection to preserve their democracies. The picture gets complicated by the replacement of manufacturing by services as a prime mover of global commerce. Services, in particular, are not regulated by tariffs but by internal policies of countries.

The World Trade Organisation (WTO) glossed over the issue of regulating trade in services by consigning it to a 'positive list', which implies that no country had to commit to any possible structural adjustment as a consequence of expanded services trade. Since 2008 plurilateral trade negotiations are muddling through this issue.

In other words, the free trade system initiated at the GATT and cemented at the WTO is facing the uphill task of regulating a system where the nature of the commodities traded and the actors involved in trading have changed dramatically over the last 50 years. In assessing India's (and global) trade policy, it is critical to take some of the above considerations into mind.

Source: financialexpress.com– Oct 06, 2020

HOME

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BRICS Summit to be held virtually on November 17

The 12th BRICS Summit under the Russian Presidency will be held virtually on November 17. This will enable PM Narendra Modi and Chinese President Xi President to be at same platform amid tensions along LAC and act as CBM.

The theme of the Meeting of the Leaders of BRICS countries is "BRICS Partnership for Global Stability, Shared Security and Innovative Growth".

"The main purpose of the Russian BRICS Chairmanship in 2020, as it is for a multifaceted cooperation between the BRICS countries, is to contribute to raising living standards and quality of life our peoples," according to a statement issued by the BRICS Presidency.

This year the five countries have continued close strategic partnership on all the three major pillars: peace and security, economy and finance, cultural and people-to-people exchanges, according to the statement.

“Despite the current global situation due to the spread of the coronavirus infection, the activities under the Russian BRICS Chairmanship in 2020 are carried out in a consistent manner. Since January 2020 more than 60 events have been organized, including via videoconferencing,” the statement added.

The BRICS Summit will be the jewel-in-the-crown event of the Russian BRICS Chairmanship, which will provide impetus for further strengthening cooperation together with our partners to ensure well-being of BRICS countries.” - noted Anton Kobyakov, Adviser to the President of the Russian Federation, Executive Secretary of the Organising Committee to Prepare and Support Russia’s SCO Presidency in 2019–2020 and BRICS Chairmanship in 2020.

Source: economictimes.com– Oct 05, 2020

HOME

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Cotton futures trade weaker at Rs 18,210 per bale in evening trade

Cotton futures traded weak at Rs 18,210 per bale on October 5 as participants trimmed their positions, as seen from the open interest.

Mohit Vyas, analyst at Kotak Securities said, "Recovery in ICE Cotton futures from lower levels, CCI planning to start procurement and improved demand from millers and ginners have lifted cotton by Rs 200 in last holiday-shortened week."

According to Agmarknet data, cotton arrivals across the country during September have more than doubled from pevious month at 68,640 tonnes, but it is still down by 36 percent from September 2019.

Participants expect Indian cotton exports to surge by nearly 30 percent in 2020-21 season following attractive Indian cotton prices.

In the futures market, cotton for October delivery touched an intraday high of Rs 18,210 and an intraday low of Rs 18,060 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 16,060 and a high of Rs 18,270.

Cotton futures for October delivery slipped Rs 30, or 0.16 percent, to Rs 18,210 per bale at 7:02 pm on a business turnover of 709 lots. The same for November contract fell Rs 20, or 0.11 percent at Rs 18,240 per bale with a business volume of 417 lots.

The value of October and November's contracts traded so far is Rs 5.81 crore and Rs 3.73 crore respectively.

Kotak Securities expects cotton to consolidate near the current range in the coming sessions. The US Department of Agriculture will release October month WASDE report by the weekend, which will be crucial for deciding the course of cotton futures prices in the international market.

Source: moneycontrol.com– Oct 05, 2020

HOME

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Prime Minister inaugurates RAISE 2020 - a Mega Virtual Summit on Artificial Intelligence

Prime Minister Shri Narendra Modi inaugurated RAISE 2020, a Mega Virtual Summit on Artificial Intelligence (AI) today. RAISE 2020 is a global meeting of minds to exchange ideas and chart a course for using AI for social transformation, inclusion and empowerment in areas like Healthcare, Agriculture, Education and Smart Mobility, among other sectors.

The Prime Minister praised the organizers for encouraging discussion on Artificial Intelligence. He said Technology has transformed our workplaces and has improved connectivity. He hoped the merger between social responsibility and AI would enrich AI with human touch. He said the teamwork of AI with humans can do wonders for our planet.

He pointed that India has led the world in knowledge & learning and will continue to digitally excel and delight the world. Shri Modi said India has experienced how technology helps in improving transparency and service delivery.

The Prime Minister stressed how the world's largest unique identity system - Aadhaar along with the world's most innovative digital payments system - UPI has enabled providing access to digital services, including financial services, like Direct Cash Transfers to the poor and marginalised. During the pandemic, it has enabled in reaching out to people with help, at the earliest and in the most efficient manner.

The Prime Minister wished India to become a global hub for Artificial Intelligence and hoped many more Indians would start working on this in the times to come. He said the approach towards this goal is powered by core principles of: Teamwork, Trust, Collaboration, Responsibility and Inclusivity.

The Prime Minister said India has recently adopted the National Education Policy 2020, which focuses on technology-based learning and skilling as a major part of education. He added E-courses will also be developed in various regional languages and dialects. This whole effort will benefit from Natural Language Processing (NLP) capabilities of AI platforms. He said under the 'Responsible AI for Youth' program launched in April 2020, more than 11,000 students from schools completed the basic course. They are now building their AI projects.

The Prime Minister said the National Educational Technology Forum will create an e-Education unit to boost the digital infrastructure, digital content and capacity. He elaborated the steps taken to keep pace with the emerging technologies like setting up of Virtual labs, Atal Innovation Mission.

He said the National Programme on Artificial Intelligence will be dedicated for solving problems of society.

Shri Modi listed the sectors in which he envisions a big role for AI - agriculture, creating next generation urban infrastructure, addressing urban issues like: reducing traffic jams, improving sewage systems and laying energy grids, making disaster management systems stronger and solving the problem of climate change. He suggested using AI to seamlessly bridge language barriers and preserve the diversity of languages and dialects. He also suggested using AI for knowledge sharing.

The Prime Minister said Algorithm Transparency is key to establishing trust in how AI is used and it remains our collective responsibility to ensure it.

He urged to protect the world against weaponization of AI by Non-State Actors. He said human creativity and human emotions continue to be our greatest strength and are our unique advantage over machines. He urged everyone to think about how this intellectual edge over machines can be retained and ensure human intelligence is always a few steps ahead of AI.

He said we should think about how AI can help humans to increase their own capacities.

The Prime Minister said AI will unlock the unique potential of each person and will empower them to contribute more effectively to the society. He urged the participants at RAISE 2020 to exchange ideas and chart a common course for the adoption of Artificial Intelligence.

He wished that the Action Roadmap for Responsible AI created out of the discussion would help in transforming the lives and livelihoods of people across the world.

Source: pib.gov.in – Oct 05, 2020

HOME

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Address policy constraints and glitches to boost growth: Exim Bank

An immediate refund of Goods and Services Tax (GST) can increase the overall GDP by 2 per cent, exports by 7 per cent, aggregate imports by 6 per cent and overall employment by nearly 4 per cent, according to a new study by Export-Import Bank of India (India Exim Bank).

The effects of immediate refund of GST on individual sectors are much larger with exports from the six identified sectors expected to register double-digit growth, it said.

"While the government has been working to identify policies to promote exports and build a better operational environment, there is need for greater focus on monitoring and addressing glitches which prevent the successful implementation of these policies," said the study titled 'Domestic Constraints for Exports in Select Sectors'.

It also provides certain specific priority areas to focus for each of the identified sectors which are low-hanging fruits for improving the operational efficiency of exporters. Medium to long term interventions for improving the policy landscape for manufacturing and exports have also been recommended.

The study analyses current domestic policy constraints faced by Indian exporters in select sectors -- gems and jewellery, auto and auto-components, electronics with a focus on mobile phones, textiles and clothing, and pharmaceuticals.

It highlights common areas of concern for exporters across various sectors, including the need for direct government intervention to reduce costs at ports; attractive production-oriented incentives, particularly in light of the imminent phase-out of Merchandise Exports from India Scheme (MEIS); addressing procedural delays in approvals and refunds as well as custom clearances; expediting GST refunds and duty drawback refunds to improve the manufacturing landscape.

The study was released by Minister of Commerce and Industry Piyush Goyal during an interactive webinar organised by India Exim Bank on October 3. He highlighted the efforts taken by the government for incentivising exports, boosting domestic manufacturing and enhancing the competitiveness of Indian exporters.

David Rasquinha, Managing Director of India Exim Bank said while the pandemic has significantly impacted international trade, it has also brought forth opportunities for countries like India to enhance global value chain integration as major economies seek alternative suppliers to build resilient supply chains.

He said the strategies recommended in the study can help encourage foreign investments for global value chain integration and build a competitive and resilient exports sector.

Source: bignewsnetwork.com– Oct 05, 2020

HOME

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India's textile & apparel exports show +ve growth in Sept

Exports of cotton yarn, fabrics, madeups, handloom products etc from India showed a positive growth of 14.82 per cent in September 2020 compared to September 2019, according to the provisional data on merchandise trade released by the ministry of commerce and industry. Exports of readymade garments of all textiles also rose 10.21 per cent during the month.

In September 2020, India's merchandise exports were $27.40 billion, as compared to $26.02 billion in September 2019, showing a positive growth of 5.27 per cent. However, exports during April-September 2020-21 were $125.06 billion, exhibiting a negative growth of 21.43 per cent over the same period last year.

On the other hand, the value of merchandise imports in September 2020 was $30.31 billion, as compared to $37.69 billion in September 2019, a decline of 19.60 per cent.

Merchandise imports during April-September 2020-21 were $148.69 billion, as compared to $248.08 billion during the same period last year, exhibiting a negative growth of 40.06 per cent. India is thus a net importer in September 2020, with a trade deficit of $2.91 billion, as compared to trade deficit of $11.67 billion, showing a substantial improvement of 75.06 per cent.

Among the major commodities of export which have recorded positive growth during September 2020 vis-à-vis September 2019 are: carpet (42.89 per cent), handicrafts excluding handmade carpet (21.40 per cent), jute manufacturing including floor covering (18.62 per cent), cotton yarn/fabrics/madeups, handloom products etc. (14.82 per cent), and readymade garment of all textiles (10.21 per cent), the provisional data showed. However, export of manmade yarn, fabrics, madeups etc declined 9.13 per cent.

Cotton raw and waste import nosedived 82.02 per cent year-on-year in September 2020, the data showed.

Source: fibre2fashion.com– Oct 05, 2020

HOME

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GST Council agrees to extend compensation cess beyond 2022: Sources

Though the time till which the cess will continue to be levied has not been fixed, it could be extended to 2 years beyond 2022

The Goods and Services Tax (GST) Council on Monday approved a proposal to levy compensation cess beyond 2022, sources said.

Compensation cess is levied on items such as new motor cars, aerated drinks, pan masala and tobacco and manufactured tobacco substitutes, including tobacco products, besides coal, briquettes, and similar solid fuels manufactured from coal and lignite, whether or not agglomerated, excluding jet, peat, etc. Rates vary from product to product.

Though the sources did not specify the time till which the cess will continue to be levied, the proposal is to extend it up to two years beyond 2022. Funds mobilised through the compensation cess beyond 2022 will mainly be used to repay borrowings planned during FY2020-21 to meet compensation shortfall. This extension is being considered a precursor to the borrowing option to be exercised, said a source.

The proposal for extension was prepared incorporating the views of Attorney General KK Venugopal. According to an answer given in Rajya Sabha on September 20 by Minister of State (Finance), Anurag Singh Thakur, "A recommendation by the GST Council extending the levy and collection of the cess beyond five years under Section 8(1) of the Act (GST Act), would require a decision by a three-fourth majority of the weighted votes." It is not yet clear whether the decision was taken by evolving consensus or by voting.

The AG explained the reason to permit an extension in the duration of the levy and collection of the cess. "This would necessarily imply that where, on account of extraordinary circumstances causing a steep fall in GST revenues and a shortfall in the Fund, the States cannot be paid full compensation during the transition period, the shortfall in the payment of compensation could be made up even after the transition period of five years," the country's top law officer said.

Venugopal noted a serious downturn in GST revenues for both the Centre and States on account of Covid-19. As a result, the balance in the GST Compensation Fund is inadequate to pay full compensation to the States, he observed. Now, there are two provisions to deal with this situation. First, is a special rate or rates for a specified period to raise additional resources during any natural calamity or disaster, and the second, is using the unutilised fund in the Compensation Fund. Increase in rates is not possible at this moment, and the surplus in the Compensation Fund has already been distributed to States.

"So, there is a third option: the GST Council would recommend the continuance of the cess beyond the transition period of five years only in a situation of shortfall during the transition period, which would necessitate the raising of funds for paying the compensation after the five-year period is over," said Venugopal, while giving details of modalities to be adopted.

The Centre estimates a shortfall of ₹3-lakh crore in GST collection, of which ₹65,000 crore is expected to be bridged by the collection of Compensation Cess. For the remaining ₹2.35-lakh crore, debate continues on who will borrow.

Source: thehindubusinessline.com– Oct 05, 2020

HOME

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Ministry to soon kick-start the process of framing rules for three labour codes: Santosh Gangwar

Labour ministry will soon kick-start the process of framing rules for the three labour codes passed by the Parliament recently, labour minister Santosh Gangwar said. While industry expressed its reservations over these codes, the International Labour Organisations said the success of these codes will depend on their effective implementation on the ground.

The labour code on industrial relations, the code on social security and the code on occupational safety, health and working conditions got the President's assent last week.

"We are starting the process of framing rules for all the three codes and suggestions of all stakeholders will be considered while finalising these rules," Gangwar assured employers organisations. He was speaking at the

86th annual general meeting of the All India Organisation of Employers of the industry body the Federation of Indian Chamber of Commerce and Industry.

Dagmar Walter, director, ILO, DWT for South Asia and country office for India hailed the labour codes saying they can act as a critical enabler to advance the four pillars of ILO. "Labour law codes in the post Covid scenario need to ensure development of a just and inclusive society. The success of new codes will depend on its implementation strategy and participation of its partners," she added.

The ILO will soon set up a help desk on pilot basis to support micro and small enterprises with recovery related issues in the post Covid period as these companies resume operations.

During his address at the event, minister Gangwar outlined the various employer related provisions in the three codes that he said are aimed at improving the ease of doing business in the country. Some of the employer friendly provisions in the three codes are legalizing fixed-term employment, raising the threshold on headcount for seeking government approval for closure and retrenchment and significantly reducing the liability of the employers to maintain multiple registers.

While industry welcomed the above employer related measures, it raised concerns over lack of clarity on definitions across codes and the penal provisions in the code.

"The wage definition is neither lucid nor clear. It is prone to several interpretations and can lead to litigation,"Rohit Relan, president, AIOE said, suggesting the government can come up with illustrations to facilitate better understanding.

"The codes have provided for substantial increase in statutory payments on the part of employers," Relan said, adding the government should avoid criminalisation of labour codes by removing the provision of imprisonment to employers.

Source: economictimes.com– Oct 05, 2020

HOME

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Labour law reforms: Enough to attract China-refugees?

Perhaps the best thing about the Opposition's campaign against the three agricultural Bills passed by Parliament is that this muted the opposition to the four labour Codes that were also passed. Journalists tend to focus primarily on the hire-and-fire clauses and, to that extent, the changes are incremental; after all, allowing firms with up to 300 workers—it is 100 at present— to fire them without getting government permission is something Yashwant Sinha had proposed around two decades ago.

But evocative as it is, hire-and-fire is just one of the problems employers face given India has, believe it or not, 463 Acts on labour across the Centre and states which involve 32,542 compliances—the permissible level of glare from the lighting, the gap between machines and even the quantity of drinking water in a factory are specified by the government!—and 3,048 filings in a year.

A single factory in one state doesn't have to do all 3,048 filings, this applies to a company that has a factory in each state or Union territory; a single factory with up to 500 workers has to do 120+ filings in a year, so just compliance costs—without including the waste of top management time for smaller firms—could add up to 7-8% of turnover.

The biggest change, of course, is allowing fixed-term contracts for all jobs in the future. In the past, a firm may not have wanted to fulfil, say, a 2-mn jeans order from Walmart since, once the order was fulfilled, the owner would be stuck with the thousands of people he hired. In the post-reforms' world, he will just give a fixed-term contract to the workers and, so, doesn't need to fear expanding his business.

In a sense, just as Vajpayee's government did with government pensions—all new entrants were moved to the New Pension Scheme—the existing benefits have been grandfathered; this mutes opposition, but for new firms, all employees can be on fixed-term contracts where the 300+ rule does not apply.

Along with the sharp cuts in corporate tax rates, India suddenly looks a lot more attractive for those looking to relocate from China; indeed, Apple and several others in the mobile-manufacturing space are getting even more benefits.

Of the 1,536 Acts that govern all economic activity in the country (see graphic), 30% pertain to just labour; in terms of the compliances and periodic filings, 46-47% pertain to labour, going by a compilation by Avantis Regtech, a TeamLease company that deals with compliances (www.teamleasecompliance.com). So, any simplification here is a boon for industry/services. In the case of the 44 central Acts that had 1,458 sections, 937 compliances and 135 filings in a year, there has been a dramatic change; all the Acts have been subsumed into four Codes with, and this is the operative part, just 480 sections (that's a reduction of 67%).

The Code on wages, for instance, subsumes the Payment of Wages, the Minimum Wages, the Payment of Bonus and the Equal Remuneration Acts and, instead of maintaining 12 registers for them, the law cuts this to a third; Avantis believes this can be cut to just one with some rejigging, as has been done in Karnataka already. While the central Act now specifies 52 minimum wages, keep in mind the Karnataka law has 1,440 minimum wages! The social security Code subsumes nine Acts—like the ones on maternity benefits, gratuity, and provident fund—and the registers that need to be maintained are down from over 20 to just one or two, and the number of returns in a year are down from 36 to just one.

But, and there is always a but when it comes to Indian reforms, less than a tenth of the labour laws are those of the central government; 3-4% in the case of compliances and filings. So, for a factory owner to really breathe easy, the central labour reforms have to be carried over to the states. The good news here is that, starting now, none of the changes the states propose—say, raising the 300 limit to 1,000—require the approval of either their own legislatures or the central government; it can just be done by a notification. Indeed, after taking central permission, fixed-term employment has already been allowed by 12-13 states, the 300-threshold is already the rule in 16 states.

While most states are expected to change their laws over the next year or two—23 have already allowed some level of self-certification of compliance and online filing as opposed to the paper-based era—what is important is to, almost every day, cut red-tape. Though the central government continues to boast about the jump in the easily-gamed Ease of Doing Business (EoDB) rankings, 70% of the 1,536 central and state Acts have not even been touched; if businesses still need to make 3,570 filings in a year—other than labour—it is difficult to see how any credible claim of EoDB can even be made.

And, for the China-refugees, important as it is, it is not just the compliance burden that is the issue, it is the bad—and unreliable—policy environment that needs to be fixed. If the central and state governments owe businesses Rs 10+ lakh crore, that can hardly be good news for investors such as in the power sector, nor can the MEIS export benefits suddenly getting curtailed, or import consignments from China getting delayed, or the fact that the government refuses to even honour international arbitration awards, the different rules for Indian and foreign e-commerce players, the hounding of seed-tech firms like Monsanto, the mess in India's telecom or oil policies … the list is a long one.

It is no one's case that reforms get done overnight and, to that extent, the labour-law reforms are welcome, especially when seen along with the reforms in agriculture marketing and contract farming. But it took the present government six years to get the labour and agriculture reforms; that is a glacial pace when you look at how India's competitors, including China, continue to power ahead.

Source: financialexpress.com– Oct 05, 2020

HOME

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'Govt should reduce 1% TDS on e-commerce transactions to minimise cash flow impact for MSME sellers'

Ease of Doing Business for MSMEs: E-commerce, a sunrise industry in India, has driven massive investments in infrastructure and logistics in the past decade. It has created lakhs of direct and indirect jobs, and aided wealth creation across the country, with major impact being seen in Tier II and Tier III cities. Growing at a fast pace, e-commerce has also come under the unwarranted lens of regulators to collect more taxes and with ever-increasing compliance burden.

So much so that the industry has been witnessing a very high frequency of regulations being imposed in the relatively early growth stage itself. There is an imminent need to rationalize policy-making for e-commerce and internet companies keeping in mind implications on the sector's growth and its contribution towards job creation.

The Finance Act 2020 has inserted a new section 194-O in the Income Tax (IT) Act relating to payment by an e-commerce operator (or operator) to an e-commerce participant (or online seller(s)). This requires the e-commerce operators to deduct income tax (TDS) at the rate of 1 per cent of the gross amount of sale of goods/ services/ both, at the time of credit of the amount of sale to the account of the e-commerce participant.

Online retail (or e-commerce) as a percentage of overall retail in India is roughly 3 per cent, implying a small online seller base. Section 194-O also gives exemption for online sellers with gross merchandise sale of less than Rs 5 lakh in the previous year. This will result in a minority seller base (as a percentage of overall retail) that would pay the proposed TDS and thereby fail to achieve the objectives at scale. Implementation in the current form can be considered by bringing down the proposed TDS rate down (to say 0.25 per cent) to minimize cash flow impact for MSME. This will help reduce the amount of working capital that gets blocked and more importantly in these pandemic times, it would be a big relief.

The government can look towards changing the base for TDS calculation from Gross to Net Sales Consideration which is exclusive of GST and fees to operators. The proposed calculation of TDS on Gross Sale Amount, which includes GST, is a case of enforcing a tax-on-a-tax. Along with TCS, the combined impact on blocked working capital would be greater than two percentage points. This would put online sellers working under a high-volume, low-margin model under immense pressure.

TCS collection under the GST law is calculated at the rate of 1 per cent of the net value of taxable supplies, which also takes into consideration returns (which are around 30 per cent for e-commerce companies). In order to ensure consistency in provisions, the Government of India may consider applying a similar Net Sale Consideration (excluding GST and fees/ charges payable to operators) post returns. Along with the consideration in (2) this would further help in minimising the amount of working capital of online sellers getting blocked while adhering to the no tax-on-tax principle.

The Finance Act 2020 has also added a new clause 1h in Section 206-C in the Income Tax (IT) Act which stipulates that every seller who receives sale consideration for goods exceeding Rs 50 lakh in any previous year shall collect from the buyer TCS of 0.1 per cent of the sale consideration exceeding Rs 50 lakh.

This multiplicity in taxation will lead to increased compliance and blocking of working capital. This is bound to result in a manifold increase in the cost of doing business across the entire supply chain of supplier, wholesaler/trader and seller.

The data collected on sellers through TCS collected by operators, along with data on sellers (offline and online) under the expanded scope of Section 206-C will be a sufficient measure for the income tax authorities to check for tax evasion across majority sellers. Hence there is a need for Government of India to reconsider implementing 206-C (1h) in order to minimise the number of taxable transactions to enhance the ease of "Ease of Doing Business".

The government should recognize the potential that these e-commerce platforms hold as a robust distribution channel for India's largest employment provider- the MSME sector. Therefore, it should work towards providing and building an ecosystem with enabling framework of simplified Tax Regulations!! E-commerce sector calls for the same nurturing as India has done for its IT Sector.

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