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INTERNATIONAL NEWS

China's textile, garment exports continue to expand

China's exports of textiles and garments rose 5.62% year-on-year to 187.41 billion U.S. dollars in the first eight months of the year, according to the Ministry of Industry and Information Technology (MIIT).

The pace of increase accelerated 0.05 percentage points from the January-July period, the MIIT data showed.

During the period, the country's exports of textiles stood at 104.8 billion U.S. dollars, up 31.99% year-on-year, while garment exports dropped 15.74% to 82.61 billion U.S. dollars, the ministry said.

In August, China's garment exports totaled 16.21 billion U.S. dollars, up 3.23% year-on-year, the first monthly growth since the start of the year.

Driven by growth in demand for epidemic prevention textiles including masks, textile exports climbed 46.96% year-on-year to 14.72 billion U.S. dollars, according to the MIIT.

Source: china.org.cn– Sep 13, 2020

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Technical textile market to reach $220.37 billion by 2022

The technical textile market is projected to reach $ 220.37 billion by 2022, at a CAGR of 5.89 per cent. The market has grown exponentially in the last few years, and this trend is expected to continue. Based on process, the woven segment is expected to be the fastest-growing during the forecast period. This growth can be attributed towards factors such as easy production and low cost.

Woven technical textiles find wide application in various sectors such as construction, clothing, automobiles, and others. Thus, with the growing demand for technical textile in these industries, the demand for the woven segment will also increase. Additionally, advancements in weaving technology such as 3D weaving are also expected to drive the technical textile segment during the forecast period.

Based on application, the mobiltech segment is expected to grow at the highest CAGR between 2017 and 2022. Mobiltech covers technical textile used in automobiles, aircraft, railways, and shipbuilding such as nylon tire cord fabrics, seat covers, seat belts, cabin filters, tufted carpet, upholstery, and others.

The automobile sector has been improving its existing market share and creating innovative products through new developments, consequently increasing the demand for technical textile. Therefore, the growth in the automobile sector will drive the market for technical textile during the forecast period.

The Asia Pacific region is estimated to account for the largest share of the technical textile market in 2017; due to rapid urbanization and increase in disposable incomes in the emerging economies of China, India, and Indonesia.

Among all countries in this region, the market in China is projected to grow at the highest CAGR during the forecast period. The North American market is expected to grow at the second-highest CAGR between 2017 and 2022, with the US registering the highest growth rate in the region.

Source: fashionatingworld.com– Sep 12, 2020

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Sri Lanka's exports near USD 1 bn again

Sri Lanka's exports during August 2020 recorded a downfall of 19.2% to US$ 947.7 million as compared to the value of US$ 1,033.3 million recorded the same month of last year.

Despite the decline in exports, some products like Coconut based products, Electricals & Electronic Components, Spices and Essential Oils and Food & Beverages recorded a positive growth of 22.88%, 8.32%, 19.4% and 11.45% respectively, during August 2020 as compared to August 2019.

Export Development Board (EDB) Chairman Prabhash Subasinghe said, that it is remarkable to see another month of almost a billion dollars of exports. However, we are being watchful of the months ahead whilst understanding the impact of COVID-19 on our key markets of the US and Europe.

“We also need to focus on export product and market diversification which is seriously lacking today. Whilst appreciating that the US and the EU are the largest markets, we need to now create a significant export market in Asia including China. The China FTA will certainly help in this regard.” Export earnings from Apparel & Textiles declined by 11.99 % to US$ 438.34 million during August 2020 compared with US$ 498.03 million recorded in August 2019. In parallel, 6.15% decline recorded in August 2020 in comparison to July 2020.

In addition, Export earnings from Rubber & Rubber finished products have decreased by 2.71 % y-o-y to US$ 72.53 million in August 2020. However, exports of Industrial & Surgical Gloves of Rubber have increased by 36.19 % y-o-y to US$ 23.07 million in August 2020.

Export earnings from tea in August 2020 which made up 12% of merchandise exports declined by 13.27% y-o-y to US$ 102.97 million and the export volume was also declined by 16.01% in August.
Earnings from all the major categories of Coconut based products increased in August 2020 compared with August 2019.

Earnings from Liquid Coconut Milk and Coconut Oil categorized under the Coconut Kernel Products increased by 89.15% and 114.38% respectively. Being the largest contributor to Coconut based sector, Coco Peat, Fiber Pith & Moulded products which categorized under the Coconut fibre products increased by 20.71% to US$ 13.52 million in August 2020.

Export earnings from Spices and Essential Oils have increased significantly by 19.4% to US$ 39.88 million in August 2020 compared with the value of US$ 33.4 million recorded in August 2019 with a significant increase in export of cinnamon (53.55%). Meanwhile, earnings from export of Electrical and Electronic Components (EEC) increased by 8.25% to US$ 32.93 million in August 2020 in comparison to August 2019.

Total export earnings for January to August 2020 was US$ 6,400.21 million compared to US$ 7,921.16 Mn recorded in a similar period of the previous year – a decline of 19.2 %.

Major Exports such as Apparel & Textiles (US$ 2,842.04 million), Tea (US$ 805.57 million) and Coconut & Coconut Based Products (US$ 421.70 million) and Rubber & Rubber based products (US$ 506.75 million) recorded a decrease of 23.69%, 11.96%, 0.43% and 16.91% respectively during January - August 2020.

The export sectors that show a positive growth at disaggregate level includes the export of Industrial & Surgical Gloves of Rubber, Coconut Oil, Coconut cream, Liquid Coconut Milk, Coconut Flour, Coconut Vinegar, Coconut Shell Charcoal, Mattress Fiber, Areca nuts, Ginger, Essential oils, Made-up textile articles, Processed Food, Mitts & Mittens(Plastic Products).

Earnings from export of PPE (Personal Protective Equipment) related products increased by 38.32% to US$ 541.94 million in January to August 2020 compared with the value of US$ 391.79 million. The strong performance was mainly due to the increased exports of other made-up articles (HS 630790) and Articles of apparel and clothing accessories of plastics (HS 392620).

The top five export destinations during the period Jan-August 2020 were United States of America (US$ 1,652.17 million), United Kingdom (US$ 552.46 million) India (US$ 396.96 million), Germany (US$ 371.05 million) and Italy (US$ 280.51 million) absorbed over 50% of exports recorded in the period.

Being the largest single export destination, United States of America has absorbed US$ 248.63 million worth of exports in August 2020 recording a decline of 11.2 % in comparison to US$ 280 million absorbed in August 2019. Also, exports to the United States of America decreased by 20.69 % in January-August 2020 in comparison to January-August 2019.

Exports to the United Kingdom as the largest trading partner in the EU Region recorded an increase of 8.69 % to US$ 90.76 million in August 2020 compared with August 2019.

Further, exports to Italy, Canada, China, Japan and Turkey have also shown better performance during August 2020. Exports to China grew significantly by 34.47% in August 2020 led by earnings from export of Apparel, Tea in Bulk and Activated Carbon.

The services exports estimated by EDB which includes ICT/BPM, Construction, Financial Services and Transport & Logistics show exports of US $ 2,224.02 million compared to US$ 2,584.67 million recorded in the corresponding period of the previous year. However, estimated service exports declined by 13.95 % during January.

Source: dailynews.lk– Sep 14, 2020

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Vietnam: Difficulties pile up, textiles expect orders

It is forecasted that the total textile export turnover for the whole year is about US$32.75 billion, down about 16% compared to 2019.

From the beginning of the year to the end of August 2020, textile production increased by 1.3% over the same period last year; while apparel production decreased by 4.2% over the same period last year.

Also following the declining momentum, over the same period last year, the export turnover of textiles and garments in eight months was estimated at US$19.25 billion, down 11.6%; strong fabrics and other technical fabrics were estimated at US$260 million, down 36.8%; fibers of all kinds were estimated at US$2.2 billion, down 19.4%.

The MoIT assessed that, due to the Covid-19 pandemic, the production and export situation of the textile and garment industry still faced many difficulties. Consumer demand in the world is affected by social distancing measures, uncertainty about future developments, and saving policies of households who are hesitant tospend, while investment of enterprises also slowed down.

In terms of aggregate demand, in the third quarter of 2020, the world textile and apparel market, in general, has not received many positive signs, while market demand has not changed much.

Confidence in the consumption of goods in the US, EU, and Japan has not shown many good signals. The figures for garment imports and a series of price-cutting moves to stimulate demand, push inventories away to avoid the backlog of retailers, as well as suspend garment imports by major importers have shown that the market, as well as demand for clothing products, is pausing.

The MoIT stated that, according to annual practice, at the present time, all enterprises have ordered until the end of the year and even the first half of next year.

However, the demand slowed down due to the Covid-19 pandemic when consumers around the world only care about essential appliances and disease prevention, Vietnamese textile and garment enterprises currently only receive orders according to monthly information, or even weekly.

"Some businesses have received about 50-60% of their orders for September, the remaining months of 2020 and 2021 have not had clear information," the representative of the MoIT said.

Mr. Le Tien Truong, General Director of Vietnam National Textile and Garment Group (Vinatex) said that consumption behavior after the Covid-19 pandemic has changed significantly. Recent surveys in both international (conducted by Deloitte) and domestic (conducted by the Group) market share show the same perception that preference for pharmaceuticals, food, and savings is everyone's priority

Although clothing still has the fourth place in the priority list, after saving, so budgets for garments are very limited. The trend of less consumption, more basic products and lower shopping limitswill dominate the fashion market in the near future.

The decrease in aggregate demand will push upcompetition among textile-producing countries, with lower prices and greater pressure from buyers.

Vinatex forecasts that Vietnam's textile and garment exports in the second half of the year will continue to decrease by 14-18% over the same period last year. The total export turnover for the whole year is about US$32.75 billion, down about 16% compared to 2019.

According to Mr. Nguyen Xuan Duong, Chairman of the Board of Directors of Hung Yen Garment Corporation, Vice Chairman of the Vietnam Textile and Apparel Association (Vitas), currently the demand is low and must be divided among many markets.If you do well in terms of time, quality, and reasonable price, you can gain more orders.

In particular, businesses need to change the method of signing contracts. In the past, businesses often had to connect through intermediaries, so they should sign contracts directly with partners based on digital platforms and information technology to help reduce intermediaries, connect more quickly with partners when it is possible to quote prices, send goods, or sign agreements online.

“This helps businesses not only save time, improve their reputation but also help increase the value of orders,” Mr. Duong said.

Source: vietreader.com– Sep 13, 2020

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Pakistan, Uzbekistan sign trade promotion MoU

Pakistan and Uzbekistan recently signed a memorandum of understanding (MoU) to set up of a joint working group on trade and economic affairs for promoting economic partnership. The agreement will help both the nations identify areas for trade enhancement, promotion of inter-governmental projects in different sectors and improve connectivity.

A nine-member delegation headed by Uzbekistan deputy prime minister Sardor Umurzakov arrived yesterday in Pakistan and called on Prime Minister Imran Khan and chief of army staff General Qamar Javed Bajwa.

According to Abdul Razak Dawood, advisor to prime minister on commerce, industries and production and investment, Pakistan wants to strengthen its ties with the central Asian states in diverse fields.

In a meeting with Dawood, both sides agreed to start negotiations for a bilateral early harvest plan, proceeding to a preferential trade agreement (PTA) to offer increased market access to each other’s products.

They also agreed to have mutual recognition agreements (MRAs) for harmonisation of standards and sanitary and phytosanitary measures. A business forum for the private sector of both countries would also be set up, according to Pakistani media reports.

Source: fibre2fashion.com– Sep 13, 2020

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Bangladesh: Current crisis is an opportunity for apparel industry: experts

The current disruption in the global supply chain for garments caused by the ongoing coronavirus pandemic has created an opportunity for Bangladesh to reinforce its position as a leading exporter of apparel products, according to experts.

Bangladeshi manufacturers can embrace these chances and innovate new ways of production in order to expand their business and adapt to market shifts, they said. They spoke at a virtual discussion on September 9 organised by HSBC, Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Serai, a new technology subsidiary of HSBC.

Various garment makers and exporters, HSBC customers, regulators, international buyers and officials took part in the event to discuss Bangladesh's apparel industry, global apparel demand landscape and technological penetration under the current context.

HSBC, Serai and the BGMEA brought together industry leaders from across the apparel ecosystem (manufacturing, advisory consulting, finance and technology) to discuss how demand is changing, why Bangladesh is such a unique destination and how the industry can thrive in this new environment.

The programme began with short speeches and a discussion between HSBC CEO Md Mahbub ur Rahman, BGMEA President Rubana Huq and Serai CEO Vivek Ramachandran.

There were also presentations made by Kanaiya Parekh, expert partner in retail, performance improvement, customer strategy & marketing and results delivery practices at Bain and Company, and Ramachandran, CEO of Serai.

"HSBC was founded with one key objective -- to facilitate trade and despite tech-driven improvements in most areas of business, international trade remains as complex today as it was more than 150 years ago," HSBC's Rahman said. "Responsible and sustainable supply chains are becoming increasingly important as consumers' choices are coupled with both innovations and disclosure.

"The Serai platform aims to be an effective conduit for industry players to form an open source platform with a shared approach. "This will ultimately enable the apparel industry to reduce duplication and costs, re-build trusting relationships and make faster and better trade decisions," he added.

The industry can only retain or better its position by restructuring its capabilities, responding to the needs of lean manufacturing, reducing lead time and increasing online engagement, according to BGMEA president Huq. "Effective business to business interactions are one of the most effective ways to go ahead," she added.

Serai CEO Ramachandran said it is clear that the future of international trade lies in increased digitisation and the efficiency gains that all participants can draw from.

"That's why we're building Serai -- a data powered platform to help businesses build trusted relationships and grow their business," he said.

Serai is a platform that brings buyers and suppliers together to build trusted relationships, with an initial focus on the garment industry.

The platform allows industry participants to share relevant data with their partners in a highly secure manner and access a range of digitals solutions.

Source: thedailystar.net– Sep 14, 2020

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Bangladesh: CPB(M) announces siege of textile and jute ministry on Sept 15

Communist Party of Bangladesh (Marxist) -- CPB (M) -- today announced a siege of the Ministry of Textiles and Jute on September 15 to realise its three-point demand, including the resignation of Jute Minister Golam Dastagir Gazi for his failure in protecting the country's jute industry.

The two other demands are reopening of all closed jute mills and reinstating jute mill workers and paying all arrears.

General Secretary of Communist Party of Bangladesh (Marxist) MA Samad announced the programme today through a release.

Instead of modernising the jute mills and stopping looting and irregularities in the jute sector, the government has decided to close down state-run jute factories, which is not acceptable, Samad said in a release.

He also said thousands of workers in this industry have become unemployed as a result of the closure of jute mills. Besides, millions of workers in other sectors are unemployed today due to the impact of coronavirus. Unemployed workers are also returning from abroad.

"But the government has no headache in this regard," the CPB(M) GS added.

He said there is no alternative to waging movements against the government to protest such injustice.

Source: thedailystar.net– Sep 14, 2020

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Pakistan: FPCCI seeks competitive energy rates for all industrial sectors

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI), opposing the Economic Coordination Committee's (ECC) decision of raising power tariff for the export sector by 1.5 cents amidst downfall of 20 per cent exports, has sought regionally competitive energy tariffs for domestic as well as export industries to capture the global market.

FPCCI President Mian Anjum Nisar observed that amid worsening export volumes and halt in domestic industrial growth, the approval of 20 per cent hike in electricity rates to 9 US cents per kWh for the export sector from September 2020 is really surprising and if it is not reversed, it would prove to be dangerous for Pakistan's industry, discouraging investment both in capacity and capability.

While the domestic industry has already been paying Rs19.82 per unit of electricity, the export-oriented industry has now been forced to pay a cost of Rs15 per unit from September 2020, which is more than the double of the electricity rates in India. This will pull the exporters out of the international market by the regional competitors who are able to avail better prices for energy.

The electricity charges in Bangladesh and India are about 7-9 cents per kWh while in China, which is Pakistan's major trading partner, the electricity charges are less than 9 cents per kWh.

FPCCI President said that though the move will help the government restrict subsidies to Rs20 billion this year yet, it will put an additional burden of nearly Rs18 billion on the industrial sectors.

"It is good that for two months of July and August electricity to the export-oriented sectors would be provided at 7.5 US cents but after that power would be supplied at 9 US cents per kWh for the rest of the financial year 2020-21 at a time when the export volumes have already plummeted by 20 per cent," he said.

In the first two months of the current fiscal year, July and August, the exports further fell by over 4 per cent.

Earlier in January 2019, the government had announced an all-inclusive tariff of 7.5 US cents per unit for five major export sectors to enhance Pakistan's export competitiveness but the decision was not implemented in its full spirit.

Mian Anjum Nisar also stressed the need for early approval of new Textile Policy 2020-25 by the ECC, as it would be beneficial for the major export sectors. He said that Prime Minister Imran Khan has already accorded approval to this policy in terms of policy directives on production and diversification of exports. He added that the approval of textile policy is the only way to ensure more investment in this sector as a huge investment is in the pipeline but is awaiting the last accord of textile policy.

He appreciated some of the positive economic indicators of the country, which have started showing recovery despite enormous challenges at external as well as internal fronts due to outbreak of coronavirus and subsequent lockdown.

FPCCI President said that there has been an evident increase in international and domestic confidence. In addition, the Moody's rating agency also provided Pakistan's economy with a B3 credit rating which is considered stable. It is a fact that the Covid-19 outbreak and the subsequent lockdown drastically damaged the world economy and Pakistan was no exception which witnessed negative GDP growth. However, due to some better policies adopted by the government, including relief in markup rate, the economic losses were mitigated to some extent, which now need to continue for further benefit, he said.

Pakistan's exports have been struggling for a long time and to counter that, Mian Anjum Nisair called for continuation and consistency in long-term policies once they are announced, as changes and revisions hurt the industrialists' plan of production and purchases and booking of orders which is made according to the policy announcement.

Mian Anjum Nisar observed that country has not been able to achieve its maximum export potential and product diversification owing to limited access to raw materials.

He mentioned that the application procedures for temporary import schemes should be simplified so that exporters could be able to achieve price competitiveness and product diversification.

He said that industry was assured that sales tax refunds under the FASTER system will be paid in 72 hours. However, the system has completely failed and billions of rupees of refunds are stuck in the system.

Source: profit.pakistantoday.com.pk– Sep 12, 2020

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NATIONAL NEWS

Move to cap incentives may impact about 700 exporters

Around 700 exporters of engineering items, automobiles, chemicals, pharmaceuticals, oil and gas, and textiles are likely to get impacted by the government's move to cap incentives under the Merchandise Exports from India Scheme (MEIS) at Rs 2 crore per exporter for four months till December 31.

Besides these industries, marine products, dairy and processed foods and fruit, vegetables, spices and cereals are the largest beneficiaries of the scheme. The top 50 exporters from these sectors account for around 20% of the benefits under the scheme, the outgo under which was `45,000 crore in fiscal 2020.

"There are around 700-750 exporters who will get impacted by the ceiling on incentives," said an official. More than 35,000 exporters claim benefit under the MEIS.

The cap was introduced as the government found MEIS to have failed to deliver the desired result of boosting exports, which have hovered around $300 billion in the last five years despite its liberal application across sectors. The government has said that 98% of the exporters who claim MEIS would be unaffected by the changes as per an analysis of claims in the same period of 2018-19.

It also said the new Import Export Code obtained on or after September 1 would be ineligible to submit any MEIS claim for exports, and the ceiling would be subject to a downward revision to ensure that the total claim didn't exceed the allocated Rs 5,000 crore for the period.

"Unaffected exporters who have already factored in MEIS in the pricing of their products do Junot face any change or uncertainty since neither coverage of products nor rates of MEIS will be changed," said another official.

However, industry said though the allocation might cover 98% of beneficiary exporters in numbers, in terms of value of exports covered, the percentage would be much less.

"The large exporters which have high-value exports would get adversely impacted. We also fear that this might act as a disincentive for exporters to become large," the Confederation of Indian Industry (CII) said in a letter to the ministries of finance, and commerce and industry.

Source: economictimes.indiatimes.com– Sep 13, 2020

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Banks sanction Rs 1.63 lakh crore to 42 lakh MSMEs under credit guarantee scheme

The finance ministry on Sunday said banks have sanctioned loans worth over Rs 1.63 lakh crore to more than 42 lakh business units under the Rs 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector. On the disbursement front, however, over Rs 1.18 lakh crore doled out to 25 lakh MSME units, till September 10, which were hit by the COVID-19 pandemic and ensuing lockdowns.

The scheme is the biggest fiscal component of the Rs 20-lakh crore Aatmanirbhar Bharat Abhiyan package announced by Finance Minister Nirmala Sitharaman in May to mitigate the distress by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs).

As of September 10, as reported by public sector banks (PSBs) and top 23 private sector banks, "additional credit amounting to Rs 1,63,226.49 crore has been sanctioned to 42,01,576 borrowers", the ministry said in a statement. "Amount of Rs 1,18,138.64 crore has been disbursed to 25,01,999 borrowers," it said while sharing the progress of implementation of various schemes under the Aatmanirbhar Bharat Abhiyan package.

Sharing details of other schemes being implemented by the finance ministry, the statement said banks have approved purchase of portfolio of Rs 25,055.5 crore under Rs 45,000-crore Partial Credit Guarantee Scheme 2.0 for NBFCs, HFCs and MFIs to do fresh lending to MSMEs and individuals scheme as on August 28.

Lenders are currently in the process of approval/negotiations for additional Rs 4,367 crore, it said. Talking about income tax refunds, it said the department has issued Rs 1,01,308 crore to more than 27.55 lakh taxpayers between April 1, 2020 and September 8, 2020.

“Income tax refunds of Rs 30,768 crore have been issued in 25,83,507 cases and corporate tax refunds of Rs 70,540 crore have been issued in 1,71,155 cases. In fact, all corporate tax refunds up to Rs 50 crore have been issued in all cases, wherever due. Other refunds are under process,” it said.

With regard to Rs 30,000 crore Special Liquidity Scheme for the stressed non-banking financial companies (NBFCs)/housing finance companies (HFCs)/micro finance institutions (MFIs), it said 37 proposals involving an amount of Rs 10,590 crore have been approved while six applications seeking financing of Rs 783.5 crore are under process as on September 11.

It further said under the Rs 30,000 crore additional Emergency Working Capital Funding for farmers through NABARD scheme, Rs 25,000 crore has been disbursed till August 28.

“Balance amount of Rs 5,000 crore under Special Liquidity Facility (SLF) allocated to National Bank for Agriculture and Rural Development (NABARD) by RBI for smaller NBFCs and NBFC-MFIs. NABARD is finalising operational guidelines to roll it out soon,” it said.

Besides, NABARD has also launched Structured Finance and Partial Guarantee scheme in collaboration with two agencies and banks to help unrated NBFCs/MFIs to get credit from lenders, the statement said. On May 20, the Cabinet approved additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through ECLGS for MSME sector.

Under the scheme, 100 per cent guarantee coverage will be provided by the National Credit Guarantee Trustee Company (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of a guaranteed emergency credit line (GECL) facility. For this purpose, a corpus of Rs 41,600 crore was set up by the government, spread over the current and next three financial years.

The scheme will be applicable to all loans sanctioned under GECL facility during the period from the date of announcement of the scheme to October 31 or till the amount of Rs 3 lakh crore is sanctioned under GECL, whichever is earlier.

Source: financialexpress.com– Sep 13, 2020

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GST row: 13 states submit options

At least 13 states have given their borrowing options, proposed by the GST Council, to meet their compensation shortfall and six more states — Goa, Assam, Arunachal Pradesh, Nagaland, Mizoram and Himachal Pradesh — are expected to do so shortly, finance ministry sources said on Sunday.

The 12 states that preferred the borrowing option 1 are Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Meghalaya, Sikkim, Tripura, UP, Uttarakhand and Odisha. So far only one state — Manipur — opted for the second option.

A few states have submitted their views to the chairperson of the GST Council and are yet to decide on the options. The Council, in its 41st meeting in late August, had provided two borrowing options to the states to enable them meet their compensation shortfall.

at the lowest possible rate of interest at the RBI's single window facilitated by the finance ministry according to their individual choice.

Option 1 offered the states to borrow the shortfall arising out of GST implementation, estimated at Rs 97,000 crore approximately, through issue of debt under a special window coordinated by the finance ministry.

The second option has offered the states to borrow the entire compensation shortfall of Rs 2.35 lakh crore (including the Covid-impact portion) through issue of market debt.

Several states, particularly those ruled by the opposition parties, had rejected the options given by the Centre, saying they would put them under a huge debt burden and cripple their finances further. They had asked the Centre to borrow on behalf of the states.

The last council meeting had taken place against the backdrop of the opinion of the attorney general on the compensation cess issue where he had said that there is no obligation on the Centre under the GST laws to compensate for the loss of revenue. According to the attorney general, it is the GST Council which has to find ways to meet the shortfall in compensation and not the Centre.

It was discussed in the meeting that in the current economic scenario it may not be possible to increase tax rates or do rate rationalisation to meet the compensation shortfall. However, borrowing could be an option to address this challenge.

Source: timesofindia.com– Sep 14, 2020

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CBIC suspends licence of 56 Customs brokers

Majority of suspended brokers are from Delhi

The Central Board of Indirect Taxes & Customs (CBIC) on Sunday said that it has suspended licences of 56 Customs brokers over a period of one year. Majority (37) of suspended ones are from Delhi.

Customs broker means a person licensed under these regulations to act as an agent on behalf of the importer or an exporter for purposes of transaction of any business relating to the entry or departure of conveyances or the import or export of goods at any Customs Station including audit.

The board said that suspension was initiated after Directorate General of Analytics and Risk Management (DGARM) carried out data analytics of Customs brokers linked with fraudulent/unscrupulous exporters and accordingly action was taken.

According to CBIC, this exercise revealed that 62 Customs brokers (including 37 from Delhi) had handled more than 15,290 export consignments of 1,431 untraceable exporters. In one particular case, a Customs broker has handled exports of 99 untraceable exporters who claimed ₹121.79 crore of IGST refund.

These brokers' activities were under strong suspicion for quite some time and the officials were able to block IGST refund of ₹226 crore in these cases so far. The matter is under further investigation.

These 62 brokers were placed in 3 categories based on the extent of their linkage with the non-existent/untraceable exporters.

The board explained that all these suspended Customs brokers cannot transact business anymore. An alert for cent per cent examination of all import consignments have been inserted considering the likelihood of malpractice in imports as well by the doubtful brokers.

It may be noted that Customs brokers typically handle non-risky exporters also. They are governed by Section 146 of the Customs Act, 1962 and the Customs Broker Licensing Regulations (CBLR), 2018.

They are under legal obligation as per Regulation 10 of CBLR to verify correctness of IEC, GSTIN, and identity of his client and functioning of his client at the declared address by using reliable, independent, authentic documents, data or information. This requirement is violated in case of 1,431 non-traceable exporters by these brokers.

Source: thehindubusinessline.com– Sep 13, 2020

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Banks lend 5% more to MSMEs in July from year-ago period even as credit growth contracts in FY21 so far

Gross bank credit to micro and small enterprises (MSE) in July was up 5.1 per cent to a little over 11 lakh crore from Rs 10.47 lakh crore in July 2019, according to the data from Reserve Bank of India. However, the growth had contracted in terms of the financial year so far. The credit growth stood at minus 4.2 per cent in July from Rs 11.49 lakh crore deployed as on March 27, 2020, according to the RBI's September bulletin. However, the deployment in June 2020 was 6.5 per cent up to Rs 11.32 lakh crore from Rs 10.62 lakh crore in the year-ago period while for May 2020 the credit deployment was at Rs 10.77 lakh crore — 1.5 per cent more from Rs 10.62 lakh crore in May 2019. The April 2020 growth was 3.3 per cent to Rs 11 lakh crore from April 2019.

While the overall credit growth remained positive, the deployment in manufacturing MSEs continued to remain negative. The contraction for the month of July stood at minus 1.9 per cent to Rs 3.54 lakh crore from Rs 3.61 lakh crore in July 2019. However, the July credit had improved from Rs 3.52 lakh crore in June 2020. With respect to the growth in the financial year so far, the credit deployment contracted by minus 7.1 per cent from Rs 3.81 lakh crore in March 2020.

On the other hand, growth in credit deployment in services MSEs remained positive at 8.7 per cent (Rs 7.45 lakh crore) in July vis-a-vis Rs 6.85 lakh crore in the year-ago period. However, it had declined from 11.9 per cent year-on-year growth in June 2020 at Rs 7.79 lakh crore. Also, in the financial year so far, the credit growth in services MSEs contracted by minus 2.8 per cent from Rs 7.67 lakh crore in March 2020.

Meanwhile, 12 public sector banks, 24 private banks and 31 NBFCs have collectively disbursed Rs 1,18,138.64 crore into 25,01,999 MSME accounts as on September 10 under the Rs 3 lakh crore emergency credit line guarantee scheme, according to the data shared by the Finance Ministry.

The amount and accounts sanctioned stood at Rs 1,63,226.49 crore and 42,01,576 MSMEs respectively. The scheme was launched in May while disbursements started late June for MSMEs with up to Rs 25 crore outstanding and turnover of up to Rs 100 crore for standard accounts.

Source: financialexpress.com– Sep 13, 2020

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ICAI seeks extension of FY19 GST annual return filing deadline by 3 months

The Institute of Chartered Accountants of India (ICAI) has written to the GST Council seeking deferment of 2018-19 GST annual return filing deadline by 3 months till December 31.

The last date for filing annual return for 2018-19 fiscal for Goods and Services Tax (GST) registered taxpayer is September 30.

In its representation to the GST Council, the ICAI said majority of the offices are working only partially due to the COVID-19 pandemic.

“We request… to provide appropriate relaxation to the registered persons and extend due dates of filing GST annual return and GST audit for the year 2018-19 by 3 months till December 31, 2020. This would provide needed relaxation to the trade, in combating the circumstances arising out of coronavirus,” the ICAI said.

The government had in May extended the last date for filing annual GST return for financial year 2018-19 by three months till September 2020.

EY Tax Partner Abhishek Jain said COVID-19 has not only dramatically affected the lives of people but has also brought various businesses to a standstill.

"Under current scenario, where the industries are struggling, the focus has shifted to keep the operations running vis-a-vis meeting compliance deadlines.

As such, this move of the ICAI, filing a representation seeking extension in the due dates for GST annual return and audit report by 3 months, will be much appreciated by the industry" and if accepted by the government, it would provide the requisite breathing space to businesses, Jain added.

GSTR 9 is an annual return to be filed yearly by taxpayers registered under the Goods and Services Tax (GST). It consists of details regarding the outward and inward supplies made or received under different tax heads.

GSTR-9C is a statement of reconciliation between GSTR-9 and the audited annual financial statement.

Source: financialexpress.com– Sep 13, 2020

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Workers feel the heat as major ports on cusp of historic make-over

Proposed new legal structure seeks to achieve multiple objectives

State-owned Jawaharlal Nehru Port Trust (JNPT) is drafting a special voluntary retirement scheme (SVRS), joining Chennai Port Trust in packing off workers as the Parliament looks set to pass a bill that seeks to convert 'port trusts' into 'port authorities' in the biggest structural reform of 11 of the 12 ports controlled by the Central government.

The Major Port Authorities Bill is included in the list of bills to be taken up for passage by Parliament in the monsoon session beginning Monday.

Major Port Authorities Bill

Under the new law, the 11 ports will don the role of landlords – a model widely followed globally wherein the publicly governed port authority acts as a regulatory body and as landlord while private companies carry out cargo handling activities.

Here, the port authority maintains ownership of the port while the infrastructure is leased to private companies that provide and maintain their own superstructure and install their own equipment to handle cargo. The landlord port, in return, gets a share of the revenues from the private entity.

Accordingly, the cargo handling facilities run by the ports themselves will have to be privatised through the PPP mode, putting a question mark over the fate of thousands of workers deployed for cargo operations.

Workers unions

While the new law will not directly facilitate corporatisation of major ports, workers unions fear that the government would issue an order using Section 53 of the proposed Act to achieve this long-pending objective.

"The Board (of each port authority) shall in discharge of its functions under this Act, be bound by such directions on question of policy as the Central Government may give in writing from time to time," according to Section 53.

Unless the ports are converted into companies, the government cannot list them on the stock exchanges and potentially disinvest or privatize them. Corporatisation will also help the government receive dividends from these ports.

The major ports had 28,852 full-time employees on March 31, 2019 of which 26,080 were Class 3 and 4 cargo handling and non-cargo handling workers while 2,772 were officers. The numbers would be a few hundred less now after superannuation of employees.

JNPT operations

JNPT, a relatively young port - it started operations in 1989 - compared to others, will be the first to be converted into a port authority when the bill is signed into law.

Anticipating the new legal structure under which it will be operating, JNPT has already started preliminary work on privatising the 1.35 million TEU capacity container terminal run by the port itself and one of the five overall at the port, multiple sources told BusinessLine.

The SVRS plan being drafted by the JNPT management is “more attractive” than the one passed by the board of trustees of Chennai Port Trust on September 11.

In the case of financially struggling Chennai Port Trust, employees opting for the SVRS will get one-month emoluments (Basic plus DA) for each completed year of service or 15 days emoluments (Basic plus DA) for each month of remaining service, whichever is lower, subject to a ceiling of Rs15 lakh.

The planned SVRS of JNPT will offer workers 60 days emoluments (Basic plus DA) for each completed year of service or 30 days emoluments (Basic plus DA) for each month of balance service, whichever is less, without any ceiling.

“Compared to Chennai Port Trust, the SVRS being drafted by JNPT is very attractive. The intention is to push out as many workers out as possible,” a person briefed on the plan said.

Port trust employee numbers

Chennai Port Trust currently has 3,846 employees on its rolls including 3,646 Class 3 and 4 workers.

JNPT has 1,430 employees of which 1,240 are Class 3 and 4 workers and the rest are officers.

Other ports are also expected to come out with SVRS.

Kamarajar Port Ltd is excluded from the new law because it is run as a company.

Source: financialexpress.com – Sep 11, 2020

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In Punjab, private buyers of cotton come out in favour of Centre's ordinance

While the Punjab government has passed a resolution against Centre's farm ordinances by advocating that it will hit farmers hard especially the crops being purchased on MSP, but ahead of the arrival of Kapas (cotton with seed) crop in mandis, state's ginners and spinning mill owners have come out in favour of Centre's ordinance that dismantles the Agriculture Produce Marketing Committee (APMC) Act.

They argue that if the state government will not go by Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 for purchase of cotton crop then farmers will suffer a loss of around Rs 300 to 400 per quintal of cotton.

Apart from Cotton Corporation of India, the buyers in the state are private players, including ginners, who separate seed from cotton, and the spinning mills, who are main purchasers of cotton. CCI's market share is not much in Punjab.

Currently, the private buyers pay 4.5 per cent tax which includes 2 per cent mandi fee and Rural Development fund and 2.5 per cent to arhtiyas's (commission agents) through which farmers sell their crop to ginners and spinners, who are now saying that why should they pay this tax when Centre has passed the ordinance and farmers can sell their crop to anyone outside the state government-owned mandi yard.

"If spinners and ginners have to follow the Punjab government's directions we will end up paying 4.5 per cent tax and this tax actually is charged from the farmers because whatever extra tax is charged from the private buyer they pay that much money less to the farmers," said a leading spinner.

Suresh Kumar, Managing Director of Punjab Spintex Limited, a Bathinda-based cotton yarn manufacturer and exporter said: "If farmers will sell directly to the purchaser he will get money close to the MSP, but if he will sell it through arhtiya in the mandi, the price he gets would be around Rs 5,000 per quintal".

The Centre has fixed Rs 5,515 for medium staple (24.5 to 25.5 mm) cotton and Rs 5,825 for long-staple (29.5 to 30.5 mm) as MSP. In Punjab, mostly medium staple Kapas is grown. The main marketing season for cotton is from October to December.

"When the government is not purchasing cotton despite fixing its MSP, the farmers will have to sell it to the private players only and then the rate is also decided by the buyer as per the demand and supply formula," said Bhagwan Bansal, president of the Punjab Ginners Association, who owns a ginning unit – S S Cotgin Pvt. Ltd – at Bathinda.

Bansal's unit can produce 150 bales of lint (one bale equals 170 kg) per day. He said that if government will not agree to our demands then the border area crop will be sold in Haryana and Rajasthan, not in Punjab. "This is because Haryana government cannot dare to go against the ordinance passed by Centre," he said, adding that private buyers will protest if state government will not allow purchase without paying any mandi fee or arhtiya fee.

A small amount of the cotton had come to Fazilka Mandi last week where farmers sold it at the rate of Rs 4,801 per quintal which is below the MSP. The main crop will start arriving in the first week of October.

Source: indianexpress.com– Sep 13, 2020

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