



**IBTEX No. 266 of 2018**

**December 31, 2018**

USD 69.84 | EUR 79.778 | GBP 88.59 | JPY 0.63

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20526	42900	<b>78.20</b>
<b>Domestic Futures Price (Ex. Gin), January</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20990	43869	<b>79.96</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( March 2019)		72.19 (+0.13)
ZCE Cotton: Yuan/MT ( May 2019)		14,830
ZCE Cotton: USD Cents/lb		<b>97.80</b>
<b>Cotlook A Index – Physical</b>		<b>80.55 (-1.40)</b>
<b>Cotton Guide:</b>  Another week has lapsed with a victory to the bears. The candlesticks emanate a week where more of huge red columns were seen with one or two small green columns. The ICE March contract settled at 72.19 cents/lb with a small trading range of 72.87 and 72.05. The amount to a change of +13 points. The ICE May contract settled at 73.49 with an almost similar change of +17 basis points. Total Open Interest increased by 1,361 contracts to 212,845. There was an increase of open Interest of 315 and 689 contracts at 124,602 and 37,779 for March and May contracts respectively.		

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MCX contracts were also seen with few positive changes as compared to Thursday. MCX January contract settled with figures of +40 at 20990 Rs/Bale, MCX February contract settled with +60 at 21220 Rs/Bale and, MCX March settled with +40 Rs at 21460 Rs/Bale. The prices of Shankar 6 has been similar with an average price available at 43,000 Rs/candy. Cotlook Index A has been adjusted lower to 80.55 i.e. a -1.40 decline.

Weekly export sales report were not released due to the US Government shutdown. Due to this unavailability of Data, the markets will have to trade on just news and no concrete numbers. For this week we have a bearish bias for the March contract as no Export Sales and Shipment data is available. On the other hand, Speculators like to offset their positions at the end of the year (for some speculators – every quarter). A minor short term turnaround to the bearish trend is hence expected as was seen with positive numbers on Friday.

US-China Trade talks are scheduled to begin in the second week of January. Recently, the US President conveyed about a positive progress on trade talks with China. Any positive news on this respect can spike the cotton market to even 90 cents/lb.

On the technical front, ICE March future is trading in a downward sloping channel as it failed to move above the 82.00 levels in the month of Dec. Meanwhile the strength index RSI in its weekly chart is near 33 level, suggesting weakness in strength which could weigh on cotton prices for the near term before any recovery. On the downside 70.90 is a crucial support ( 61.8% Fibonacci retracement ) level, if held then it could rebound towards the resistance levels of 75.10. However only a close below 70.80 could bring further selling pressure towards 70 followed by 69.50 levels. So for the week price is expected to remain in a broad range of 70.80-75.10. In the domestic market trading range for Jan cotton futures will be 20,650-21,550 Rs/Bale.

### **Currency Guide:**

Indian rupee has opened stronger by 0.25% to trade near 69.78 levels against the US dollar. Rupee has benefitted from stability in global equity market amid signs of progress in US-China trade talks. As per reports, US President Donald Trump said he had a "long and very good call" with Chinese President Xi Jinping and that a possible trade deal was progressing well.

The Wall Street Journal reported negotiators were starting to work out a deal that could boost US exports and loosen regulations that stifle US firms in China. Also supporting rupee is general weaker trend in crude oil price. WTI crude trades mixed near \$45 per barrel as support from stability in equity market is countered by smaller than expected decline in US crude stocks and

record high US crude production. The US dollar is also choppy amid partial government shutdown and uncertainty about Fed's monetary policy. The US 10-year bond yields has slumped to February lows amid safe haven buying and reduced expectations of aggressive rate hikes by Fed. Rupee

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**NEWS CLIPPINGS**

<b>INTERNATIONAL NEWS</b>	
<b>No</b>	<b>Topics</b>
1	USITC to investigate economic effects of duty-free imports
2	Global textile mills market value up three per cent, Asia Pacific has highest share
3	Labor abuses continue to plague major global brands
4	Pakistan:Textile industry committed to achieve \$30b exports
5	Bangladesh RMG export by '21 to be \$11b short of target
6	Bangladesh RMG: Gains and pains in 2018

<b>NATIONAL NEWS</b>	
1	With volumes on the mend, will 2019 mark a turnaround for textiles exporters?
2	Free trade pacts hamper India's efforts to curb Chinese textile imports
3	GST Council Meeting: In its next meeting in Jan 2019, certain norms should be approved
4	Textile Industry to come up at Chamarajanagar
5	CMAI welcomes clarification to e-commerce marketplace policy
6	Assam forest officer bags award for services to handicraft sector

## INTERNATIONAL NEWS

### **USITC to investigate economic effects of duty-free imports**

The US International Trade Commission (USITC) plans to investigate the probable economic effects of providing duty-free imports to the United Kingdom (UK) on US industries producing like or directly competitive products, and on consumers. The investigation was requested by the Office of the US Trade Representative (USTR) in November.

The US president will be advised on the issue. USITC will prepare an assessment of the probable economic effects of eliminating tariffs on imports from the UK of certain agricultural products on US industries producing the products concerned and on the country's economy as a whole. USITC, which will hold a public hearing related to the investigation on January 31, expects to submit its confidential report by May 8, 2019

Source: fashionatingworld.com- Dec 28, 2018

[HOME](#)

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### **Global textile mills market value up three per cent, Asia Pacific has highest share**

The value of global textile mills market in 2016 was up 3.5 per cent from a year earlier. The compound annual growth rate (CAGR) of the market was 2.7 per cent between 2012 and 2015. Asia-Pacific region accounts for 59.6 per cent of the global textile mills market value. Europe and the United States account for a further 19.1 per cent and 10.8 per cent of the market respectively. The CAGR of the market between 2016 and 2021 is forecast to be 5.1 per cent.

Value of global apparel manufacturing market in 2016 was up 3.3 per cent from a year earlier. The Asia-Pacific region accounts for 61 per cent of market value in 2016 and Europe accounts for a further 15.2 per cent of the market. The CAGR of global apparel manufacturing market during the period of 2016 to 2021 is forecast to be 4.8 per cent.

Apparel manufacturing market covers all clothing except leather, footwear and knitted items as well as other technical, household, and made-up products. The market size is estimated based on the value of domestic production plus imports minus exports, all valued at manufacturer prices.

Source: fashionatingworld.com- Dec 28, 2018

[HOME](#)

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## **Labor abuses continue to plague major global brands**

***"A new report by NGO KnowTheChain reveals the fashion industry lacks in its efforts to address forced labor. The NGO surveyed 43 of the world's largest clothing and footwear companies' efforts to address the issue. These companies scored only 37 out of a possible 100, with more than two-thirds scoring below 50. Be it slavery in cotton fields, human trafficking of factory workers or child labor, companies need to address a lot of issues to free their supply chains of labor abuses. The root cause of these abuses is the pervasive use of agencies to find workers for factories and workshops. These agencies often charge migrant workers large fees just to land a job, and there is ample evidence that these high fees push poor migrants into forced labor situations."***

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### **Right recruiting policy to curb abuses**

Be it slavery in cotton fields, human trafficking of factory workers or child labor, companies need to address a lot of issues to free their supply chains of labor abuses. The root cause of these abuses is the pervasive use of agencies to find workers for factories and workshops. These agencies often charge migrant workers large fees just to land a job, and there is ample evidence that these high fees push poor migrants into forced labor situations.

In fact, companies that scored highest on the rankings, Adidas and Lululemon, employ their workers directly across the supply chain – a practice that KnowTheChain believes other companies should consider following.

### **Complex supply chain hampers growth**

Another obstacle to progress is the complexity of supply chains, and the interconnectedness of the industry. Most major global brands engage the same suppliers, or source from the same regions where textile factories and labor abuses are rampant, such as Bangladesh, Cambodia or Vietnam. Namely, one company can only do so much to solve this problem.

To address this issue, the American Apparel and Footwear Association, which represents more than 1,000 global name brands, retailers, and manufacturers, in October 2018, announced a commitment with the Fair Labor Association to address potential forced labor risks in their supply chains.

KnowTheChain will also continue to highlight relevant policies besides tracking progress on eliminating forced labor from the apparel and footwear supply chain. The NGO hopes to find a suitable solution to the issue by the publication of its next report.

Source: fashionatingworld.com- Dec 30, 2018

[HOME](#)

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### **Pakistan:Textile industry committed to achieve \$30b exports**

The All Pakistan Textile Mills Association (APTMA) has urged Prime Minister Imran Khan to chair regular meetings of the textile industry stakeholders to monitor policy implementation as well as performance in investment and exports, desperately needed to earn precious foreign exchange to overcome trade deficit in the shortest possible time.

APTMA Patron-in-Chief Gohar Ejaz said the industry is committed to achieve \$30 billion exports, undertake new investment initiatives and create millions of sustainable jobs. He said the immediate focus of the government



should be on increase in cotton production by doubling cotton yield to 1200 kg per hectare from existing 660 kg. Presently, he said, the industry is dependent on import of 3.5 million bales to meet its consumption by spending precious foreign exchange worth \$1.1 billion dollar per annum. An improvement in the cotton yield can take production to over 20 million bales that will save foreign exchange on the one hand and earn around \$3 billion on the export of surplus cotton.

According to him, there is an urgent need to provide a long term export-led growth policy. In the past, he pointed out, all such policies given by the previous governments from time to time could hardly see 15 percent implementation. He added that policy implementation should be the focus of the economic managers of the country that would enable the industry and exports to grow at more than 10-15 percent per annum without interruption and yield precious foreign exchange to mitigate trade deficit.

He said there is a dire need to increase credit allocation to the industrial sector and release of liquidity lying pending on account of sales tax and DLT should be processed expeditiously to augment a turnaround in the industrial productivity.

He further added that the textile industry has envisaged to achieve 20 million bales of cotton production, one million ton polyester fibre, \$28 billion textile and clothing exports, increase in share in global exports by 3.5% of textile and 2.7% of clothing, 6 million direct labour force and \$1.4 billion new investment per annum by 2023-24, i.e. during the tenure of present government.

He expressed the hope that the recommendations made by the industry associations would soon be materialized in order to tap the potential of the textile industry in earning foreign exchange, bringing in investment and creating jobs to ensure a prosperous and developed Pakistan under the dynamic leadership of Prime Minister Imran Khan.

Source: nation.com.pk- Dec 30, 2018

[HOME](#)

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## **Bangladesh RMG export by '21 to be \$11b short of target**

The country's export earnings from readymade garment in the financial year 2020-21 would be \$11 billion short of the target \$50 billion set by the government, according to a recent estimate of textile and jute ministry. The estimate shows that the earnings from RMG in the FY21 would be \$38.73 billion, against \$50 billion target set by the government for the fiscal in 2015.

Against this backdrop, the government has taken a move to set export earnings target at \$51 billion from textile and clothing sector including RMG, packaging and accessories and home textile as export trend showed that \$50 billion target by FY 21 would not be achieved alone from RMG, high officials of the government and the industry people said.

As part of the move, the textile and jute ministry on Wednesday held a meeting with the stakeholders to find out the deficits and the possible solutions.

Representatives from different government agencies including Department of Textile, Bangladesh Textile Mills Corporation and private sector trade bodies including Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association, Bangladesh Textile Mills Association, Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association and Bangladesh Specialised Textile Mills & Powerloom Industries Association.

According to the meeting minutes, the government has set earnings target from RMG at \$32.69 billion for the current financial year and it would be exceed the target but the earnings for the FY 20 would be \$35.62 billion against the target of \$44.68 billion for the fiscal.

'We have discussed the re-fixation of export targets for textile and clothing sector with inclusion of accessories, home textile and terry-towel sub-sectors. Along with the export earnings target, stakeholder placed some recommendations to increase export,' textile secretary Md Mijanur Rahman told New Age on Saturday.

According to the secretary, in the meeting, they proposed export earnings target to be fixed at \$51 billion from textile sector for FY 21 including \$38.73 billion from RMG, \$11.22 billion from packaging and accessories and \$1.06 billion from home textile and terry-towel.

‘The meeting emphasised the production of high value added diversified products including suit, women wear, sportswear, intimate wear and swimming wear to face the challenges of present shortfall of export,’ the textile secretary said.

Weakness in infrastructures including road communication and port also discussed in the meeting, Mijanur said.

‘Not only textile ministry, many other ministries including finance, commerce, foreign and labour would have to play roles to achieve the export target and mitigate the existing challenges. We will arrange more meetings on the issue as 81 per cent of total export earnings come from textile sector,’ he said.

Source: newagebd.net- Dec 30, 2018

[HOME](#)

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## **Bangladesh RMG: Gains and pains in 2018**

In the ready-made garment (RMG) sector, 2018 will in many ways be viewed as the end of an era. The Alliance for Bangladesh Worker Safety, the North American-led initiative which has done so much to improve worker safety in garment export factories, will shortly end operations in Bangladesh. Ninety-three percent of the remediation work is now complete in Alliance-affiliated factories, and there is no doubt that Bangladesh's RMG industry has a much safer working environment now than when the Alliance arrived.

A similar story is to be told about the Bangladesh Accord for Fire and Building Safety. We cannot at this stage speak with an air of finality about the Accord, as it is unclear whether the Supreme Court in Bangladesh will allow the safety body to extend its tenure. The Accord, like the Alliance, has undoubtedly been a force for good in the RMG industry, making it safer, more sustainable, and significantly more competitive in the international markets.

It is hoped that whatever the Supreme Court verdict is, the government of Bangladesh and the Accord steering committee can work together to devise a way forward which will be beneficial to our industry and its people.

The year 2018 has seen other strides taken by the RMG industry. Earlier this year, we saw the announcement of a new minimum wage of Tk 8,000 (USD 97) for the garment workers. This is a notable step forward for the RMG industry and, although some international NGOs and unions were calling for a larger increase, it has to be borne in mind that this was an over 50 percent increase on the previous minimum wage, which was set five years ago.

More general, recent amendments to national labour laws will also help to bring Bangladesh further into line with internationally accepted standards, including those of the International Labour Organization (ILO). In October, new Bangladesh Labour Laws were passed in parliament. Under the new laws, workers' participation required to form trade unions was reduced to 20 percent from the existing 30 percent. In addition, union quashing will be generally more difficult under the new regulations.

While in many ways this has been a good year for Bangladesh, the mood has not all been positive. The terrorist attack at the Holey Artisan Bakery in July 2016 placed the authorities in Bangladesh on high alert. This led to the issuing of travel alerts by many countries on foreign nationals visiting Bangladesh, and this undoubtedly impacts the ease of doing business. Thankfully, in the two and a half years since then, we have had plenty of evidence to suggest that the government has successfully secured full security. It foiled a number of planned attacks, making several arrests in 2018, and has taken a position of zero tolerance and committed to uprooting terrorism from the country.

Similarly, temporary direct bans on air cargo from Bangladesh were implemented by some countries in the wake of the terrorism concerns. However, many such bans have now been lifted since the government has taken a number of steps to comply with international security standards. The removal of bans will provide a relief to forwarders and exporters that have been compelled to pay extra surcharges to have their cargos screened in a third country before being transported to the target markets.

Against the backdrop, garment exports from Bangladesh were sluggish in the early months of the year but steadily picked up. The latest figures from the

Export Promotion Bureau show that for the last fiscal year, the apparel sector contributed USD 30.61 billion, or 83.49 percent, to Bangladesh's total exports of USD 36.66 billion. And during July-November of the current fiscal year 2018-19, the growth stood at 20 percent.

The challenge for the garment export industry is to maintain and even exceed these excellent figures in 2019. This will be a tough task at a time when wage levels have risen sharply and with uncertainty around the sector due to deliberations regarding the Bangladesh Accord which have been ongoing since September.

Can garment exporters rise to the challenge? Of course—but the industry, despite many successes, is still not completely fulfilling its potential. The way to exploit the potential is investing in people, technology and innovation. Well-trained people using cutting-edge industry technology are vital ingredients which drive productivity. Higher productivity in turn leads to increased national income per head and increased wages.

Such a path is well trodden by the world's most successful economies—China is the most obvious in terms of textile and garment orientated exporters. There is no reason why Bangladesh should not follow this route. Indeed, there is already evidence among more successful and progressive exporters that a greater focus is now being placed on quality, service, and sustainability when dealing with international apparel brands. Sustainability, particularly, will become an increasingly important point of differentiation for exporters moving forwards.

Factory safety will also be an important source of competitive advantage. In this area, Bangladesh's garment export industry now leads the world. For this reason and many others, the world will be watching Bangladesh as we head into 2019. We expect that our apparel industry will be placed to a further elevated position in the coming days.

Source: thedailystar.net- Dec 31, 2018

[HOME](#)

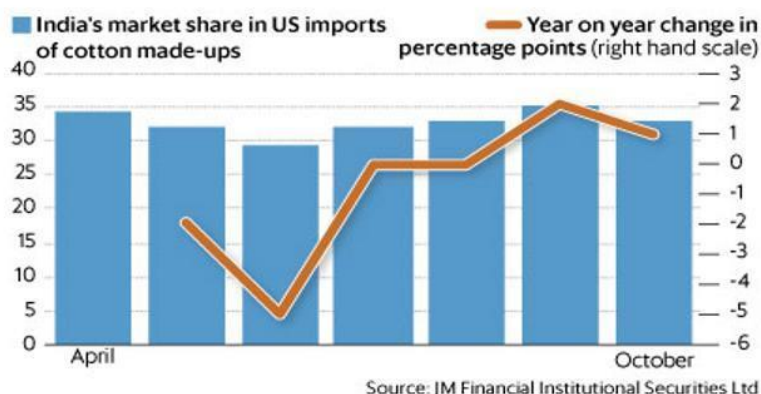
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## NATIONAL NEWS

### With volumes on the mend, will 2019 mark a turnaround for textiles exporters?

#### IN RECOVERY MODE

India's market share in US imports of cotton made-ups improved on year-on-year basis in September and October



The year is ending on a positive note for home textile exporters. Retail sales in the US are the strongest in years this holiday season, reports *The Wall Street Journal*. And the latest data shows a continued recovery in India's exports to the US.

India's market share in home textile exports to the

US in October, the latest month for which the data is available, increased one percentage point from the year ago to 33%, data compiled by JM Financial Institutional Securities Ltd show. This is the second consecutive month of market share gains. The gains come after a period of business disruption.

Transition to the online marketplace and the resultant reorganisation at the traditional retailers had led to inventory destocking. This impacted the sales of the Indian textile exporters, weighing on earnings and shares of the companies. The impact was accentuated by the reduction in the duty drawback rates (lowered concessions) for most textile product categories under the goods and service tax.

But heading into 2019, some of these headwinds are already easing. One is the recovery in export volumes. "After a weak start in 2018, India's exports to the US (in the US dollar terms) in terry towels/cotton sheets have witnessed strong recovery with YoY growth of 24.2%/7.2% (in the past three months)," analysts at JM Financial said.

Second is the revision of the duty drawback rates which will help exporters claim more incentives, strengthening their competitive advantage.

“The recent revisions in duty drawback rates are expected to be marginally positive for the profitability and competitiveness of most segments of the Indian textile exporters,” ratings agency Icra Ltd said in a note.

“This is more so, given that export incentives are seen to have a meaningful contribution in the operating profits of textile exporters.”

Third and another key important variable is cotton prices which began easing, tracking the arrival of new crop. The softening of headwinds should aid the companies’ earnings in the New Year.

“a) Extension of merchandise exports from India scheme (4% export benefit), b) Increase of duty drawback up to 0.6 percentage points across home textile products, c) Rupee depreciation and d) settling of market place disruption in the US are a welcome relief to the textile space,” analysts at JM Financial add.

Even so, much depends on the earnings trajectory. Here there is a question mark. According to an analyst with a domestic broking firm most companies have hedged their currency positions for the current fiscal, limiting the benefits from the rupee depreciation. So any meaningful impact of the above mentioned factors will only be visible from next fiscal, i.e. from the April-June 2019 quarter onwards. Also, the recent uptick in exports may have been helped by inventory stocking ahead of the holiday season. How sales trend and currency movement will be crucial for the stocks and earnings.

Source: livemint.com- Dec 31, 2018

[HOME](#)

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## **Free trade pacts hamper India's efforts to curb Chinese textile imports**

China is exporting textiles to India through Bangladesh to get around a tax jolt on imports, undermining New Delhi's efforts to support local manufacturers, industry sources said.

Earlier this week, India doubled the import tax on more than 300 textile products to 20 per cent, marking the second tax jolt on textiles in as many months.

This is aimed at providing relief to the country's domestic textile industry, which has been hit by cheaper imports. India's total textile imports jumped by 16 per cent to a record \$7 billion in the fiscal year to March 2018. Of this, about \$3 billion were from China.

Textiles are India's second largest job provider directly employing nearly 51 million people and accounting for 5 per cent of India's gross domestic product (GDP), and 13 per cent of its export earnings.

Industry officials said textile raw material from China is coming into India via Bangladesh, which has a free-trade agreement with India giving it access to the country's \$100 billion textile market.

"Duty free fabric from China is coming to Bangladesh, getting converted and landing into India at zero duty," Sanjay Jain, president of Confederation of Indian Textile Industry (CITI) told Reuters.

Industry bodies argue that India's latest action is not enough to protect domestic garment manufacturers which are facing fierce competition from China and Bangladesh.

Imports of clothing accessories and apparel from Bangladesh – the world's second largest exporter of ready-made garments -rose over 43 per cent to \$200.9 million during the year ended March 2018, according to Indian government data.

"Import trends suggests 40 to 50 per cent of the garments were made with Chinese fibre," said an Indian broker who did not want to be named. It is



crucial to estimate affirmatively how many garments imported in India were produced with fibre sourced from China, he said.

India, Bangladesh and Sri Lanka are among the signatories of the South Asian Free Trade Agreement (SAFTA) that created a in the South Asian region.

Shipments of edible oils coming into India are also being designated as duty free under the regional free-trade pact, circumventing an import tax jolt.

### **‘RULE OF ORIGIN’**

Trade bodies, which expect textile imports from Bangladesh to rise extraordinary, have asked the government to introduce a rule of origin for duty free imports. Competition from China is forcing some businesses, such as polyester production facilities, to run idle, prime to job losses, they said.

“Under the SAFTA agreement and trade agreement with Bangladesh, only those goods should be exempted from custom duty, whose raw material is also manufactured by one of the SAFTA countries,” Dilip Chenoy, head of The Federation of Indian Chambers of Commerce and Industry (FICCI) said in a letter dated July 25 to a senior official in the government’s textile ministry.

Kavita Gupta, India’s textile commissioner told Reuters: “The textile ministry has proposed a ‘Fabric Forward Policy,’ where duty free access to garments will be provided if the fabric is sourced from India. The policy is in discussion stage.”

Rising imports sent India’s trade deficit with China in textile products (finished garments) to a record high \$1.54 billion in 2017-18, alarming industry officials as India had been until recently a net exporter of textile products to China.

There is a 10 per cent price difference on average between textile products made in India and those made in China, according to FICCI. The unit value of some Chinese products such as stockings, blouses and baby garments cost far less than produced in India.

Source: timesofindia.com- Dec 29, 2018

[HOME](#)

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## **GST Council Meeting: In its next meeting in Jan 2019, certain norms should be approved**

The goods and services tax (GST) has brought perceptible change both in the way decisions are taken by the political leadership and implemented by the tax administration. Responsiveness is often cited as an attribute of the GST system that has attracted a word of praise from the stakeholders. The recent meeting of the GST Council proves this point, although certain pain points remain unaddressed.

### **Relaxation in credit availment**

One of the significant decisions taken by the GST Council is the relaxation of time to avail input tax credit. Credit can be taken till April 20, 2019, with respect to invoices of FY18, and this means that industry will get six more months to take missed out credits. The current time limit for a particular financial year is the due date for filing September returns of the subsequent financial year. The period from July 2017 to March 2018 being the first year of the implementation of GST, in a large number of instances validly earned credits were lost due to various reasons. This measure may translate into some revenue loss. When the entire system is new and the taxpayers are still facing a lot of challenges, such extension is rather necessary.

### **Central authority for advance rulings**

The interpretation of the law adopted and the rulings issued by the Authority for Advance Rulings (AAR) in various states are divergent. Such rulings are binding on the taxpayer who files the application and the jurisdictional officer. If a taxpayer has sought ruling in multiple states and the rulings are divergent, business decisions go awry. The problem gets compounded when the higher appellate authority for such advance rulings—also a state-level authority—affirms the view taken by the AAR.

Recently, the Karnataka AAR ruled that IIM Bangalore would not be entitled to exemption to certain programmes offered by it, while the AAR in West Bengal ruled in favour of IIM Calcutta on the same question. The issue of GST treatment of solar power projects is another case where the advance rulings could not offer any guidance to the industry. In certain cases, such projects are treated as works contract liable to GST of 18% on the entire project cost. If separate contracts exist for supply of goods and that of services, then tax treatment varies. Lack of certainty on the tax rate

applicable on such contracts has impacted the industry adversely, rendering such projects unviable.

This issue of conflicting rulings by the AARs has now been taken care of by the GST Council, by proposing an amendment to the Central Goods and Services Tax (CGST) Act and the State Goods and Services Tax (SGST) Acts to create a centralised appellate authority for advance rulings. In these early years of GST when there is no jurisprudence, advance rulings offer a glimpse of both the department's perspective and legal interpretation of the provisions.

The GST Council has decided to widen and clarify exemption to IIMs. Solar power generators will get positively impacted in view of notional basis to be provided for value of goods and that of services. Such measures are timely and should provide necessary relief to impacted sectors.

### **Anti-profiteering: Game sans rules**

Certain issues troubling the industry await the GST Council's attention. The first one is anti-profiteering. To check spurt in inflation post-GST, Section 171 of the CGST Act was brought, requiring companies to reduce price if there is a GST rate reduction or increase in availability of credits. The National Anti-profiteering Authority (NAA) has held, in many orders, industry as guilty of profiteering out of GST benefits. The authority has not accepted the reasons advanced by the industry for not effecting price reduction from day-one on all products.

Pricing is a complex function involving several factors. Absence of statutorily prescribed methodology has led to adoption of various methods by industry, such as increase in quantity, additional discounts, etc. All these are generally rejected by the NAA. With no appellate remedy against the NAA's orders, industry is compelled to approach High Courts to invoke writ jurisdiction.

The GST Council should, in its next meeting in January 2019, approve certain methodology and norms to enable the industry to comply with the anti-profiteering provision in a manner the government expects them to.

### **Treating employee cost as taxable**

The next issue requiring redressal is GST on shared intra-company cost. Registration under GST—an entity operating from multiple states is required to get itself registered in all such states from where it supplies goods or

services. Such different registrations of the same company are termed as distinct persons. As per Schedule I to the CGST Act, supply of goods or services between distinct persons is chargeable to GST even if no consideration is involved. An establishment like a head office of an entity supports other offices or branches located in different states. As per the GST law, such support is a supply of service between distinct persons and, therefore, liable to GST.

The office or branch in a different state will take credit of tax paid and, therefore, except certain liquidity issues, such tax payment may not result in undue burden. However, the issue becomes complicated when one computes the taxable value or the base for computing tax payable. The tax authorities have adopted the position that even salary cost of employees in head offices need to be included in this value for payment of tax. The AAR Karnataka, in a recent ruling, affirmed such stand of the department.

Valuation in case of cross-charging, as this practice is called, is an expedition in non-chartered territory for both the tax department and the taxpayer. Rules provide for reckoning open market value. When supplies are between related or distinct persons, value declared in the invoice is deemed as open market value. But the issue of the items requiring inclusion or exclusion in such intra-company transactions is left open. No employee is an exclusive resource of a particular office but is an employee of the company as a whole. To seek tax on salary cost cannot be the intention of law.

The GST Council should approve issuance of appropriate guidelines based on cost accounting principles to provide clarity and certainty. Left unaddressed, this issue will result in demand notices involving huge sums.

Source: [financialexpress.com](http://financialexpress.com)- Dec 29, 2018

[HOME](#)

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## **Textile Industry to come up at Chamarajanagar**

Chamarajanagar MP R. Dhruvanarayan has said that Sutlej Textiles and Industries Ltd., has come forward to set up a textile industry in Chamarajanagar Industrial Park.

Chief Minister H.D. Kumaraswamy, who was in Delhi recently, held talks with the company promoters, during which the CM assured all help to the company for setting up a textile unit.

Maintaining that the Karnataka Industrial Area Development Board (KIADB) has developed an Industrial Park in Chamarajanagar district spread over 1,600 acres, the MP said that the efforts of the previous State Government to attract industrialist had not borne much fruit. But now Sutlej Industries has come forward to set-up a Textile Unit, Dhruvanarayan said.

During the meeting with the CM, the Sutlej Industries promoters have sought certain subsidies, which the Government has agreed to consider, the MP said and added that the setting up of the textile unit will initially create, 1,500 jobs and more jobs after expansion.

Source: starofmysore.com- Dec 31, 2018

[HOME](#)

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## **CMAI welcomes clarification to e-commerce marketplace policy**

The Clothing Manufacturers Association of India (CMA) heartily thanked the Indian Government, especially PMO, Commerce and Textiles Ministry for implementing the much-awaited marketplace policy, which will bring level players for all domestic retailers.

According to CMAI, the new policy will give Indian companies opportunities similar to the ones Chinese companies received initially, which led to building of giants like Alibaba, Tencent and JD

The Government of India clarified the policy related to e-commerce marketplace, on 26 December 2018.

DIPP has reaffirmed its policy, restricting marketplace companies from using FDI flow for retail.

DIPP has further clarified, that marketplace operators cannot participate in pricing or inventory models through any permissible structures like B2B Wholesale, Group Company Structures etc. thus removing all ambiguities in the interpretation of the policy. Additional clarification, restricting 'exclusive' product deals including private labels etc., further reaffirms the policy's intent to not allow any FDI in inventory-based e-commerce.

Rahul Mehta, President, CMAI stated through a press release that with these clarifications, marketplaces will only act as facilitators of the transaction and not be responsible for the actual product. All product sales facilitated by marketplaces will be a contract between the customer and the actual seller. The policy has further mandated filing of statements by marketplaces, to affirm compliance of rules.

Mehta also stated that this new clarification will bring much needed level playing field for sellers on marketplaces. With complete restriction on marketplaces to participate directly in retailing, the policy will give Indian companies the opportunity to build stronger retail models and avoid channel conflicts.

He further stated that Indian companies will get the opportunity similar to the ones Chinese companies received initially, which led to building of giants like Alibaba, Tencent and JD.

Mehta has requested the Government to appoint monitoring agencies to ensure compliance to norms and initiate action against marketplaces that flout the policy.

Source: [indiaretailing.com](http://indiaretailing.com)- Dec 31, 2018

[HOME](#)

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## **Assam forest officer bags award for services to handicraft sector**

The special Principal Chief Conservator of Forest (Planning & CAMPA) Assam, Dr AM Singh has received a special commendation in recognition of his services to the handicraft sector.

The award was given by Export Promotion Council for Handicraft, Ministry of Commerce and Industry for outstanding services in developing the standards for Timber Legality Verification System in India.

Union Textiles Minister Smriti Zubin Irani presented the award during the 22nd Handicraft Export Award Function organised at India Expo Centre & Mart, Greater Noida recently, reports The Assam Tribune.

Singh, an expert in forest certification, has presented many papers on contemporary issues in Commonwealth Forestry Association, International Union of Forest Research Organisation, International Tropical Timber Organisation, World Forestry Congress, Global Bamboo Meet and also co-authored a book on forest certification.

Source: nenow.in- Dec 30, 2018

[HOME](#)

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