



Update on policy support available to the Apparel Sector - Its Impact on Exports

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The Apparel Industry Thanks Govt. for the Facilitation provided under the Special Package (June 2016) and Mid Term Review of the Foreign Trade Policy (FTP) (Dec 2017)

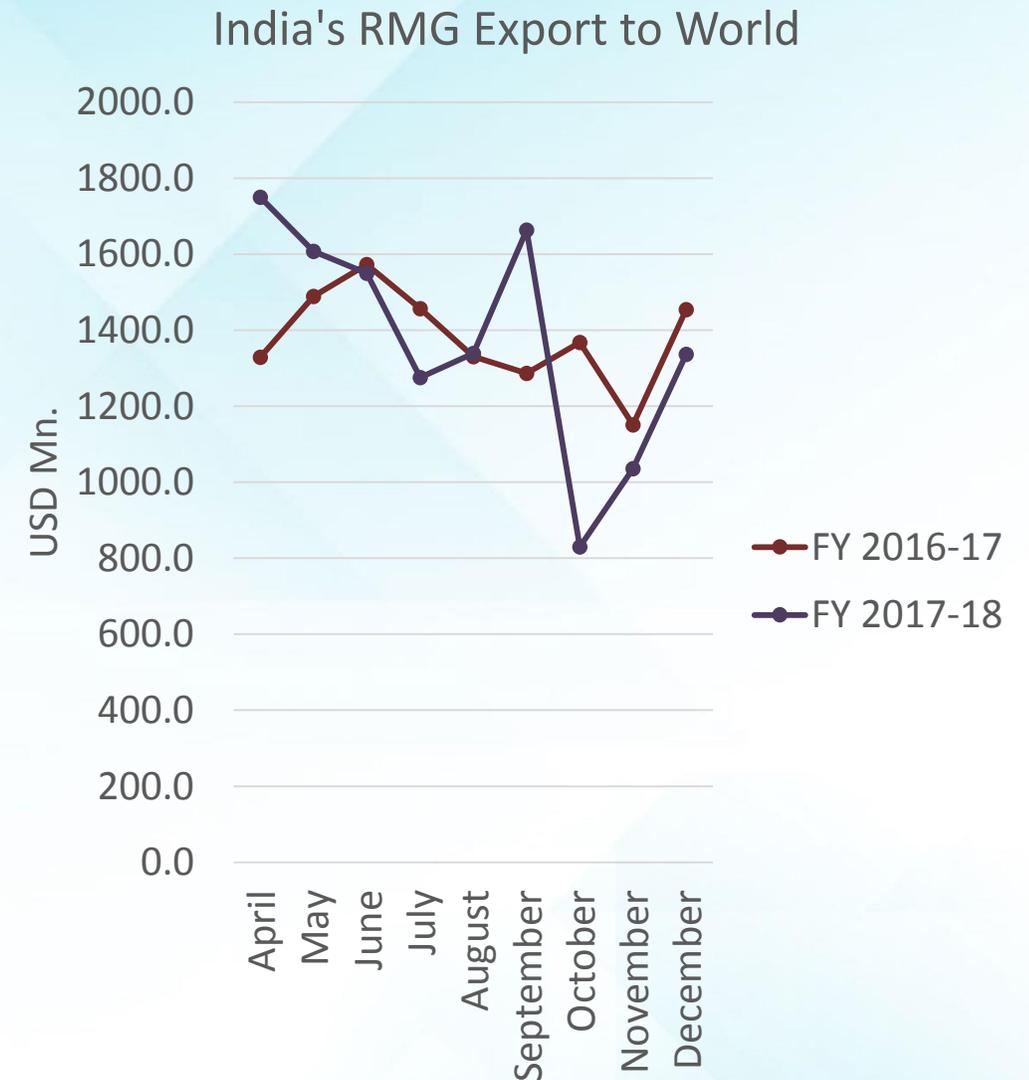
Apparel industry facing urgent issues, leading to decline in exports

Exports witnessed record decline in last quarter



India's RMG Export to World				
Month	FY 2016-17	FY 2017-18	MoM Growth of 2017-18 over 2016-17 (%)	
	In US\$ Million	In US\$ Million	INR	US\$
April	1329.0	1749.8	27.8	31.7
May	1488.6	1607.4	4.0	8.0
June	1572.9	1550.0	-5.6	-1.5
July	1456.5	1275.7	-16.0	-12.4
August	1330.89	1338.65	-3.88	0.58
September	1286.14	1663.63	24.93	29.35
October	1367.50	829.77	-40.84	-39.32
November	1150.87	1035.91	-13.67	-9.99
December	1454.17	1336.63	-13.03	-8.08
April-December	12436.6	12387.4	-4.32	-0.40

Source: DGCI&S, Kolkata, 2018



Production has been declining since May 2017



INDEX OF INDUSTRIAL PRODUCTION		
Manufacture of wearing apparel		
Month	2016-17	2017-18
April	150.7	152.7
May	166.8	158.5
June	153.3	148.4
July	144.5	137.1
August	147.5	138
September	142.3	132
October	140.4	125
November	127	110.4
Total		
April-November	146.6	132.2

Source: CSO, 2018



IIP for apparel has shown a declining trend since last 7 months



Update on Support available to the industry – Special Package for Apparel

Additional incentives under ATUFS - Under the Amended-TUFS applicants can apply for additional 10% Capital Investment Subsidy (CIS) from the existing 15% to 25%

Enhanced duty drawback coverage - Drawback at All Industries Rate to be given for domestic duty paid inputs even when fabrics are imported under Advance Authorization Scheme

Pradhan Mantri Rozgar Protsahan Yojana (PMRPY) - Govt. of India shall bear the entire 12% (8.33% of employer's contribution is already being provided by Government under Pradhan Mantri Rozgar Protsahan Yojana (PMRPY). Ministry of Textiles shall provide additional 3.67% of the employer's contribution of the employers' contribution of the Employers Provident Fund Scheme for new employees of garment industry for first 3 years who are earning less than Rs. 15,000 per month

Special Package was announced on 22 June, 2016



Introduction of fixed term employment - Looking to the seasonal nature of the industry, fixed term employment has been introduced for the garment sector. A fixed term workman will be considered at par with permanent workman in terms of working hours, wages, allowances and other statutory dues.

Section 80JJAA of Income Tax Act - Looking at the seasonal nature of garment industry, the provision of 240 days under Section 80JJAA of Income Tax Act has been relaxed to 150 days for garment industry

Increasing overtime caps - Overtime hours for workers not to exceed 8 hours per week in line with ILO norms.

The Optional EPF scheme is yet to be notified by Govt.

Refund of State Levies



For the first time industry got refunds of the states taxes paid, since Sept 2016.

Impact of ROSL		
Month/Year	MoM Growth In %	Remarks
August - 2016	3.9	Announcement of ROSL
September - 2016	12.9	Implementation of ROSL
March - 2017	20.3	Disbursal of ROSL
April - 2017	31.7	Dibursal of ROSL
May - 2017	8.0	

- The export trends of 2016 -17 show a very direct and positive impact of RoSI on Apparel exports.
- RMG Export has shown a growth when the ROSL scheme was announced, implemented and Disbursed
- ROSL has resulted a growth of 31.7%
- However, the RoSL disbursements have been delayed since June 2017.

AEPC request the Govt. to release the pending ROSL to capture the declining trend of RMG exports

GST Update



Decisions of 25th GST Council meeting held on 18th January, 2018 at New Delhi

Decisions related to apparel sector:

- To exempt service by way of transportation of goods from India to a place outside India by air and sea till 30th September, 2018. **(Govt. exempts GST on Air and Sea Freight Charges)**
- To reduce GST on Common Effluent Treatment Plants services of treatment of effluents, from 18% to 12%
- To reduce GST rate on tailoring service from 18% to 5%.

e-way bill - Govt. makes it mandatory to carry e-way bill for consignments over Rs 50,000/- from 1st February 2018.

AEPCs recommendation for exemption of GST on Air & Sea Freight has been pending for a long time.

Provisions of Mid Term Review of Foreign Trade Policy

Major Announcement	Impact on Industry
MEIS has been increased from 2% to 4%	This will support the industry in offsetting the import duty on import of raw materials
The validity period of Duty credit scrips has been increased from 18 months to 24 months	This will increase the duration of utilization of scrips
GST rate for transfer/sale of scrips has been reduced to zero from the earlier rate of 12%	Exporters does not have to pay any duty on sale of scrips leaving more cash in hand
New trust based self-ratification scheme introduced to allow duty-free inputs for export production under duty exemption scheme with a self-declaration	<p>Instead of getting a ratification of the norms committee for inputs to be used in the manufacture of exports products, exporters will self-certify the requirement of duty free raw materials/inputs</p> <p>The scheme will expedite export of new products by decreasing products turnaround time.</p>
Contact @DGFT service for complaint resolution with a single window contact for resolving all foreign trade-related issues.	<p>A single window contact point for exporters</p> <p>It will simplify the grievance redressal system and exporters can more easily register their grievance</p>
Exporters can track the status through the assigned reference number	It will give the real time status of grievance
24X7 customs clearance facility has been extended at 19 seaports and 17 Air cargo complexes	It will reduce the delay in export shipment were 24X7 facility was not available
State of the Art Trade Analytics division set up in DGFT for data-based policy actions	This will give policies with specifics actions and envisages to address the interest of exporters
Doing away with testing of samples for drawback purpose	It envisage to reduce the lead time of export shipment
No norms fixation	This will facilitate faster export of newer products where SION norms are not specified at the moment

Major AEPC Pre Budget proposals



- **Increasing duty drawback and RoSL rates to fully compensate for blocked taxes**
- Exemption of IGST on import under EPC scheme
- Exemption of Apparel Buying Agent from paying the GST of 18%
- Exemption of IGST on machines procured from domestic suppliers
- **Duty Free import of sample Fabric under EPC scheme** – It is proposed to increase the import of sample fabric upto 10,000 mtrs instead of 1000 mtrs in the EPC scheme.
- **Interest Equalization Scheme** – The rate of Interest Equalization may be increased from 4% to 6% and this may also include Merchant Exporters.



Concerns and Recommendations for further facilitation under FTP

- MEIS benefits get delayed many a time due to minor discrepancies in nomenclature / HS code at 8 digit level. Since ***MEIS rate is uniformly same for all items for apparel falling under HS Code 61 & 62, AEPC request that, DGFT may consider MEIS request based on 4 digit classification only***
- ***IGST may be exempted from purchase machinery from indigenous supplier under EPCG***
- Due to non-operation of EDI System, there is a delay in the processing of shipping documents and in that case, 3 days free period is not fully available to the importer. ***It is proposed that Directorate (System) may display online the period of breakdown due to slow speed or otherwise and it is recommended that such a period may not be counted in calculating free period available to the importer***
- MEIS scrips may be may be allowed to be used in payment of CGST, SGST & IGST
- Reduce delays in issuance of Bond/LUT duly cancelled after the submission of EODC

Concerns and Recommendations for further facilitation under FTP...contd.



- Delay in sanction of refund of IGST on exports due to non-filing of GATEWAY – EGM: *It is suggested that the Train Summary or EGM filed at the ICD or CFS as the case may be, should be treated as sufficient compliance of Rule 96 and Circular No. 17/2017 for considering the shipping bill as a deemed claim for refund of IGST on exports and the EGM at the Gateway Port should not be insisted upon*
- Exporters face delays in reimbursement of FTP benefits like AA and MEIS due to delays at ICEGATE . These technical issues in exports related portals may be removed to make the trade facilitation measures more effective
- Industry also needs the simplification of procedures in the Schemes like Advance Authorization, EPCG & ATUFS.
- The **Town of Export Excellence** scheme may be reviewed for extending similar benefits to other cities where apparel manufacturing has increased over the years and they meet the criteria as per para 1.35 of [FTP 2015-20](#) . Council has received Specific requests for Faridabad and Erode for such inclusion.

Concerns and Recommendations for further facilitation under FTP...contd.



- Govt. of India had allowed the 24x7 custom clearance facility at Air Cargo, ICDs and seaports. However, 24X7 facility is effective in Air Cargo complexes only. In no Seas Ports 24X7 facility is available. At Sea Ports custom clearance timings are between 11 A M – 7 PM, in which customs accept the documents till 4 PM only.
- The Trade has informed that due to Export General Manifest (EGM), release of drawback gets held-up. EGM error can take place either by the airlines or the customs - It is proposed that in such EGM error cases, exporters may provide EP copy of the shipping bill and on this basis, the drawback may be released



AEPC requests for the above concerns to be addressed by DGFT at the earliest

Thank you

For Further information:
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