



sima

Fortnightly

# E-REVIEW

Vol. XIII

No.1

March 1-15, 2018

## **FORTNIGHTLY E-REVIEW ENTERS 13<sup>TH</sup> YEAR**

### **NEWS HIGHLIGHTS** >>>

- ❖ **VICE-CHAIRMAN MEETS TEXTILE MINISTER, SUBMITS MEMORANDUM**
- ❖ **POST-BUDGET PROPOSALS SUBMITTED TO FINANCE MINISTER**
- ❖ **CAI LOWERS 2017-18 CROP ESTIMATE TO 362 LAKH BALES**
- ❖ **PANEL SUGGESTS GST REVISION TO PROTECT DOMESTIC TEXTILES**
- ❖ **SIMA TO HELP MILLS FOR POWER PURCHASE**

### **REPRESENTATIONS** >>>

- ❖ Vide a representation dated 1<sup>st</sup> March 2018 sent to the Hon'ble Union Minister for Skill Development & Entrepreneurship, Shri Dharmendra Pradhan, the Association requested to allocate funds for training 60,000 persons under PMKVY 2 special project.
- ❖ Dr Hashmukh Adhia, IAS., Secretary, Ministry of Finance, Government of India visited Chennai on 2<sup>nd</sup> March 2018. The Association took the opportunity to submit a representation to him seeking refund of accumulated ITC at fabric stage, reduction of GST on MMF from 18% to 12% and refund of IGST on exports.
- ❖ Vide a representation dated 2.3.2018 sent to the Hon'ble Union Textile Minister and Information & Broadcasting, Smt Smriti Zubin Irani, the Association appealed to recommend to the Hon'ble Minister for Skill Development & Entrepreneurship to approval the special project submitted by the Association with regard to training of 60,000 persons under PMKVY2 special project.
- ❖ The Association vide a letter dated 5.3.2018 sent to the Hon'ble Union Finance Minister, Mr.Arun Jaitley submitted post-budget proposals for the year 2018-19 addressing the issue of inclusion of LLPs and Partnership

firms under reduction corporate tax benefit and extension of the deduction under Sec.32AC of the Income Tax Act to all assesses.

- ❖ Vice-Chairman, Mr.Ashwin Chandran met the Hon'ble Union Minister for Textiles & Information and Broadcasting, Smt Smriti Zubin Irani on 11<sup>th</sup> March 2018 at Bengaluru and handed over a memorandum seeking to solve TUFs related issues viz., committed liabilities – NABCONS study, RR-TUFs pending cases (issuance of UIDs) and Technical Textiles left out cases under R-TUFs.

## MEETINGS

### **New power producer identified for group captive power**

- ❖ As the existing power producers have escalated the power price to the extent of Rs.5.75 per unit per MW compared to the previous year, which was 50 paise more per unit, the textile Associations including SIMA joined together in identifying the alternate power producers. Accordingly, an initiative was taken by SIMA, TASMA and ITF and a meeting was held on 7<sup>th</sup> March 2018 at Hotel Le Meridian, Coimbatore. At this meeting, M/s. IL & FS Tamil Nadu Power Company Limited came forward to supply power under Group Captive Mode at Rs.5.17 per unit inclusive of all charges per MW. A term sheet was also signed in this regard and accordingly the textile mills would be able to avail around 120 to 140 MW for IL & FS TNPCCL power supply under Group Captive Mode.

### **Meeting with power producers held at SIMA**

- ❖ A meeting was held on 10<sup>th</sup> March 2018 at the Association in which Electrical Engineers from the members mills participated for deliberation with M/s. IL & FS Tamil Nadu Power Company Limited for power purchase. The meeting was attended by 60 participants. SIMA Power Team, Mr.Kamalakaran, GM, IL & FS and a team from South Himalayan Green Power Private Limited led by Mr.Parthasarathy addressed various issues raised by the participants. The issues clarified at the meeting were, whether IL & FS will be able to supply power from 1.4.2018, compliance of 15 minutes slot for injection and consumption of power, share price and adjustments, various process to be adopted for purchasing power, minimum quantum of power to be purchased, agreement period, notice period, etc. Convinced by the clarifications, they conveyed that they would apply for necessary NOC from the respective EDCs for purchase of power from M/s. IL & FS TNPCCL and submit the same to Mr.Parthasarathy within 17<sup>th</sup> March 2018.

### India's WPI inflation for apparel up 0.4% in Feb '18

- ❖ India's annual rate of inflation, based on monthly wholesale price index (WPI), stood at 2.48 per cent for the month of February 2018 over same month of last year. The index for apparel increased by 0.4 per cent to 139.0 in February, according to the provisional data released by the Office of the Economic Adviser, Ministry of Commerce and Industry. The official WPI for all commodities (Base: 2011-12 = 100) for the month of February 2018 remained unchanged at its previous month's level of 115.8, the data showed. The index for manufactured products (weight 64.23 per cent) for February 2018 rose by 0.4 per cent to 115.2 from 114.7 for the previous month. The index for 'Manufacture of Wearing Apparel' sub-group also rose by 0.4 per cent to 139.0 from 138.5 for the previous month due to higher price of men's/boys suits, coats and jackets and babies garments (1 per cent each). Likewise, the index for 'Manufacture of Textiles' sub-group rose by 0.6 per cent to 113.7 from 113.0 for the previous month due to higher price of weaving & finishing of textiles, cotton yarn, synthetic yarn and manufacture of made-up textile articles, except apparel (1 per cent each). However, the price of manufacture of other textiles (1 per cent) declined. The index for primary articles (weight 22.62 per cent) declined by 1.3 per cent to 128.0 from 129.7 for the previous month. The index for fuel and power (weight 13.15 per cent), on the other hand, increased by 1.2 per cent to 98.1 from 96.9 for the previous month due to higher price of non-coking coal, ATF, kerosene, lube oils, furnace oil, HSD, petrol and petroleum coke

### No date yet for new textiles policy: Textile Minister

- ❖ Ministry of Textiles is busy finalizing the long-pending National Textiles Policy, but the government cannot offer a time-line for its announcement, said Textiles Minister Smt Smriti Irani recently. Three different steering committees comprising experts and industry representatives are trying to find ways to address the sector's challenges, she said. The challenges include identifying natural fibre growth possibilities and global best practices and roping in states for proper certification of jute seeds, she said at a press conference. The proposed policy, under discussion for several years, was initially reported to have set a target of achieving \$300 billion in textile exports by 2024-25 and creating around 35 million new jobs. The pending textiles policy notwithstanding, the ministry has been continually identifying the biggest needs of the industry and addressing them by announcing big steps, Irani added.

## GLOBAL TEXTILE SCENE

### Tough global competition awaits Indian apparel exports: ICRA

- ❖ The growth rate of India's apparel exports will depend on the industry's ability to stride across the new taxation and export incentive regime and severe global competition, says a recent report by rating agency ICRA. Uncertainty looms on the apparel exports to the United Arab Emirates (UAE) due to unfathomable trends in the past few months, says the report. India's apparel industry faces liquidity challenges from the transition to the new regime and additional challenges from intense competitive pressures in the global market, mainly because of impending trade agreements and foreign currency movements, a news agency reported citing the ICRA document. Following upward revision in export incentives, India reported a 6-20 per cent growth in apparel exports to key nations like the United States, the United Kingdom, Germany, France and Spain during November-December 2017, it said. However, overall apparel exports were down by 1 per cent in the first month of fiscal 2017-18, it added, saying the decline has been primarily driven by the sharp dip in exports to the UAE market. UAE had emerged as one of the prominent apparel export destinations for India, with its share increasing to 23 per cent in fiscal 2016-17 from 12 per cent in fiscal 2013-14, according to the report. For the 10-month period ending June 2017, the country's apparel exports to the UAE grew at a sharp pace of 56 per cent, but declined fast by 45 per cent since then. Globally, apparel trade has stayed subdued for the third consecutive year, expanding by just 1 per cent in calendar year 2017 on a low base, following a 2 per cent and 5 per cent decline witnessed in 2016 and 2015, respectively.

## RAW MATERIAL FRONT

### CAI lowers 2017-18 crop estimate to 362 lakh bales

- ❖ In its latest estimate of cotton crop for the ongoing 2017-18 crop year, the Cotton Association of India (CAI) has lowered the country's cotton output by 5 lakh bales from its previous month's estimate. The association now projects India's cotton production during the current season beginning October 1, 2017 at 362 lakh bales of 170 kg each. "This lower production estimate of 5 lakh bales consists of 2 lakh bales each now estimated lower in the states of Andhra Pradesh and Karnataka, while production in 'other states' is estimated lower by 1 lakh bales," CAI president Atul S Ganatra said in a press release. The CAI has lowered its cotton output estimate mainly due to the crop damage on account of severe pink bollworm infestation and the scarcity of water in some states, Ganatra said. The projected balance sheet drawn by the CAI estimates total cotton supply for the season at 412 lakh bales, which includes opening stock of 30 lakh bales at the beginning of the season and imports which the CAI has retained at 20 lakh bales as in the previous month. The CAI has estimated domestic consumption at 330 lakh bales which is 10 lakh bales higher than the previous month's estimate. The increase in consumption estimated for

the 2017-18 season is on account of the fact that several new textile mills in Gujarat and other states have already started operations resulting in 35 lakh new spindles. Moreover, the consumption of raw cotton has also seen a jump, and prices of polyester staple fibre (PSF) have gone up by more than 20 per cent. The CAI has also estimated an increase in exports for the season from 55 lakh bales to 60 lakh bales because of surge in demand for Indian cotton and increase in ICE futures prices. The carry-over stock at the end of the current season on September 30, 2018 is estimated to be 22 lakh bales, which is lower by 20 lakh bales than the previous closing stock of 42 lakh bales estimated in the previous month. As per the data received from various trade sources, the CAI estimates cotton arrivals up to February 28, 2018 at 247.10 lakh bales.

### Govt forms committee to investigate HT cotton

- ❖ Department of Biotechnology in the ministry of science and technology, Government of India, has constituted a Field Inspection and Scientific Evaluation Committee (FISEC) to investigate the matter of illegal cultivation of Herbicide Tolerant (HT) or BG-III cotton in the country. FISEC will investigate cultivation of HT cotton in four states. The Government has received several representations for ban of illegal cultivation of HT cotton in the country, minister of state for textiles, Ajay Tamta, said in a written reply in the Rajya Sabha. “There are several media reports and complaints regarding the illegal or unauthorised cultivation of HT cotton in Andhra Pradesh, Telangana, Gujarat and Maharashtra,” Tamta said. The minister also said that the cultivation of BG-III or HT cotton has not been approved by Genetic Engineering Approval Committee (GEAC) of ministry of environment, Government of India. In a separate reply, Tamta said that the ministry of finance has been requested for allocation of appropriate funds under Rebate for State Levies (RoSL) scheme for one-time settlement of exporters’ claim and faster and complete refund of Input Tax Credit (ITC).

## GST

### 26th GST Council Meeting Highlights (held on 10.3.2018)

- ♦ **GST Return Simplification:** Current GST Return filing system to continue for next 3 months. Taxpayers can continue to file GSTR-1 and GSTR-3B as the GSTN is constantly improved to accommodate the new challenges.
- ♦ **On the E-Way Bill front :**
  - Inter-state implementation of E-way bill to be implemented from **1st April 2018**
  - Intra-state implementation of E-Way Bill to take off from **15th April 2018** a phased manner. States to be divided into 4 lots to execute this phased rollout
- ♦ **Reverse Charge Mechanism** (in case of supplies made by unregistered persons to registered persons) delayed till **1st July 2018**

- ♦ **TDS & TCS applicability** postponed until **30th June 2018** pending procedural
- ♦ **Exporters** presently availing various export promotion schemes can now continue to avail such exemptions on their imports **up to 1st October 2018** by which time an e-Wallet scheme is expected to be in place with effect from 1st April 2018, to continue the benefits in future
- ♦ Council has advised the GSTN to expedite the export refund claims
- ♦ **No GST rate changes** announced
- ♦ A committee has been formed to look into the **Grievance redressal mechanism** with respect to user's grievances surrounding the IT glitches on the GSTN

### **Panel suggests GST revision to protect domestic textiles**

- ❖ The overall structure of Goods and Services Tax (GST) for the textiles sector should be reconsidered to protect India's domestic industry, a Parliamentary Committee has suggested. The Standing Committee on Labour chaired by Kirit Somaiya has also suggested imposition of higher anti-dumping duty on import of certain textile and clothing items. The ministry of textiles has taken up issues such as inverted duties structure on man-made fibre, imposition of GST on job work, non-refund of input tax credit (ITC), GST for weaving industry, lowering of GST rates for machinery used by MSME textile units, etc, the committee said in its report tabled in Parliament. The ministry of finance has approved an outlay of Rs 7,147.73 crore for 2018-19, against the textiles ministry proposal of Rs 10,109.05 crore, the panel pointed out. "The secretary, ministry of textiles has deposed that though it appears that Budgeted Expenditure (B.E) 2018-19 which includes Cotton Corporation of India's loss of Rs 921.23 crore is more than the B.E 2017-18 by Rs 921.23 crore, in reality B.E 2018-19 is Rs 3 crore less than the B.E of 2017-18," the Committee said in its report. The reduction in B.E would adversely impact implementation of current schemes of the ministry of textiles, especially the ones meant for the benefit of unorganised sectors like handloom, handicrafts, wool, sericulture and powerloom, the report mentions.

## **JUDGEMENTS**

**CX - Services used for painting factory building and plant & machinery are appropriately classifiable under category of 'renovation or repair of factory' and CENVATable: CESTAT**

**NEW DELHI, MAR 14, 2018: DURING** the disputed period, the appellant had changed classification of Camshaft from CH No.84831099 to 73259910 and paid duty @ 10.36%, instead of applicable rate of duty of 12.36%.



Upon pointing out by the Audit team, the appellant had deposited the duty along with interest before issuance of show cause notice. Nonetheless, the Adjudicating Authority imposed an equivalent penalty of Rs.27,70,115/- u/s 11AC of the CEA, 1944.

Another issue is regarding availment of CENVAT credit of Rs.1,82,242/- in respect of the services of painting of the factory building as well as machines. The credit was denied (and penalty was imposed) by the Original Authority on the ground that such service is in relation to construction of building and falls under exclusion clause of the definition of "input service" contained in Rule 2(l) of CCR, 2004.

Since the order was upheld by the Commissioner(A), the appellant is before the CESTAT.

It is submitted that the change in the classification of the goods and payment of duty @10.30% was mentioned in the ER-1 returns filed for the relevant period and, therefore, the charges of fraud, collusion, willful mis-statement cannot be leveled against the appellant for imposition of penalty under Section 11 AC of the Act. As regards availment of CENVAT credit, the services being covered under the inclusive part of the definition, same cannot be denied.

The Bench *inter alia* observed –

++ On perusal of the ER-1 Return for the relevant period, I find that the appellant had disclosed the payment of duty of 10.30% attributable to the product of Chapter 73259910. Thus, malafide cannot be attributed to the appellant, justifying the invocation of the provisions of Section 11 AC of the Act for imposition of equal amount of penalty. Since the said statutory provisions mandates imposition of penalty only in case of fraud, suppression, willful mis-statement, etc., with intent to evade payment of duty, which in this case is absent, I am of the considered view that imposition of penalty by the Authorities below under Section 11 AC of the Act cannot be sustained.

++ On perusal of the sample copies of the invoices issued by the service provider, I find that the services were provided in relation to the painting of the factory building and plant & machinery, which are appropriately classifiable under category of "renovation or repair of the factory" contained in the inclusive part of the definition of the "input service". Thus, I am of the considered view that such service falls under the purview of the "input service" for the purpose of availment of cenvat credit. Therefore, denial of cenvat credit and imposition of penalty on the appellant will not be sustainable.

The appeal was allowed.

**I-T - Armour of natural justice will not rescue Assessee, if he himself is disobedient in responding to reopening notices & summons issued by Department: HC**

**MADRAS, MAR 07, 2018: THE ISSUE BEFORE THE SINGLE BENCH IS - Whether principle of natural justice will come to aid of assessee, after repeated failure to respond to reopening notices & summons issued by Department. **NO IS THE VERDICT.****

**Facts of the case:**

**The** Assessee, an individual, had filed her return declaring a total income of Rs.10,94,980/- and net agricultural income of Rs.1,60,00,000/-. Such returned income was processed and accepted by the Department. However, subsequently, the ITO being of the opinion that income chargeable to tax had escaped assessment, called the assessee and issued notices u/s 142(1) r/w/s 129 requiring certain details to be furnished. The Assessee however sought time to file the required documents in view of change of Auditor and non-availability of back papers. After some time, the AR of assessee filed the return, bank statements and copy of agricultural land documents for the A.Y 2013-14, though, the ITO issued summons directing the assessee to produce the Books of Accounts. In response, the assessee expressed her inability to appear, by enclosing a Medical Certificate that she was suffering from Osteo Arthritis and undergoing treatment. Accordingly, the ITO issued a show cause u/s 271(1)(b) calling upon the assessee to explain as to why penalty should not be levied for the failure on her part to appear. In the meanwhile, the assessee's request for providing the reasons recorded for reopening, was also refused by ITO. Ultimately, the ITO issued a show cause notice as to the completion of assessment u/s 144 r/w/s 147.

#### **High Court held that,**

++ it is seen that assessee has filed the return for A.Y 2013-14 belatedly and no scrutiny assessment u/s 143(3) was made. According to the ITO, as per the Annual Information Return received from the Bank and Sub Registrar's Office, the assessee had deposited cash of Rs.23.54 lakhs and had purchased immovable properties for Rs.33 lakhs. The return filed by assessee also reflected the receipt of agricultural income of Rs.1.6 crores. In these circumstances, the ITO initiated reassessment proceedings by issuing notice u/s 148, which is within four years from the end of the A.Y. It is also seen that the assessee was given several opportunities to produce the records, but in vain. Rather, after repeated summons and notices, the assessee ha informed that she was taking medical treatment and will not be able to appear in person and sought condonation of non-appearance. Taking into consideration the age and health condition of assessee, another summons were issued calling upon the Assessee's AR to furnish the details, and even on that day, there was no response. Accordingly, the ITO had to pass the reassessment order and despatch the same to the assessee. It is therefore clear that the ITO had given sufficient opportunities, but the assessee had failed to utilize those and produce the documents. Therefore, the contention regarding hearing opportunity, cannot be accepted;

++ it is further seen that, though the assessee has sought for the reasons for reopening, the AO has not furnished the same to assessee. In fact, the assessee had stated that her letter requesting the reasons recorded for reopening the assessment itself was refused, therefore, the assessee sent the letter by Speed Post and E-mail to the ITO. In spite of the same, the ITO had not furnished the reasons recorded for reopening. Therefore, only on this ground, following the dictum laid down by Supreme Court in *GKM Drivershafts (India) Ltd. Vs. ITO - 2002-TIOL-634-SC-IT*, the impugned assessment order is liable to be set aside



## COTTON AND COTTON YARN PRICES

### Price Behaviour

#### Cotton – Spot\* (Rs/Candy)

❖ Given below are the cotton and cotton yarn prices prevailed at various dates for the benefit of the members:

Variety	10.03.2018	03.03.2018	24.02.2018	17.02.2018	10.02.2018	03.02.2018	27.01.2018
ICS-101 (Bengal Deshi (RG) / Assam Comilla)	42800	42100	42000	41300	42400	40900	41100
ICS-201 (Bengal Deshi (SG))	43300	42600	42500	41800	42900	41400	41700
ICS-102 (V-797)	29000	29300	29200	29600	30000	30400	30400
ICS-103 (Jayadhar)	34000	33500	33400	33200	33400	33600	33600
ICS-202 (J-34)	40100	39800	39200	38900	39300	39600	40100
ICS-105(LRA-5166)	40900	40600	39800	39500	40300	40600	41000
ICS-105 (H4-Mech 1 - Guj)	40500	40100	39100	39200	39600	39700	40700
ICS-105 (Shankar – 6 (Guj))	41200	40900	39800	39700	40300	40300	41300
ICS-105 (Bunny / Brahma)	42100	42600	41900	41800	41900	41700	42500
ICS-107 (DCH 32)	54300	54100	55100	55000	56000	56000	56700

\* - Spot rates quoted based on growth & grade standard (i.e: parameter based)

Source: CAI

#### Cotton Yarn (Rs/Kg – Taxes Extra)

Count	10.03.2018	03.03.2018	24.02.2018	17.02.2018	10.02.2018	03.02.2018	27.01.2018
<b>Hank Yarn</b>							
20s	190	190	190	190	190	190	190
30s	210	210	210	210	210	210	210
40s	233	233	233	233	233	233	233
60s K	254	254	254	254	254	254	254
60s C	327	327	327	327	327	327	327
80s C	382	382	382	382	382	382	382
<b>Cone Yarn</b>							
20s	190	190	190	190	190	190	190
30s	200	200	200	200	200	200	200
40s	208	208	208	208	208	208	208
60s K	255	255	255	255	255	255	255
60s C	280	280	280	280	280	280	280
80s C	354	354	354	354	354	354	354

Source:\* - Mill Source: (Quotes are only indicative)

## CIRCULARS ISSUED DURING THE FORTNIGHT

Sl. No	Cir.No	Date	To	Subject
1	70-A/2018	1.3.2018	Member Mills in Tamil Nadu	Joint efforts by the textile Associations for purchase of Power from IL & FS Tamil Nadu Power Company Ltd., at a very competitive price – reg.
2	71/2018	2.3.2018	All Member Mills	Commercial Cotton Trade by MSCCGMF Ltd - reg
3	72/2018	2.3.2018	All Member Mills	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – reg.
4	73/2018	2.3.2018	All Member Mills	Invitation to participate in Textiles Fair in South Korea- PREVIEW IN DAEGU -2018 - March 7-9, 2018
5	74/2018	2.3.2018	All Member Mills	2nd Wellness India 2018 Expo and Krishi India 2018 Expo during August 20-22, 2018 co-organised by ITPO – reg
6	74-A/2018	5.3.2018	Member Mills in Tamil Nadu	Publication of the “Consultative paper of Comprehensive Tariff Order on Wind power”- TNERC inviting comments/suggestions - reg.
7	74-B/2018	5.3.2018	Member Mills in Tamil Nadu	Publication of Consultative paper of Comprehensive Tariff order on Solar power”- TNERC inviting comments/suggestions - reg.
8	74-C/2018	5.3.2018	Member Mills in Tamil Nadu	Division of Taxpayer base between the Central Government and the Government of Tamil Nadu – reg
9	74-D/2018	5.3.2018	Member Mills in Tamil Nadu	Enhancement of wage ceiling towards contribution to Tamil Nadu Labour Welfare Fund Act, 1972 for the year 2018 - amendment - notification - Reg.
10	74-E/2018	6.3.2018	Member Mills in Tamil Nadu	CGP Writ Appeal before the Madurai Bench of Madras High Court Status – reg.
11	74-F/2018	6.3.2018	Member Mills in Tamil Nadu	Purchase of power through Group Captive Mode for the year 2018-19 – reg
12	74-G/2018	7.3.2018	Member Mills in Tamil Nadu	Non-payment for the unutilized banked energy for the period 2014-15, 2015-16, 2016-17 without verification of Group Captive Status- reg.
13	75/2018	7.3.2018	All Member Mills	Highlights of the Sub- Committee held on 5.3.2018 to examine the list

				of accreditation agencies/ Authorities for giving ISO certificates to the textile machinery manufacturers for entitlement under A-TUFS – reg
14	75-A/2018	8.3.2018	Member Mills in Tamil Nadu	Purchase of Power from M/s. IL & FS Tamil Nadu Power Company Limited (ITPCL) for the year 2018 - 20 – conclusion – clarification meeting - reg.
15	75-B/2018	9.3.2018	Member Mills in Tamil Nadu	Data required for Wind and Solar installation - reg
16	76/2018	10.3.2018	All Member Mills	26th GST Council Meeting - Press Release – reg
17	77/2018	14.3.2018	All Member Mills	Inauguration of SRTEPC Regional Office and Seminar on “Emerging Scope for Man Made Fibre & Textiles - Growth and Future Sustainability” on 16th March 2018 at SIMA - reg.
18	77-A/2018	15.3.2018	Member Mills in Tamil Nadu	Consumer Price Index Numbers - Chennai City –January 2018
19	77-B/2018	15.3.2018	Member Mills in Andhra Pradesh & Telangana	Consumer Price Index Numbers - All India –January 2018
20	77-C/2018	15.3.2018	Member Mills in Tamil Nadu	CGP Appeal status – hearing before the Madurai Bench - reg