sima

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NEWS HIGHLIGHTS

- SIMA CHAIRMAN NOMINATED TO TEXPROCIL YARN SUB-COMMITTEE
- TEXTILE MINISTER URGED TO CONVENE IMSC MEETING
- SIMA HAILS INTERIM BUDGET OF UNION GOVERNMENT
- US-CHINA TRADE WAR TO BOOST INDIAN ECONOMY: UNCTAD

REPRESENTATIONS

- At the meeting of the Committee of Administration of Cotton Textiles Export Promotion Council (TEXPROCIL), it was decided to nominate SIMA Chairman as the Chairman of Yarn Sub-Committee of the Council.
- The Association has submitted a representation dated 9.2.2019 to the Hon'ble Minister for Commercial Taxes, Government of Tamilnadu, Mr.K.C.Veeramani appealing to exempt commercial tax on the hank yarn produced out of manmade fibre.
- Chairman of the Association, Mr.P.Nataraj has submitted a representation dated 11.2.2019 to the Hon'ble Union Textile Minister, Smt Smriti Zubin Irani appealing her to convene IMSC meeting to resolve TUFS related issues.
- The Association submitted demand and expectations of the industry to Shri P Muralidhara Rao, National General Secretary, Bharatiya Janata Party, who visited Coimbatore on 12.2.2019.

TEXTILE SCENE

Indian cotton sector losing due to tariff issues: CITI

- India's cotton yarn and fabric exports are struggling because of the duty disadvantage faced by the Indian exporters in major markets, pointed out the Confederation of Indian Textile Industry (CITI). There has been continuous decline in exports of cotton yarn and fabric during 2013-14 to 2017-18. Cotton yarn exports dropped by 25 per cent during the period. "Indian spinning mills performed well in exports during 2013-14 when the cotton yarn was covered under schemes such as 2 per cent incremental export incentive, 2 per cent interest subvention and 3 per cent focus market incentive and the sector could penetrate into alternate markets other than China. However suddenly all incentives were withdrawn leading the spinning mills high and dry," said out CITI chairman Sanjay Jain. China which is the largest importer of cotton yarn has shifted from India to Vietnam/Indonesia as they have duty free access while Indian yarn carries 3.5 per cent import duty. From 2013 to 2017, there has been a decline in India's cotton yarn exports to China by 48 per cent while exports from Vietnam and Indonesia has increased at a remarkable rate of 129 per cent and 55 per cent respectively in the same period He further stated that India's raw cotton is going to various markets at zero duty. "India exported $1894 million worth raw cotton in 2017-18. Exporting of raw cotton bales instead of value addition by converting to yarn and fabric is leading to loss of valuable foreign exchange, employment and better remuneration to farmers."

Similarly, fabric exports from India are at serious disadvantage vis-à-vis exports from competing countries due to duty differentials in leading exports markets. Markets like EU, China, Turkey and Vietnam impose an import duty in the range of 8-12 per cent on Indian fabric while duty free access is given to countries such as Pakistan, Cambodia, Bangladesh and Cambodia. Falling of Indian cotton yarn and fabric exports is impacting the whole value chain from farmers, spinners to weavers/knitters as there is considerable exportable surplus in country but we are not able to be overcome the tariff disadvantage despite being competitive in both spinning and weaving. Further, he highlighted that growth in clothing has not been supportive to consume the extra capacity leading to pressure on the yarn and fabric capacities. The exports of garments have declined from $17.4 billion in 2016-17 to $16.7 billion in 2017-18.

Requesting the government, Jain has asked to cover cotton yarn under MEIS as this will boost India's exports and also help us penetrate new markets especially the African markets. Also the farmers will get better price for raw cotton. Cotton yarn is the only segment which is not covered under MEIS. Hence, despite abundant raw materials availability and second largest cotton spinning infrastructure in the world, the cotton yarn exports are struggling in the absence of Government support. "Enhance MEIS for fabric from 2 to 4 per cent at par with Made-ups. The weaving sector is labour intensive like the made-ups and garmenting sectors. Weaving is mostly carried out in the unorganized sector especially in the rural and semi-urban areas. The sector employs women labour substantially," urged Jain.

McKinsey sees India's ascent in fashion industry in 2019

- India's ascent is one of ten trends the fashion industry should watch in 2019, according to McKinsey's latest State of Fashion report, prepared in partnership with the Business of Fashion (BoF). India is increasingly becoming a focal point for the fashion industry, reflecting a rapidly growing middle class and an increasingly powerful manufacturing sector, it says. These forces, together with strong economic fundamentals and growing tech savvy, make India too important for international brands to ignore, a press release from the company said citing the report. India's apparel market will be worth $59.3 billion in 2022, making it the sixth largest in the world, comparable to the United Kingdom's ($65 billion) and Germany's ($63.1 billion), according to data from McKinsey's FashionScope. The aggregate income of the addressable population (individuals with more than $9,500 in annual income) is expected to triple between now and 2025.

Economic expansion is happening across Asia, but McKinsey expects 2019 to be the year when India takes centre stage. The country is being propelled by strong macroeconomic tailwinds, and its gross domestic product (GDP) is predicted to grow 8 per cent a year between 2018 and 2022, the report said. India's middle class is forecast to expand by 1.4 percent a year over the same period, outpacing China, Mexico, and Brazil. As a result, India is set to evolve from an increasingly important sourcing hub into one of the most attractive consumer markets outside the Western world, says the report.

More than 300 international fashion brands are expected to open stores in India in the next two years. But India remains a complex market that presents challenges as well as opportunities. The apparel business is still largely unorganized, with formal retail accounting for just 35 per cent of sales in 2016. Its share is likely to reach around 45 per cent by 2025—still a relatively low proportion, says the report. The growth in the apparel sector is also being driven by increasing tech savviness among consumers. E-commerce leaders are moving to solutions based on artificial intelligence. The supply side of the industry is equally robust, and the growth of textile and apparel exports is expected to accelerate, the report adds.

UNION BUDGET

Highlights of the Union Budget 2019-20

Hon'ble Union Minister, Mr. Piyush Goel, presented Union Interim Budget for the year 2019-20 in the Parliament on 1st February 2019 The highlights of the Union Interim Budget as applicable to the textile industry are as follows:-

- Economic Survey to be released along with the regular budget after formation of new Government;
- The A-TUFS allocation has been reduced to Rs.700 crores from the previous year's budget allocation of Rs.2300 crores.
- The RoSL budget allocation has been reduced to Rs.1000 crores from the last year's budget allocation of Rs.2164 crores as against the revised estimate of Rs.3664 crores for the same year.
- Indirect tax levies being the concern of GST Council, not dealt with during the interim budget;

- Rs.6,000/- per year for the farmers having below two hectares of land under Prathan Mandri Kisan Samman Nidhi Programme giving effect from 1st December 2018

- Pension of Rs.3000 per month for the workers in the unorganized sectors including handlooms & powerlooms on monthly contribution of affordable amount, after attaining the age of 60 years.

- 2% interest subvention for farmers affected by natural calamities and additional 3% interest subvention for timely payment.

- 2% interest relief for MSME GST registered person on incremental loan

- Capital support from the budget for Railways is proposed at Rs.64,587 crores in 2019-20

- Full Tax rebate upto 5 lakh annual income after all deductions

- Standard deduction has been increased for salaried class from Rs.40000 to Rs.50000/-

- Customs Department to introduce full and comprehensive digitalization of export / import transactions and leveraging RFID technology to improve export logistics.

MEETINGS

Tamilnadu Global Investors Meet 2019

- The Government of Tamilnadu organized its second Global Investors Meet 2019 during January 23-24, 2019 in Chennai. Few of the textile units have signed MoU with the Government for starting the projects. SIMA Secretary General, Dr K Selvaraju addressed a Seminar during the Meet on the theme "Investment opportunities in Textile Sector in Tamilnadu" on 24th January 2019.

TAF & Kongkiat launch eco-friendly fancy yarns at PV Paris

- Thai Acrylic Fibre Co, Ltd (TAF) and Kongkiat Textile Co Ltd have launched new concept of fancy yarns with Radianza at recently held Premiere Vision (PV) fair in Paris from Feb 11–14, 2019. TAF has developed Radianza as an eco-friendly fibre using the gel-dyeing technology that uses very less natural resources and discharges less pollutants in nature. TAF and Kongkiat Textile have partnered to develop the new fashion yarns, combining different colours of Radianza to give different look to fabrics and the garments. Radianza fibre could be produced in a wide range of shades and colours through which it is possible to get multiple designs for the yarns and get different kinds of effects, said TAF in a press release. "Radianza is going to the next level. As you may have heard before how eco-friendly our Radianza is. With this new collection we have developed with Kongkiat, the technical benefits of Radianza are complemented by colourful designs. It's time to have some fun through your imagination creating unique colourful collections while the nature still thanks back to you!!" said Ashwini Chotani, chief marketing officer, TAF. "Radianza fibre has given us the freedom to experiment with different colours and develop products for the fashion segment, which otherwise would have been very difficult if we were to dye the fibres. Also with global brands and consumers looking for sustainable options, Radianza gives us the best of both worlds – colours and nature friendliness," said Dumrong Kongkiatkrai, CEO of Kongkiat Textile

US-China trade war to boost Indian economy: UNCTAD

Courtesy: UNCTAD

- The US-China trade war States is expected to boost the Indian economy with a 3.5 per cent rise in exports while the biggest winner will be the European Union (EU), which will gain $70 billion in additional trade, according to a recent report by the UN Conference on Trade and Development (UNCTAD). A handful of nations will benefit from the trade diversion. "Substantial effects relative to the size of their exports are expected for Australia, Brazil, India, the Philippines, Pakistan and Vietnam," the report, titled 'The Trade Wars: The Pain and the Gain', said. Bilateral tariffs alter global competitiveness to the advantage of firms operating in countries not directly affected by them, it said. The study found that European exports will grow by $70 billion, while Japan, Canada and Mexico will see exports increase by more than $20 billion each. "Countries that are expected to benefit the most from US-China tensions are those which are more competitive and have the economic capacity to replace US and Chinese firms," it said. The trade war will also have a number of negative effects on global trade, especially within certain markets, the UNCTAD said. There will be huge costs if the trade war intensified and Asian countries are likely to suffer most from protectionism, it said. East Asian producers will be hit the hardest, with a projected $160 billion contraction in the region's exports.

Karl Mayer to show latest textile machinery at JEC World

- Karl Mayer is set to present itself as competent partner of the composite industry at JEC World Paris, in hall 5, stand Q58. The leading trade fair for the composites industry will be held from March 12-14, 2019. The German textile machinery firm will display innovative solutions for producing high-quality reinforcement textiles on its information stand. The company will present the COP MAX 4, a flexible multi-axial warp knitting machine intended for the manufacture of multi-layered, multi-axial structures with angles ranging between maximum +20° and -20°, as well as the COP MAX 5, especially designed for processing carbon fibres.

  For the efficient spreading of fibre tapes, the company will be displaying its fibre spreading unit UD 700. The guests can gather information on the high-tech machines by means of video presentations, print media and during discussions with the Karl Mayer specialists, and they can also learn more about the technical features. Besides, the visitors will have the opportunity to get information on Karl Mayer's latest development trends regarding the production of continuous fibre reinforced thermoplastic tapes, the company said in a press release. Another focal point of the exhibition will be the topic Karl Mayer Webshop Spare Parts. The customers from the technical textiles sector will have the chance to try out on the spot how easy it is to place orders by using Karl Mayer's well-tried tool.

UPCOMING EVENTS

Session on “GST Updates” on 22.2.2019 at SIMA

- A session on “GST Updates” has been convened on February 22, 2019 between 10.00 am and 5.00 pm at SIMA Conference Hall, Coimbatore. On behalf of the Department, Mr.Sathish Kumar S, Deputy Commissioner of GST & Central Excise, Coimbatore – II Division and Mr.Senthil Kumar K, Superintendent, GST Policy Headquarters, Coimbatore to handle the session on behalf of the department. Mr.Vishal Poddar, Chartered Accountant, would explain about the GST updates. Mr.A.Ravikumar, Joint Director, Cotton Textiles Export Promotion Council (TEXPROCIL) will conduct a session on queries related to imports & exports including FTP. Members are requested to rush their nominations for participation. In this connection, members may refer Association circular No.45/2019 and 50/2019.

RAW MATERIAL FRONT

Cotton Egypt Association initiates sustainability drive

- Cotton Egypt Association, as part of a renewed drive to increase product sustainability and improve conditions for the Egyptian Cotton supply chain workers, has partnered with United Nations Industrial Development Organisation (UNIDO). Under the framework of The Egyptian Cotton Project, it has launched Better Cotton Initiative (BCI) pilot project in Egypt. "Cotton Egypt Association is dedicated to creating a sustainable supply chain which supports the welfare of both the workers and the environment. The partnership with UNIDO to support the BCI pilot project is one of several initiatives we will be exploring in 2019, as we continue to bring the brand and the values of the world’s finest cotton to meet the expectations of a modern consumer," Khaled Schuman, executive director of the association, said.

  The BCI is the largest cotton sustainability programme in the world, educating farmers and granting the BCI standard to those who meet rigorous levels of sustainable production and employee welfare. Currently, the organisation licenses 1.3 million farms in 21 countries and aims to secure the sector’s future by bringing 30 per cent of global production up to BCI standard by 2020. The project will coordinate with a pool of stakeholders to implement the pilot BCI programme for Egyptian Cotton, promoting the production of Egypt’s 'White Gold' in a way that cares for the environment and the farmers who grow it.

  The sustainability drive is the latest move from Cotton Egypt Association to modernise and cement the Egyptian Cotton brand as the world’s most luxurious cotton. It follows initiatives such as the recent introduction of a rigorous new accreditation process in partnership with Bureau Veritas, which uses DNA technology to root out counterfeit goods. Consumer recognition of the brand remains high, a recent US survey showed Egyptian Cotton was also the name most people associated with quality and were prepared to pay a premium for, ahead of Pima cotton, Turkish cotton and Supima. "The pilot project's vision is to pilot the BCI standard system in Egypt, through a multi stakeholder program jointly coordinated by UNIDO, relevant governmental entities, farmers' cooperatives, cotton-textile associations and local/international private sector stakeholders," a UNIDO spokesman said.

US-China trade tensions create uncertainty for cotton

- The ongoing trade tensions between the US and China is creating uncertainty in the global cotton market, affecting the economy, as per National Cotton Council (NCC). Based on the positive statements from the recent negotiations, NCC assumes that the additional tariffs being imposed by the 2 countries will be removed in advance of the 2019 marketing year. In her analysis of the NCC Annual Planting Intentions survey results, Dr Jody Campiche, NCC vice president, Economics & Policy Analysis, said the organisation has projected US cotton acreage to be 14.5 million acres in 2019 – 2.9 per cent more than 2018.

  Prior to the implementation of tariffs, the US was in a prime position to capitalise on the increase in Chinese cotton imports. With the imposition of the 25.0 per cent tariff, China has turned to other suppliers during the 2018 marketing year, allowing Brazil, Australia, and other countries to gain market share. Vietnam is currently the top export market for the 2018 crop year, followed by China and Mexico. Assuming a resolution to the US-China trade dispute, China is expected to increase mill use in 2019 to 41.4 million bales. With a further reduction in stocks for the 2018 crop year, China's imports are expected to increase in the 2019 crop year to 11.1 million bales. Chinese stocks are projected to fall by 4.2 million bales during the 2019 marketing year to 28.2 million bales. With a resolution to the US-China trade dispute, the US is expected to export more cotton to China in the 2019 marketing year and gain back some market share.

  In 2019, US exports are projected to increase to 17.4 million bales. If realised, it would represent the 2nd highest level of US exports, second only to the 2005 marketing year. When combined with US mill use, total offtake falls short of expected production, and ending stocks are projected at 6.1 million bales. In absolute terms, stocks would be the highest since the end of the 2008 marketing year. A stocks-to-use ratio of 29.4 per cent would be the highest since the 2015 marketing year. Campiche said world production is estimated to increase by 7.0 million bales in 2019 to 125.5 million bales, which would be the highest level since the 2011 crop. World mill use is projected to increase to 126.5 million bales in 2019. Ending stocks are projected to decline by 1.3 million

  In 2019, the overall abandonment is projected to be lower because most regions currently have adequate moisture levels. With abandonment assumed at approximately 10 per cent for the United States, Cotton Belt harvested area totals 13.0 million acres. Using an average US yield per harvested acre of 840 pounds generates a cotton crop of 22.7 million bales, with 21.9 million upland bales and 782,000 extra-long staple bales. US cottonseed production is projected to increase to 7.0 million tons in 2019. Regarding domestic mill cotton use, the NCC has projected a modest increase of US mill use to 3.25 million bales in the 2019 crop year. As the single largest user of US cotton, US mills continue to be critically important to the health of the cotton industry. In the face of rising textile imports from Asian suppliers, the US textile industry has focused on new investment and technology adoption in order to remain competitive.

CAI reduces 2018-19 cotton estimate to 330 lakh bales

- Cotton Association of India (CAI) has further reduced its cotton crop estimate to 330 lakh bales of 170 kg each for the 2018-19 cotton season that began on October 1, 2018. The latest crop estimate is lower by 5 lakh bales than last month's estimate of 335 lakh bales. Crop estimate has been lowered for Telangana, Karnataka and Andhra Pradesh. "The main reason for lower crop is that in the Southern Zone farmers have uprooted their cotton plants due to moisture deficiency as a result of which there is no scope for 3rd and 4th pickings," CAI president Atul S Ganatra said in a press release.

  In its January 2019 estimate, CAI has reduced the crop estimate for Telangana by 2.50 lakh bales, Andhra Pradesh by 50,000 bales and Karnataka by 2 lakh bales. The total cotton supply projected by the CAI during the months of October 2018 to January 2019 is 198.80 lakh bales, which consists of the arrival of 170.32 lakh bales up to January 31, 2019, imports of 5.48 lakh bales up to January 31, 2019 and the opening stock at the beginning of the season estimated at 23 lakh bales.

  Further, the CAI has estimated cotton consumption during the months of October 2018 to January 2019 at 105.34 lakh bales, while the export shipment of cotton up to January 31, 2019 has been estimated at 24 lakh bales. Stock at the end of January 2019 is estimated by the CAI at 69.46 lakh bales including 39 lakh bales with textile mills and the remaining 30.46 lakh bales with CCI and others (MNCs, traders, ginners, etc).

  The CAI has also projected yearly Balance Sheet for the cotton season 2018-19 wherein total cotton supply till end of the cotton season i.e. up to September 30, 2019 has been estimated at 380 lakh bales of 170 kg each consisting of the opening stock of 23 lakh bales at the beginning of the season, cotton crop for the season estimated at 330 lakh bales and imports estimated by the CAI at 27 lakh bales, which are higher by 12 lakh bales compared to the previous year's import estimated at 15 lakh bales. The CAI has estimated domestic consumption of 316 lakh bales, which is lower by 4 lakh bales compared to the consumption figure estimated during the last month.

The estimated exports for the season 2018-19 are 50 lakh bales, which are lower by 19 lakh bales compared to the export of 69 lakh bales estimated during the last year. The carry-over stock at the end of the 2018-19 season is estimated by the CAI at 14 lakh bales

PRESS RELEASE

SIMA hails interim budget 2019-20

- The predominantly cotton based textile industry though faces several challenges in the aftermath of demonetization, implementation of GST, the industry got benefited out of 5% seamless tax structure across the cotton textile value chain. The Government also later addressed several GST related issues including reduction of GST rate on manmade fibre yarn from 18% to 12%, bringing all job work relating to textile manufacturing under 5% GST net, permitting the refund of accumulated input tax credit at fabric stage, increasing GST mandatory registration exemption limit from Rs.20 lakhs to Rs.40 lakhs, the composite tax limit from Rs.1 crore to Rs.1.5 crores, etc.

  In a Press Release issued at Coimbatore on 1st February 2019, Mr.P.Nataraj, Chairman, The Southern India Mills' Association (SIMA) has welcomed the announcement of Rs.6,000/- per year for the farmers having below two hectares of land under Prathan Mandri Kisan Samman Nidhi Programme giving effect from 1st December 2018 as the same would benefit millions of cotton farmers. He has stated that the cotton crop got affected in certain States and this amount would benefit the farmers. Mr.Nataraj has welcomed the announcement of Pension Scheme for the workers in the unorganized sector enabling such workers to receive Rs.3000/- per month as pension after attaining the age of 60 years as the textile industry is predominantly in the unorganized sector. He has stated that the Scheme would largely benefit the weavers of handlooms and Powerlooms and also the workers of several other small, micro units from other segments of the industry.

  SIMA Chief has also welcomed the decision of doubling the income tax exemption limit from Rs.2.5 lakhs per annum to Rs.5.00 lakhs per annum apart from enhancing the standard deduction limit from Rs.40,000/- to Rs.50,000/- etc., as the same would benefit several lakhs of middle class employees of the textile industry.

  Mr.Nataraj has stated that the substantial reduction in the budget allocation for RoSL and Technology Upgradation Fund (A-TUFS) benefits would have serious impact on the textile industry. The RoSL budget allocation has been reduced to Rs.1000 crores from the last year's budget allocation of Rs.2164 crores as against the revised estimate of Rs.3664 croes for the same year. The A-TUFS allocation has been reduced to Rs.700 crores from the previous year's budget allocation of Rs.2300 crores. Mr.Nataraj has stated that the backlog in the A-TUFS would be over Rs.2000 crores as over 3000 projects that got implemented are yet to receive the subsidy due to the complicated guidelines of A-TUFS. He added that the Government had earlier allocated Rs.17,822 crores including Rs.5151 crores for A-TUFS for the 13th five year plan in order to clear the long pending committed liability under M-TUFS, R-TUFS and also RR-TUFS. He has hoped that the government would allocate necessary funds soon as the procedural issues are sorted out. Mr.Nataraj has also appealed to the Centre to expedite the announcement of increased RoSL rate and also include cotton yarn export under MEIS and IES and RoSL benefits to fully utilize the idle production capacity and enhance forex earnings apart from providing increased jobs.

JUDGEMENTS

I-T - AO cannot reopen concluded assessment merely on basis of review of documents filed during original assessment: ITAT

KOLKATA, FEB 12, 2019: THE ISSUE IS - Whether AO can reopen a concluded assessment merely on reviewing the documents which are already filed before the AO during the original assessment. **NO IS THE VERDICT.**

Facts of the case

The assessee company had filed return for relevant AY. The assessment was completed u/s 143(3) of Act. It was noticed from the records that the allowable depreciation on building as per Income Tax Act was Rs. 4,92,729. It was noticed that the building which was shown as business asset in the depreciation schedule was partly used for let out and partly used for business purpose. The assessee in its computation had deducted Rs.1.73 lakhs from total depreciation as proportionate depreciation on building in respect of let out portion of such building. It was further noticed by AO that the assessee debited Rs. 44.45 lakhs in its Profit and Loss account under the head repairs to building and the entire amount of such expense was claimed as business expenses. As the house was partly used for let out and partly for business, the proportionate expenses on repairs was required to be disallowed u/s 38 of the Act. However, no such disallowance was made in the assessment. The AO noted that if the same formula as adopted by the assessee while computing disallowance of depreciation in respect of let out portion of such building was taken into account, the amount of disallowance u/s 38 came to Rs.15.51 lakhs. Thus, as per AO, there was an excess allowance of business expenses to the extent of Rs.15.51 lakhs which resulted in an underassessment of business income. Therefore, the assessee was issued notice u/s 148 of the Act. The assessee submitted before the AO that the depreciation on building was allowable as a business expenditure u/s 32(1)(i) of the Act. It was further submitted by assessee that since the expenditure had been incurred by the assessee for the purpose of building/premises used by assessee for business or profession, there was no question of disallowance of expenditure u/s 38 of the Act. However, the AO rejected the contention of the assessee and made addition to the tune of Rs.15,51,000/-. On appeal, CIT(A) upheld the view taken by the AO. Aggrieved assessee filed appeal before Tribunal.

Tribunal held that,

++ the AO has passed the reassessment order under section 147/143(3) the Act dated 30-12-2011, disallowing the proportionate of depreciation expenses on building in respect of let out portion such building to the tune of Rs.15,51,000/- on the contention that the building was partly let out and partly used for business. CIT(A) did not give detailed finding about validity of reopening of the assessment U/s 147 of the Act except to say that the AO had already discussed the issue while passing the order stating therein that there was an excess allowance of business expenditure which resulted in underassessment of business income and therefore confirmed the order passed by the AO. In order to initiate the reassessment proceedings, the notice under section 148 of the Act should be issued to the assessee. It is well settled law that initiation of reassessment proceedings under section 147 of the Act without issuing notice under section 148 of the Act is void ab initio;

++ assessee had filed its return of income on 31-10-2007 and revised the same on 30-03-2009. The audited Accounts and Tax Audit Report had been filed along with the Return of Income, and the same were available on record before the AO at the time of original assessment. Further, the computation of Total Income clearly stating the proportionate disallowance of depreciation has also been filed before the AO. On perusal of the same it could be seen that all the information and details on the basis of which the AO has reasons to believe that income has escaped assessment were duly submitted in the course of the assessment proceedings and were available before the AO at the time of completion of assessment proceedings under section 143(3) of the Act. The AO has merely reviewed the same set of documents and concluded that that there was escapement of tax which is not tenable;

++ the reasons for reopening of assessment was not provided to the assessee. Apart from this the AO has reopened the assessment completed under section 143(3) of Act on the basis of objection raised by audit party. Thus, the AO has not applied his mind independently to arrive at the conclusion as to whether he had reasons to believe that income of the assessee was escaped from tax in the assessment for the relevant year .Therefore, considering the entirety of facts and circumstances of the case, and the material on record, it is difficult to uphold the stand of the assessing officer for reopening the assessment U/s 147/148 of the Act, therefore, reassessment order passed by the assessing officer under section 147 of the Act was cancelled. In the result, the appeal filed by the assessee is allowed.

CX - Only because audit party had found some credit availed as inadmissible, suppression of fact cannot be made out unless malafide intention is established: CESTAT

MUMBAI, FEB 11, 2019: THE appellant is a manufacturer of galvanized wire, HTGS wire, G.S. earth/GI stay wire and is availing CENVAT credit on inputs, input services and capital goods. EA Audit took a view that the appellant had availed inadmissible credit of Rs.30,34,534/- as on various input services since being in relation to civil works and fabrication of support to capital goods. Appellant reversed credit of Rs.21,95,531/- without utilisation and without challenging its admissibility. However, they disputed the admissibility of credit of Rs.8,39,003/- and also challenged the invocation of the extended period of limitation. The appellant having failed to get any relief at the adjudication as well as the lower appellate stage is before the CESTAT. It is submitted that pipeline fabrication work, EOU crane, electrical installation, earthing connection, insulation of acid plant etc. were done in relation to the manufacture of final products and those are eligible for CENVAT credit in terms of Rule 2(l) of CCR, 2004. Reliance is also placed on the decision in Aditya College of Competitive Exam - 2009-TIOL-2216-CESTAT-BANG to emphasize that invocation of extended period without any conscious or deliberate suppression of facts or misstatement, is not sustainable when the same was based on audit objection. The AR supported the reasoning in the order of the Commissioner (Appeals) and pleaded that the impugned order needed no interference.

The Single Member Bench considered the submissions and inter alia observed -

+ Paragraph no. 5 of the show-cause notice indicates that the said services had been utilised in laying of foundation or making structures for support of capital goods as appears from the work undertaken.

+ The very use of word "appears" indicates that those Departmental Authorities have suspected the conduct of appellant and taken the words of appellant, if at all done at Exit Interview, as extra judicial confession…

+ Further as found from the nature of services, electric installation, preparation of earthing system for electricity and insulation of acid container should be regard as "safety measure" for protection of factory and its workers who are engaged in or in relation to the manufacturing process, the same cannot be considered as civil construction or support structure.

+ It cannot be said that only because audit party had found some credit availed as inadmissible, suppression of fact is made out. Further, it is not established that appellant had any malafide intention to suppress its duty liability from the department.

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	15.02.2019	08.02.2019	01.02.2019	25.01.2019	19.01.2019	12.01.2019	05.01.2019
ICS-101 (Bengal Deshi (RG) / Assam Comilla)	40200	40400	40400	40400	39800	40400	39900
ICS-201 (Bengal Deshi (SG))	40700	40900	40900	40900	40900	40900	40400
ICS-102 (V-797)	30000	30000	29900	29500	29000	30000	33000
ICS-103 (Jayadhar)	36200	36500	36500	36800	36800	37000	37700
ICS-202 (J-34)	41400	41200	41500	41500	41600	41400	41900
ICS-105(LRA-5166)	42400	42200	42800	42600	42600	42400	43000
ICS-105 (H4-Mech 1 - Guj)	40500	41800	41700	41900	42100	42100	NQ
ICS-105 (Shankar – 6 (Guj))	41700	42200	42400	42600	42700	42600	43500
ICS-105 (Bunny / Brahma)	43000	43300	43800	44200	44500	44300	44500
ICS-107 (DCH 32)	52100	50000	54000	55200	55200	55000	56000

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

Cotton Yarn (Rs/Kg – Taxes Extra)

Count	15.02.2019	08.02.2019	01.02.2019	25.01.2019	19.01.2019	12.01.2019
Hank Yarn						
20s	219	219	219	219	219	219
30s	236	236	236	236	236	236
40s	259	259	259	259	259	259
60s K	254	254	254	254	254	254
60s C	327	327	327	327	327	327
80s C	401	401	401	401	401	401
Cone Yarn						
20s	220	220	220	220	220	220
30s	225	225	225	225	225	225
40s	230	230	230	230	230	230
60s K	285	285	285	285	285	285
60s C	315	315	315	315	315	315
80s C	375	375	375	375	375	375

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

CIRCULARS ISSUED DURING THE FORTNIGHT

Sl. No	Cir.No	Date	To	Subject
1	37/2019	1.2.2019	All Member Mills	Relief in average export obligation in terms of Para 5.19 of Hand Book of Procedures of FTP 2015-20 – reg
2	38/2019	1.2.2019	All Member Mills	Highlights of the Interim Budget 2019-20 – reg
3	39/2019	2.2.2019	All Member Mills	GST – Extension of time limit to carry forward eligible credit of Duty/Tax from the earlier indirect tax regime to GST regime – reg
4	40/2019	2.2.2019	All Member Mills	DGFT- Advance Authorization – Facility for Clubbing of Authorizations – Reg.
5	40-A/2019	2.2.2019	Member Mills in Tamilnadu	Guidelines for the adjustment and accounting of energy in the OA software – reg
6	40-B/2019	2.2.2019	Member Mills in Kerala	Consumer Price Index Numbers for November 2018
7	40-C/2019	2.2.2019	Members in Coimbatore, Tirupur, Erode & Namakkal Districts	Session on "Guidance and Counselling for Welfare Officers / Hostel Warden /Caretakers / Trainers" for better retention and to reduce attrition to avoid huge labour turnover –Limited Nominations – reg
8	40-D/2019	4.2.2019	Member Mills in Tamilnadu	Publication of the "Consultative Paper for issue of Tariff order for Solar power and related issues"- TNERC inviting comments / suggestions – reg
9	41/2019	4.2.2019	All Member Mills	Disposal of machinery by M/s. Orbit Textile Mills Private Limited – reg
10	42/2019	5.2.2019	All Member Mills	Weekly cotton prices for 28.1.2019 to 2.2.2019 – reg
11	43/2019	5.2.2019	All Member Mills	Interest Equalization Scheme on pre & post shipment Rupee Export Credit- Advice for utilization by DGFT – reg
12	43-A/2019	5.2.2019	Member Mills in Tamilnadu	Tamil Nadu Solar Energy Policy 2019– reg
13	43-B/2019	5.2.2019	Member Mills in Tamilnadu	GST Audit by the Association – Reg
14	43-C/2019	5.2.2019	Member Mills in Tamilnadu	Master data updation – reg
15	44/2019	6.2.2019	All Member Mills	Presentation on the Issues and Recommendations of the Textiles and Clothing Industry of India

16	44-A/2019	6.2.2019	Member Mills in Tamilnadu	Group Captive Power purchase renewal for the year 2019-20 – Group Captive norms compliance and indemnity - reg
17	44-B/2019	6.2.2019	Member Mills in Tamilnadu	Proposal for the Thermal Third party power purchase for the year 2019-20 by M/s. E-Clouds Energy LLP –reg
18	45/2019	8.2.2019	All Member Mills	Session on “GST Updates” on 22nd February 2019 at SIMA
19	45-A/2019	9.2.2019	Member Mills in Tamilnadu	Implementation of new OA software– instruction for allotment and entry of 100% ownership WEGs – reg
20	46/2019	11.2.2019	All Member Mills	Restrictions on Contribution to Pension Scheme – withdrawn - reg.
21	47/2019	11.2.2019	All Member Mills	SIMA delegation for ITMA 2019 – June 2019 – Barcelona, Spain – reg
22	48/2019	11.2.2019	All Member Mills	Weekly cotton prices for 4.2.2019 to 9.2.2019 – reg
23	49/2019	12.2.2019	All Member Mills	Disposal of Compressor by M/s. Loyal Textile Mills Limited
24	49-A/2019	12.2.2019	Member Mills in Karnataka	KERC discussion paper on solar projects for both rooftop and photovoltaic projects for the year 2020 – reg
25	50/2019	13.2.2019	All Member Mills	Session on “GST Updates” on 22nd February 2019 at SIMA – Officials from GST & Central Excise Commissionerate
26	50-A/2019	13.2.2019	Member Mills in Tamilnadu	Job fair at Karur Organised by Sri. M.R.Vijaya Bhaskar, Hon'ble Minister for Transport at M. Kumarasamy College Of Engineering, Karur on 16th February, 2019 - reg
27	50-B/2019	15.2.2019	Member Mills in Tamilnadu	Consumer Price Index Numbers - Chennai City – December 2018
28	50-C/2019	15.2.2019	Member Mills in Andhra Pradesh & Telangana	Consumer Price Index Numbers - All India –December 2018
29	50-D/2019	15.2.2019	Member Mills in Tamilnadu	Implementation of OA Software – Working instructions – reg