sima

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"SIMA Fortnightly E-Review wishes all its readers a "Happy & Prosperous New Year 2026"

NEWS HIGHLIGHTS

- Bangladesh cotton imports fall as sourcing shifts to Americas
- Mexico's duty wall set to rewire textile-and-apparel sourcing
- New Zealand's apparel imports grow modestly in Jan-Nov
- UK year-end review 2025: Seeking new avenues
- Bangladesh year-end review 2025: Another year, another challenge
- China year-end review 2025: Facing 'SUPER' tariff

MEETINGS / WORKSHOPS

Shri. Durai Palanisamy, Chairman, SIMA and Shri Ashwin Chandran, Chairman CITI and CITI Secretray General Mrs. Chandrima Chatterjee, met Cabient Secretary, Trade Advisor, Mr Bibin Menon, Joint Secretary (Fibre) Mrs. Padmini Singla on 17th December, 2025 and thanked them for the support on QCO removal, discussed on the need for continuning the exemeption of cotton from 11% import duty, Tariff issues and SION norms.

TEXTILE SCENE

Bangladesh cotton imports fall as sourcing shifts to Americas

- Bangladesh's cotton imports declined in January–November amid weaker yarn demand and cautious mill buying.
- Central and South America emerged as the largest supplier, gaining significant share at the expense of Africa and Asia-Pacific, reflecting mills' preference for competitively priced and reliable cotton supplies.

Mexico's duty wall set to rewire textile-and-apparel sourcing

- Mexico's late-2025 tariff moves point to a deeper reset than headline rates suggest.
- Higher duties, tighter import schemes and costlier parcel routes favour origin-clean, USMCA-aligned supply.
- With imports still dominant and trade volumes sensitive, the real shift plays out upstream, where fabric choices, paperwork discipline and regional sourcing quietly determine competitiveness.

UK year-end review 2025: Seeking new avenues

- US reciprocal tariffs raised costs for UK fashion exporters, with some luxury fabrics facing up to 35 per cent duties in the US.
- Currency weakness further squeezed margins across the sector.
- UK policy responses eased imports from developing nations and reshaped supply chains.
- Exporters increasingly diversified towards Middle East and North America and Asia-Pacific markets, signalling a shift in trade strategy.

Bangladesh year-end review 2025: Another year, another challenge

- A last-minute cut in US tariffs on Bangladeshi apparel to 20 per cent from 37 per cent revived buyer interest, stalled orders and investment sentiment.
- The move eased pressure on factories and employment, especially for women workers.
- At the same time, higher duties on key products, soft US demand and the 2026 LDC graduation continue to weigh on export prospects.

China year-end review 2025: Facing 'SUPER' tariff

- US-China tariff escalation in 2025 reshaped global trade, with combined US duties on Chinese goods peaking near 47 per cent and hitting textiles hardest.
- China's apparel exports to the US fell sharply, pushing buyers to diversify sourcing.
- The trade war raised US apparel prices, disrupted supply chains and accelerated shifts towards Vietnam, Bangladesh and other Asian hubs.

INDIA – Year End Review – Ministry of Textiles

- PM MITRA Scheme Witnesses Significant Progress in 2025 with Infrastructure Works Initiated, DPRs Approved
- Textile and Apparel Exports Registers Growth in 2025, reaching USD 37.8 Billion and Reinforcing India’s Global Trade Presence

- PLI Scheme for Textiles Records tangible Outcomes with Investments Reported, Production Commenced and Incentives Disbursed
- Cotton Sector Reforms to Support Farmers through MSP Procurement, Digitization and Productivity Initiatives
- Bharat Tex 2025 Showcased India's Textile Strength, Innovation and Global Leadership at Scale

Textiles and Trade Promotion

The Textiles Trade Promotion (TTP) Section has played a pivotal role in strengthening India's global textile footprint, monitoring export performance through eleven Export Promotion Councils. In 2024 India emerged as the 6th largest exporter of textiles and apparel, with the sector contributing a significant 8.63% share to India's total exports and accounting for 4.1% of global trade.

- Exports of textiles and apparel, including handicrafts, reached USD 37.8 billion in 2024–25, registering 5% growth over the previous year and achieving a robust trade surplus of USD 28.2 billion.
- Traditional markets such as the USA, EU, and UK together accounted for 55% of exports, while emerging destinations like Bangladesh, UAE, Sri Lanka, Australia, and Canada contributed 20%.
- With over 500 districts across 33 States/UTs actively engaged, the Ministry has set a bold Vision 2030 target of USD 100 billion exports, to be driven by enhanced trade partnerships, market diversification, and a strong focus on innovation and sustainability—underscoring India's Bharatiya Vastra Shakti as a symbol of resilience, craftsmanship, and global competitiveness.

Cotton Sector

- To enhance transparency, the Kapas Kisan mobile app was launched, enabling farmer self-registration and slot booking.
- The exemption of customs duty on raw cotton imports (Aug–Dec 2025) provided critical relief to the textile value chain by reducing input costs, stabilizing prices, and boosting competitiveness.
- Reforms by digitization of procurement of cotton under MSP operations- The 'KapasKisan' App for slot booking and registration. Blockchain-based QR-coded bales (BITS) for traceability. The 'CotBiz' Platform for e-invoicing, contract generation, and sale management.
- A 5-year Mission for Cotton Productivity has been announced in the budget to boost yields, promote ELS varieties, ensure sustainability, and align cotton farming with the 5F vision from Farm to Foreign.
- The Quality Control Order (QCO) 2023 for cotton bales has been deferred till August 2026.
- The 'Kasturi Cotton Bharat' Programme has been launched, founded on the three pillars of Certification, Traceability, and Branding, to enhance

the global market acceptance of Indian cotton. Collectively, these measures strengthen farmer welfare, stabilize markets, and reinforce India's textile and apparel sector as a driver of employment and export growth.

QCO Reforms

Extension of the Export Obligation (EO) period under Advance Authorisation for products subjected to mandatory Quality Control Orders (QCOs) issued by the Department of Chemicals & Petrochemicals (DCPC). The EO period has been enhanced from 6 months to 18 months.

QCOs on Machinery - The Ministry of Heavy Industries (MHI), through BIS, had issued a QCO in 2024 restricting imports of machines including looms and embroidery machines, effective from 27th Aug 2025. Following industry representations, MHI has extended the implementation date to 1st Sept 2026 via a notification dated 12th June 2025, addressing industry concerns and providing immediate relief to stakeholders.

QCOs on VSF - The government vide notification Dated 18th November 2025, has rescinded the quality control order (QCO) requirement for viscose staple fibre (VSF) with immediate effect. The removal of the QCO on VSF is expected to ensure seam-less access to quality raw material, enhance global competitiveness, and drive industry-led growth to support these national objectives, the Textile Ministry stated.

Export Oriented Reforms:

In order to address the impact of US Tariff Impact, following reforms undertaken:

- The Remission of Duties and Taxes on Exported Products (RoDTEP) scheme has been extended to unit in EOUs/SEZs and units with Advance Authorisation until 31.03.2026.
- The Rebate of State and Central Taxes and Levies (RoSCTL) scheme for garment and made-up exports have been extended until 31.03.2026, with the process for a further extension initiated. End-to end digitisation has been implemented.
- The period for export obligation under Advance Authorisation has been extended from 6 to 18 months for cases seeking QCO exemption.
- Data-driven, mapping of 520 exporting districts has been completed.
- A Minimum Import Price (MIP) on Synthetic Knitted Fabric items has been imposed until 31.03.2026, and an effective import monitoring system has been developed.

GST Reforms:

Next-Generation GST Rationalisation in Textiles (as per recommendations of the 56th GST Council Meeting)

- Readymade Garments & Made ups): 5% GST rate up to ₹2,500/piece (earlier ₹1,000) on items of readymade garments and made ups (excluding HS other than 63053200, 63053300, 6309).
- Man-Made Fibres& Yarns: GST reduced from 18%→5% (fibres) and 12%→5% (yarns). This corrects the inverted duty structure (IDS), aligns fibre–yarn–fabric rates, and removes long-standing working capital burdens on manufacturers.
- Carpets & Floor Coverings (HS 5701–5705): GST reduced from 12% to 5%. This will boost exports from clusters such as Bhadohi and Srinagar, strengthen traditional crafts, and improve affordability in domestic markets.
- Handicrafts & Handlooms: GST reduced from 12% to 5% on 36 handicraft items, cotton rugs of handloom, and handwoven carpets under HS 5705. This measure will provide relief to artisans, enhance rural livelihoods, and support India's rich craft traditions.
- Sewing Machines (domestic and industrial covered under HS 8452): GST reduced from 12% to 5%, easing costs for tailoring units and boosting domestic manufacturing.

CHAT BOX

GST

1. **Can the credit of GST be denied to a purchaser, if the registration of the supplier is cancelled after the date of transaction?**

   No. The credit of GST cannot be denied to a purchaser merely because the supplier's GST registration is cancelled at a later date, provided that:

   - The supplier was validly registered at the time of supply,
   - The supply was genuine,
   - Tax was charged on the invoice and
   - The purchaser has acted bona fide and complied with statutory requirements.

   Subsequent cancellation of the supplier's registration cannot retrospectively invalidate the purchaser's entitlement to the GST credit. The purchaser cannot be made to suffer for supplier-side defaults that are beyond their control.

   Ref: Saniya Traders Vs Additional Commissioner (Allahabad High Court) - The transaction was documented through a tax invoice and the E-way bill was reflected in the petitioner's GSTR-1 Returns. Tax liability was also discharged through the banking channel and filing of GSTR-1 and GSTR-3B Returns.

2. Can wrong PIN Code on GST Invoice be a valid reason for Detention by GST department?

No, a wrong PIN code on a GST invoice alone is not a valid reason for detention of goods.

Under Section 129 of the CGST Act, goods can be detained only when there is a contravention of GST provisions with an intention to evade tax.

A wrong PIN code is generally treated as a minor clerical or technical error, not a tax evasion issue, if:

- The GSTIN is correct
- The supplier and recipient details are correct
- The place of supply is identifiable
- Tax has been correctly charged and paid
- E-way bill and invoice substantially match

A wrong PIN code may justify detention only if it:

- Results in misclassification of State / place of supply
- Causes wrong tax (CGST/SGST instead of IGST or vice versa)
- Is coupled with other discrepancies, indicating tax evasion

Ref: CBIC Circular No. 64/38/2018-GST - States that minor mistakes (such as Spelling errors, incorrect address details (including PIN code)) should not result in detention of goods/ Ashok Kumar Maganbhai Patel Vs State of UP and 3 others (Allahabad High Court)

3. Is an exporter eligible to avail GST export refund, if the Letter of Undertaking (LUT) is filed after the goods are exported, but within the same financial year?

Yes, where zero-rated supplies/export were made before filing LUT and refund claims have been filed, the delay may be condoned and the facility for export under LUT can be allowed retrospectively by the Commissioner.

Prescribed conditions:

- The export is completed
- Payment in foreign exchange is realised within the prescribed time
- Refund application (Form RFD-01) and conditions under Section 54 of the CGST Act are met within the statutory time limit (within two years of export).

Ref: Circular No. 125/44/2019-GST dated 18.11.2019

4. **Whether Input Tax Credit (ITC) under GST can be denied on the premium paid for insurance taken for business assets, other than motor vehicles?**

   No

   - Credit can be availed on insurance of plant & machinery, factory buildings, machinery breakdown insurance, fire insurance, stock insurance, etc.
   - ITC is restricted only where the insurance relates to motor vehicles or life/health insurance falling under blocked credit provisions.
   - ITC cannot be denied on GST paid for insurance of business assets (excluding motor vehicles), provided the insurance is used in the course or furtherance of business and the procedural conditions under the GST law are satisfied.

   Ref: Sections 16&17 of GST Act/Arraycom (India) Ltd. v. State of Gujarat (High Court) – in connection with insurance paid on stock, premises and equipment/The adjudicating officer incorrectly assumed that the insurance related to motor vehicles and treated the claim as blocked credit).

5. **Can the GST dues of a company be recovered from the personal account of a former Director?**

   As a general rule (company is a separate legal entity from its directors), the GST Department cannot attach the personal bank account of a former director for the tax dues of a company.

   It is possible only in limited circumstances and can be recovered only after following the specific legal procedure. The conditions as per Section 89 of the GST Act are as follows:

   - The company is a private limited company
   - The department first exhausts recovery options against:
     - Company's bank accounts
     - Company's property
     - Stock, receivables, etc.

   The director was in-charge of the affairs of the company during the period when tax became due.

   The director is unable to prove that the non-payment was not due to his/her neglect, misfeasance or breach of duty. If the director proves bona fide conduct, personal liability does not arise.

   The department cannot directly attach a personal bank account, but only after issuing a show cause notice and adjudicating the same.

   Ref: Subir Ghosh vs. Deputy Commissioner – Madras High Court

6. **The import duty exemption on cotton is valid only up to 31.12.2025 (unless extended/Association represented). Is there any provision to avail this exemption for cotton consignments that are already shipped and in transit/on high seas, but are expected to arrive at Indian ports shortly after 31.12.2025? Further, will filing an Advance Bill of Entry provide protection to such in-transit consignments for availing the exemption?**

   Under the Customs Act, 1962, the applicable rate of import duty is determined in accordance with Section 15, which links the duty rate to the date of arrival of the vessel or the date of filing of the Bill of Entry for home consumption, as applicable.

   For Advance Bill of Entry filed prior to the arrival of the vessel, the rate of duty applicable is the rate in force on the date of arrival of the vessel and not the date of filing of the Bill of Entry. Therefore, filing an Advance Bill of Entry does not lock in or protect the duty exemption prevailing prior to the prescribed date.

   Accordingly, cotton consignments that arrive after 31.12.2025 will not be eligible for the import duty exemption (unless extended), even if:

   - The shipment was made prior to 31.12.2025 or
   - An Advance Bill of Entry was filed before the expiry date (Advance filing is only for ease of clearance).

7. **What would be the impact on the import of cotton under the Advance Authorisation (AA) Scheme if the current import duty exemption on cotton is not extended beyond 31.12.2025?**

   Cotton imported under a valid Advance Authorisation License continues to be exempt from Basic Customs Duty and other applicable duties, irrespective of the general import duty structure. Therefore, non-extension of the general exemption does not automatically affect AA imports.

   In the absence of a general exemption, Customs authorities may apply stricter scrutiny to AA imports. Any procedural lapse or delay in fulfilling export obligations could result in duty demand, interest and penalties, impacting liquidity.

8. **Under various schemes of the Foreign Trade Policy (EPCG/Advance Authorization) the company and directors are liable for non fulfilment of export obligations. What is the liability of Independent / Non-Executive Directors for non-fulfilment of export obligations under the schemes?**

   Independent or non-executive directors are not automatically liable for a company's failure to fulfil export obligations under the Foreign Trade (Development & Regulation) Act, 1992.

   Mere holding of office, participation in Board meetings or discharge of supervisory functions (as against controlling functions) does not attract liability.

For penalties to sustain, the DGFT must establish direct involvement, decision-making authority or personal knowledge of non-compliance on the part of the independent or non-executive director, failing which proceedings against them are not legally tenable.

Ref: Anand Mehta Vs Director General of Foreign Trade (Delhi High Court)

LABOUR

1. **Whether an Enquiry Officer in a domestic enquiry can conduct the cross-examination of a workman's witness? If so, does such cross-examination by the Enquiry Officer vitiate the domestic enquiry?**

   The Supreme Court has held that an Enquiry Officer may put questions to witnesses for the purpose of clarification and to discover the truth. However, such questioning must be fair & impartial and should not indicate any malice or bias.

   Ref:

   - Mulchandani Electrical and Radio Insurance Ltd vs Workmen 1975 IV SCC page no,731.
   - Praveen kumar vs Union of India, 2020 IX SCC page 471

2. **For remitting the wage and other cash benefits to the employees, can an employer make it mandatory for an employee to open the bank account in the same bank as that of the employer? Can the wages be denied in such situation?**

   No, the Court held that no statute mandates an employee to open a bank account with the same bank where the employer maintains its account. Accordingly, the employer cannot insist that an employee open or maintain a bank account with the employer's banker.

   Ref: Malabar Cancer Society vs DM Dinesh kumar 2018 LLR 625 Kera HC

3. **Can an employer transfer an employee in the absence of a specific transfer clause in the appointment order or the service conditions?**

   In the absence of an express provision in the appointment order or the service conditions authorising transfer, the employer does not have the unilateral right to transfer an employee. In such cases, the consent of the employee is essential. Any transfer effected without the employee's consent would be illegal and is liable to be set aside.

   Ref : Kundan sugar mills Vs Ziyazuddin 1960 I LLJ page 0256 SC

4. **If the appointment order issued by the management contains an arbitration clause stating that disputes may be referred to arbitration, is the management mandatorily bound to resolve such disputes through arbitration?**

   No. Such a clause does not mandatorily bind either party to resolve disputes through arbitration. The use of the word “may” indicates that the clause is merely enabling in nature and does not constitute a binding or subsisting arbitration agreement. Arbitration can be resorted to only if both parties mutually agree to do so at the time the dispute arises. Consequently, the management is not obligated to compulsorily refer the dispute to arbitration under such a clause.

   Ref: BGM and M-RPL- JMCT (Joint venture) Vs Eastern Cold feed Ltd, SLP (Shri) dairy 21451 / 2040 18.7.2025 Supreme Court

JUDGEMENTS

GST

- Wrong E-Way Bill Destination is Major Violation, Not Clerical Error: MP HC
- Levy of interest on delayed filing of GST return not justified as cash deposit before due date and ITC available: Karnataka HC
- Mere change in route doesn’t attract penalty u/s. 129 of GST Act: Karnataka HC
- GST Demands for Pre-Insolvency Period Barred After Resolution Plan Approval: Delhi HC
- GST Refund Rejection Set Aside for Denial of Mandatory Hearing Under Rule 92: Jharkhand HC

Income Tax

- Reopening Notice by JAO Invalid After Faceless Scheme: ITAT
- Penalty Cannot Survive After Assessment Is Set Aside: ITAT
- Digital Illiteracy Held Valid Ground to Condon Appeal Delay: ITAT
- Notional Addition on Alleged Understatement of Sales — Held Without Authority of Law: ITAT

COTTON AND COTTON YARN PRICES

Cotton – Spot* (Rs/Candy)

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

S. No	Growth	Staple	Micronaire	Strength/ GPT	Dec 16 2025	Dec 23 2025	Dec 30 2025
1	P/H/R	Below 22 mm	5.0-7.0	15	43,000	43,100	43,400
2	GUJ	22 mm	4.0-6.0	20	Na	Na	Na
3	M/M(P)	23 mm	4.5-7.0	22	44,600	45,000	45,200
4	P/H/R(U)	27 mm	3.5-4.9	26	48,300	48,600	50,300
5	P/H/R(U)	27 mm	3.5-4.9	26	48,900	49,200	50,900
6	M/M(P)/SA/TL/G	27 mm	3.0-3.4	25	Na	Na	Na
7	M/M(P)/SA/TL	27 mm	3.5-4.9	26	Na	Na	Na
8	P/H/R(U)	28 mm	3.5-4.9	27	50,200	50,400	51,700
9	M/M(P)	28 mm	3.7-4.9	27	52,000	52,400	52,900
10	SA/TL/K	28 mm	3.7-4.9	27	Na	Na	Na
11	GUJ	28 mm	3.7-4.9	27	Na	Na	Na
12	R(L)	28 mm	3.7-4.9	27	51,400	51,500	52,900
13	R(L)	29 mm	3.7-4.9	28	52,000	51,900	53,300
14	M/M(P)	29 mm	3.7-4.9	28	53,000	53,000	53,500
15	SA/TL/K	29 mm	3.7-4.9	28	52,500	52,500	52,800
16	GUJ	29 mm	3.7-4.9	28	53,000	53,200	53,900
17	M/M(P)	30 mm	3.7-4.9	29	53,900	54,200	54,900
18	SA/TL/K/O	30 mm	3.7-4.9	29	53,500	53,800	54,200
19	M/M(P)	31 mm	3.7-4.9	30	Na	Na	Na
20	SA/TL/K/TN/O	31 mm	3.7-4.9	30	Na	Na	Na
21	SA/TL/K/TN/O	32 mm	3.5-4.9	31	Na	Na	Na
22	M/M(P)	34 mm	2.8-3.7	33	Na	Na	Na
23	K/TN	34 mm	2.8-3.7	34	72,300	72,500	71,500
24	M/M(P)	35 mm	2.8-3.7	35	71,400	71,700	71,700
25	K/TN	35 mm	2.8-3.7	35	73,900	74,500	73,500

Source: Cotton Association of India | Na-Not Available

Hosiery Yarn Price (Rs/Kg) – Including GST

For the Month of December 2025

Count	VL	GL	RL
10	245	-	-
16	245	234	-
20	249	238	256
25	258	247	265
30	270	259	277
32	276	-	283
34	277	266	284
36	284	-	291
40	298	287	305

Prices are only indicative subject to reconfirmation.

CIRCULARS ISSUED DURING THE FORTNIGHT

Sl. No	Cir.No	Date	To	Subject
1)	162-B/2025	16.12.2025	Member Mills in Tamil Nadu	Code of Compliance for Industries- HR Perspective- Industrial training for final year MSW students
2)	163/2025	18.12.2025	All Member Mills	ESIC – Mandatory registration and compliance under the Code on Wages under code on wages
3)	163A/2025	20.12.2025	Member Mills in Telangana	Notification of General Holidays & Optional Holiday by Telangana Government for the year 2026
4)	163B/2025	20.12.2025	Member Mills in Andhra Pradesh	Notification of General Holidays & Optional Holiday by Andhra Pradesh Government for the year 2026
5)	164/2025	24.12.2025	All Member Mills	ESI - Postponement of Salary Restructuring under the New Labour Code Withdrawal of earlier communication issued by ESIC
6)	164A/2025	24.12.2025	All Member Mills	Industrial Relations Code Existing Labour Court/Tribunals to continue to function until formation of Tribunals as per New Labour Code
10)	165/2025	26.12.2025	All Member Mills	An Interaction Meeting with CMD, CCI on Friday, 2nd January 2026, at SIMA Conference Hall
11)	166/2025	27.12.2025	All Member Mills	Intimation of the time change for the interaction with CMD, CCI on Friday 2nd January 2026- now rescheduled from 10.45 to 10.30 am at SIMA Conference Hall
12)	167/2025	27.12.2025	All Member Mills	SIMA Expo - TEXFAIR 2026 during March 6-9, 2026 at Coimbatore
13)	168/2025	31.12.2025	All Member Mills	Open auction for sale of FP cotton bales on 7th January, 2026 at Coimbatore by CCI
14)	169/2025	31.12.2025	All Member Mills	New Labour Code – Frequently asked question issued by Labour Ministry