Fortnightly

E-REVIEW

Vol. XX | No.35 | August 16-31, 2026

NEWS HIGHLIGHTS

- **Textiles, chemicals can fuel India's aim to be manufacturing hub: Govt**
- **Exports to FTA partners gain momentum in Q1 FY27**
- **Ind-Ra lifts India's FY27 economic growth forecast by 10 bps to 6.8%**
- **Crucial imperative of finalising the India-EAEU Free Trade Agreement**
- **Coimbatore corporation launches textile waste collection pilot campaign**

REPRESENTATIONS

Date		Representations
Aug 17, 2026	Subject	Note on the Urgent Need for Removal of 11% Import Duty on Cotton to create 10 Million new jobs by 2030 and sustain 35 Million existing jobs
	Represented to	Shri. Shivraj Singh Chouhan, Hon'ble Minister for Agriculture and Farmers Welfare, Government of India New Delhi
Aug 23, 2026	Subject	Joint Memorandum submitted proposing an action plan for the closure of older versions of Technology Upgradation Fund Scheme
	Represented to	Smt. Neelam Shami Rao, IAS., Secretary, Ministry of Textiles, Government of India, New Delhi

TEXTILE SCENE

Textiles, chemicals can fuel India's aim to be manufacturing hub: Govt

- India's textile industry has the potential to strengthen its global competitiveness by improving raw material availability, scaling up manufacturing through infrastructure support and expanding market access through deeper trade integration, according to a latest NITI Aayog report
- Enhancing skilling, technology adoption and productivity, while promoting technical textiles, MMF-based products, sustainable textiles and premium Indian weaves, can further drive value addition and global growth, the report, titled Key Sectors to Position India as a Global Manufacturing Hub.

Exports to FTA partners gain momentum in Q1 FY27

- India's exports to key Free Trade Agreement (FTA) partner countries witnessed strong growth in the first quarter of 2026-27, with outbound shipments to Singapore and Sri Lanka more than doubling, according to the commerce ministry data.
- India has so far signed 17 FTAs with a number of countries and groups, including Singapore, Malaysia, South Korea, Mauritius, the UAE, Australia, the European Union, Asean and the EFTA bloc. Out of this, 16 are operational.
- Exports to the UK rose 11.1 per cent to USD 3.69 billion during the quarter from USD 3.32 billion in the year-ago period. The India-UK trade agreement was operationalised from July 15, 2026

Ind-Ra lifts India's FY27 economic growth forecast by 10 bps to 6.8%

- India Ratings and Research (Ind-Ra) raised its 2026-27 (FY27) real gross domestic product (GDP) growth forecast to 6.8 per cent from 6.7 per cent estimated in May 2026, citing lower crude oil prices. However, the rating agency warned that an El Niño weather pattern and geopolitical headwinds could weigh on economic momentum, keeping growth below the National Statistical Office's (NSO's) provisional estimate of 7.6 per cent for FY26.

Crucial imperative of finalising the India-EAEU Free Trade Agreement.

- The India-Eurasian Economic Union (EAEU) Free Trade Agreement stands at a pivotal juncture in 2026. With negotiations gaining tangible momentum after years of dormancy, finalising this pact is no longer a matter of diplomatic convenience but an economic necessity. The EAEU which is led by Russia also includes Belarus, Kazakhstan, Armenia, and Kyrgyzstan. This trading bloc represents a combined market of significant scale, with a GDP of around $ 6.5 trillion. Bilateral trade between India and the bloc reached approximately $ 69 billion in 2024, up 7% from the previous year.

Coimbatore corporation launches textile waste collection pilot campaign

- The Coimbatore City Municipal Corporation has launched a textile waste collection pilot campaign called “Maru Nesavu” (re-weaving) in Ward 33 of the west zone. The campaign, inaugurated by corporation commissioner Katta Ravi Teja 21st August 2026, aims at encouraging residents to hand over their textile waste to sanitation workers.
- The move is aimed at preventing dumping and burning of textile waste, promoting recycling, protecting natural resources and safeguarding the environment. The collection drive will be carried out every Wednesday.
- The campaign is supported by GIZ India under EU India Resource Efficiency and Circular Economy Initiative. Grant Thornton Bharat LLP is the technical partner for the project.
- The assessment is for one year. The study will give a detailed analysis on post-consumer textile waste generation and its types and provide solutions for it to be recycled than going into landfill. However, the pilot collection has been initiated only in Coimbatore.

CHAT BOX

GST

1. **What reconciliation pattern/monitoring measure should assesees adopt for GST invoices outstanding beyond 180 days?**

   If a recipient has taken ITC on an invoice, but has not paid the supplier the value of supply along with the GST within 180 days from the invoice date, proportionate ITC is required to be reversed or paid with interest. The reconciliation/compliance to be adopted is as follows:

Issue	GST Impact	Recommended Practice
Supplier payment pending beyond 180 days	Proportionate ITC reversal/payment	Maintain a supplier outstanding report with invoice-level payment details.
Part payment made	Proportionate reversal for unpaid portion	Link payments with invoices
Payment made later	ITC can be re-availed	Retain payment proof and reconciliation
RCM invoices	180-day rule does not apply	Separate RCM vendor ledger

2. Can GST refund under the inverted duty structure be denied if the primary raw material (cotton) and the final product (cotton yarn) have the same tax rate (here 5%), but ancillary inputs have higher tax rates?

No.

The Madras High Court has ruled that GST Authorities cannot deny an Input Tax Credit (ITC) refund simply because the principal raw material and final output are subject to the same tax rate. The highlights of the judgement are as follows:

- Inverted duty structure must be evaluated by looking at the entire mix of inputs, including packing materials, chemicals and consumables, that attract higher tax rates (12% or 18%).
- Refund eligibility must be calculated strictly according to the statutory formula under Rule 89(5) of the GST Rules.
- Refund cannot be rejected using a self-created "principal input" test.

As per the facts of the case, the input is raw cotton yarn and output is combed yarn, the principle of this judgement applies where the input is cotton and output is cotton yarn.

Ref: M/s. Vindhya Spinning Mills Private Limited v. Assistant Commissioner of CGST and Central Excise

3. Is GST applicable when a company provides a corporate guarantee to a related company (intra-group corporate guarantee)?

Yes.

A corporate guarantee provided by one company to a bank/financial institution on behalf of its related company is treated as a supply of service under GST, even where no guarantee fee or other consideration is charged, since the transaction is between related persons in the course or furtherance of business.

For corporate guarantees issued or renewed on or after 26th October 2023, the taxable value is 1% of the amount of the guarantee per annum or the actual consideration, whichever is higher.

Note:

- The Gujarat High Court Division Bench in M/s Torrent Power Ltd v. Union of India & others has recently struck down the mandatory deemed valuation mechanism requiring tax calculation on "whichever is higher" (1% of the guarantee amount or actual consideration).
- The court has held that if actual, ascertainable consideration exists (even if below 1%), GST applies strictly to that actual amount. The 1%

rate only applies when a guarantee is completely gratuitous or its real value cannot be determined

Ref: Schedule I of the GST Act/ Rule 28(2) of the GST Rules

4. Under GST, what is the treatment of amounts recovered or deducted from transporters towards material shortage, damage, theft, pilferage or other transit-related losses or defects?

- Amounts recovered or deducted from transporters towards material shortage, damage, theft, pilferage or other defects occurring during transit are compensatory in nature and represent liquidated damages for the loss suffered, rather than consideration for any independent supply.
- No GST is payable on such recoveries, as there is no taxable outward supply by the recipient to the transporter.
- Where the goods are lost, damaged, destroyed or otherwise not received, the corresponding Input Tax Credit (ITC) attributable to such quantity is required to be reversed under Section 17(5)(h) of the GST Act, 2017, read with Section 16, since such goods have not been received for use in the course or furtherance of business and there is no taxable supply in respect of the quantity lost in transit.

Thus, while GST is not applicable on the amount recovered from the transporter, proportionate ITC relating to the lost/damaged quantity is required to be reversed.

Ref: Circular No. 178/10/2022-GST dated 3.08.2022/ In Re: Pon Pure Chemical India Pvt. Ltd., Advance Ruling No. GUJ/GAAR/R/2026/23 dated 24.06.2026

5. Where a common adjudication Order covers multiple financial years but separate Form GST DRC-07s (Summary of the Order quantifying the demand, interest and penalty) are issued for each year, from which date is the limitation for filing a GST appeal to be computed?

Where a common adjudication Order covers multiple financial years, but separate Form GST DRC-07s are subsequently issued for each financial year, the limitation for filing an appeal is to be computed from the date of the respective DRC-07 through which the demand for that particular period is separately communicated.

Thus, where the commo adjudication order was dated 07.11.2025 and separate DRC-07s were issued on 17.11.2025 for each financial year, the limitation period for each appeal would run from 17.11.2025 and not from 07.11.2025.

The High Court has held that rejection of the appeals on the ground that the appeals were filed beyond limitation by reckoning the period from the date of the common adjudication Order, was held to be unsustainable considering the principles of natural justice.

Ref: Sections 74 & 107 of GST Act/ Rule 142(5) of the GST Rules/ Order of Madras High Court in M/s Mani Prakash (M/s. Star Catering) v. The Additional Commissioner & Anr. (04.08.2026)

LABOUR

1. **When a particular treatment is not available through ESIC, under what circumstances is an insured person entitled to reimbursement for treatment obtained from another hospital or medical facility?**

   When the required medical facility is not available at an ESIC hospital or at any hospital run by the Corporation or the Government, reimbursement of expenses incurred for obtaining treatment from another hospital should not be denied merely on the ground that the treatment was taken outside the ESIC/Government healthcare system. Such reimbursement may be denied only where there is evidence to establish that the required medical facility was, in fact, available at an ESIC or Government hospital at the relevant time.

   Accordingly, the burden of establishing the availability of the required medical facility rests with the Corporation. In the absence of such evidence, the insured person or their family members should not be denied reimbursement of the medical expenses incurred for obtaining the necessary treatment from a hospital having the requisite facility.

   Ref: Secretary, State Government, Labour Department, represented by Director of Insurance Medical Services, ESI Scheme, Trivandrum Vs. S. Gopa Kumar, S/o. Soma Pillai & Others, 2018 LLP 264 (Kerala High Court).

2. **Where the management has been bearing the medical expenses of its employees, can such benefits be withdrawn after the employees become covered under the ESI Scheme and the management starts paying ESI contributions on their behalf?**

   Yes, when the establishment is newly covered under the ESI Act, the Management can withdraw the payment of medical allowances to the employees, provided the Management has registered the Establishment with the ESIC and started paying contribution.

However, unilateral withdrawal of an allowance would be illegal under the law. It would be appropriate to serve a "notice of change in condition of service" under Section 40 of the Industrial Relations Code, 2020, before withdrawing the said allowance.

3. **Is there any difference between "Overtime Wages and Overtime Allowance?**

   The Overtime Allowance is not synonymous with Overtime Wages, which will have to be paid at twice the rate of wages under Section 27 of Occupational Safety, Health and Working Conditions Code, 2020 and it is still in operation. The Overtime allowance is being given over and above Overtime Wages to an employee for carrying out overtime work.

4. **Is there any cap or upper limit for calculating accident compensation under code on social security 2020?**

   There is no cap on the wages for calculating accident compensation. The compensation amount is to be calculated on entire wages of employees as per definition of wages.

   Therefore, the actual monthly wages drawn by deceased employees would have to be taken into consideration and not the monthly wages which are notified. This is as per Sec.76(3) of social security code 2020.

5. **If the management redeploys an employee after their contract ends, would that amount to a break in service for the purpose of payment of gratuity?**

   Redeployment shall ordinarily be construed as continuity of service, unless a specific and legally valid break in service is expressly introduced. Even if such break is introduced, such a break would gain significance only if the earlier portion of service was concluded with dues and retirement benefits settled.

   Reference: Hanmant Pundikrao Biradar vs.. State of Maharashtra through its Secretary & Others- 2024 AIR Bombay R4521.

JUDGEMENTS

LABOUR

- The part of PF contributions by the employer and gratuity exceeding the 50% threshold would be deemed as remuneration and added to the wages - MADRAS HIGH COURT
- When the employee did not object to salary restructuring initially, he cannot challenge it later - DELHI HIGH COURT
- EPFO can seize partner's assets only after exhausting the firm's assets. -KARNATAKA HIGH COURT
- Withdrawal of higher pension benefit on retirement prior to 01.09.2014 without filing option is proper - CHHATTISGARH HIGH COURT
- Employer cannot directly challenge EPFO's show cause notice before the High Court. - ANDHRA PRADESH HIGH COURT
- Damages should be reduced when the payment was delayed because of the Covid-19 pandemic - MADRAS HIGH COURT
- Mere acceptance of arrears by EPFO does not operate as statutory compounding of the criminal case - CALCUTTA HIGH COURT
- EPFO must afford opportunity of hearing before issuing demand notice to the employer - MADRAS HIGH COURT
- Employer is not liable to pay any damages on the deposit of PF on back-wages amount - KARNATAKA HIGH COURT
- HC may allow payment in instalments even when appeal was dismissed by the Tribunal for not paying the pre-deposit amount. - MADRAS HIGH COURT
- EPF payments would prevail over the payments to be made under the SARFAESI Act - KARNATAKA HIGH COURT
- Contractor would be liable to pay PF dues when the same has been specified in the contract. - TELANGANA HIGH COURT

Hosiery Yarn Price (Rs/Kg) – Including GST

For the Month of August 2026

Count	VL	RL	GL
10	310	-	-
16	310	-	299
20	312	321	303
25	323	330	312
30	335	342	324
32	346	353	-
34	347	354	336
36	349	356	-
40	363	370	352

Prices are only indicative subject to reconfirmation.

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	Aug 17 2026	Aug 24 2026	Aug 29 2026
1	P/H/R	Below 22 mm	5.0-7.0	15	53,000	53,200	53,500
2	GUJ	22 mm	4.0-6.0	20	48,200	49,200	49,300
3	M/M(P)	23 mm	4.5-7.0	22	53,500	54,500	*Na*
4	P/H/R(U)	27 mm	3.5-4.9	26	63,200	64,300	64,600
5	M/M(P)/SA/TL/G	27 mm	3.0-3.4	25	55,000	55,100	56,900
6	M/M(P)/SA/TL	27 mm	3.5-4.9	26	62,700	63,300	65,100
7	P/H/R(U)	28 mm	3.5-4.9	27	65,600	66,600	66,600
8	M/M(P)	28 mm	3.7-4.9	27	67,900	68,300	68,900
9	SA/TL/K	28 mm	3.7-4.9	27	66,900	67,400	67,800
10	GUJ	28 mm	3.7-4.9	27	67,400	68,200	68,700
11	R(L)	28 mm	3.7-4.9	27	65,500	66,500	66,200
12	R(L)	29 mm	3.7-4.9	28	67,500	68,500	68,300
13	M/M(P)	29 mm	3.7-4.9	28	68,900	69,500	70,100
14	SA/TL/K	29 mm	3.7-4.9	28	67,700	68,400	68,800
15	GUJ	29 mm	3.7-4.9	28	68,500	69,200	69,700
16	M/M(P)	30 mm	3.7-4.9	29	69,900	70,500	71,100
17	SA/TL/K/O	30 mm	3.7-4.9	29	68,900	69,400	70,100
18	M/M(P)	31 mm	3.7-4.9	30	70,800	71,500	71,900
19	SA/TL/K/TN/O	31 mm	3.7-4.9	30	*Na*	*Na*	*Na*
20	SA/TL/K/TN/O	32 mm	3.5-4.9	31	*Na*	*Na*	*Na*
21	M/M(P)	34 mm	2.8-3.7	33	90,600	91,700	91,700
22	K/TN	34 mm	2.8-3.7	34	91,000	92,000	92,000
23	M/M(P)	35 mm	2.8-3.7	35	92,100	93,200	93,800
24	K/TN	35 mm	2.8-3.7	35	93,000	93,600	94,200

Source: Cotton Association of India | Na-Not Available

CIRCULARS ISSUED DURING THE FORTNIGHT

Sl	Cir.No	Date	To	Subject
1)	103A/2026	17.08.2026	Member Mills In Tamil Nadu	Power – Life Extension of Old Windmills - Online Application & Undertaking for submission of Electrical Safety Certificate
2)	104/2026	18.08.2026	All Member Mills	Dissemination of information through explanatory notes regarding Technical Terms used in Non-Tariff Barriers (NTBs)/ Non-Tariff Measures (NTMs)
3)	104A/2026	21.08.2026	Member Mills in Tamil Nadu	Formation of Internal Committee (IC) under the POSH Act and Registration on the TNSWD Portal
4)	105/2026	27.08.2026	All Member Mills	Power – Monthly Submission of Power Consumption and Captive Power Plant Generation Data to CEA
5)	105A/2026	28.08.2026	Member Mills in Telangana	Fixation and revision of minimum rates of basic wages and Cost of Living Allowance (VDA) across categorized employments and zones in Telangana w.e.f. 01/06/2026
6)	106/2026	28.08.2026	All Member Mills	Code on Wages, 2019 - Bonus Eligibility and Calculation based on Wage Ceiling