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1. CENTRE MAY ALLOCATE RS. 10,000 CR FOR NEW DUTY DRAWBACK SCHEME

The Centre may need ₹60,000- 70,000 crore for the new duty drawback scheme for exporters, which replaces the Merchandise Exports from India Scheme (MEIS). However, the central government may not be able to provide for the entire amount in the FY22 budget, former commerce secretary G.K. Pillai, who heads the committee to decide the reimbursement rates, said. The new Remission of Duties and Taxes on Exported Products (RoDTEP) scheme came into effect on 1 January, but the rates are yet to be finalized. Exporters will receive retrospective benefits once the rates are firmed up. “The government just does not have the money this year. I think they are giving only ₹10,000 crore for RoDTEP (in the Budget). My estimate is it may need ₹60,000 -70,000 crore. You will know how much they finally allocate within two weeks," Pillai told Mint. Finance Minister Nirmala Sitharaman will present her third budget on 1 February. Pillai said the committee has already submitted its first report to the Commerce Ministry and the RoDTEP rates for priority sectors such as textiles, engineering and auto-components will be notified this week. “On other items, we are still working. We hope to submit the report by mid-February," he added. Without disclosing the rates for the priority sectors, Pillai said for some items, the reimbursement rates will be higher than the MEIS rates, but in a large number of items, it will be lower. “MEIS has flat rates while RoDTEP factors in the embedded taxes in the inputs and products that are exported," he added. Pillai said RoDTEP is still work in progress and initially exporters should not expect to get what they wish for because most companies don’t even maintain the data for how much tax they pay. “That creates problem for calculations. Now that companies are aware, in the next couple of years, it will get fine tuned and the rates will only go up. For the industry, whatever they get is a bonus because they are assured of getting it year after year," he added. According to existing rules, goods and services tax (GST) and customs duties for inputs required to manufacture export products are either exempted or refunded. However, certain duties are outside the ambit of GST, and are not refunded to exporters, such as value-added tax on transportation fuel, mandi tax and duty on electricity for manufacturing. RoDTEP will create a mechanism to reimburse such central, state and local taxes, which are not being refunded under any other mechanism. The refund would be credited to an exporter’s ledger account with the customs, and will be used to pay basic customs duty on imported goods. The credits can also be transferred to other importers. The rebate will have to be claimed as a percentage of the Freight On Board value of exports. A monitoring and audit mechanism, with an information technology-based risk management system will be put place in to physically verify the records of the exporters. RoDTEP is based on the principle that taxes and levies borne on exported products must either be exempted or remitted to exporters. The new scheme is not like the MEIS, which was an export incentive scheme, and is considered to be in violation of multilateral trade rules and has been challenged by the US at the World Trade Organization.

(Source: Live Mint)

2. BUDGET MAY OFFER NEW DIRECT TAX DISPUTE RESOLUTION FRAMEWORK

The upcoming budget could unveil a new and continuous framework for faster resolution of disputes over direct taxes. The government is considering options such as mediation or a permanent dispute resolution system with pre-specified benchmarks on the lines of the 'Vivad Se Vishwas' scheme have been discussed, a person familiar to the pre-budget discussions said. "Various options have been discussed. A final view should be taken shortly," the person told ET. The idea is to prevent disputes and reduce litigation. According to the FY21 budget, more than Rs 8 lakh crore is locked up in direct tax disputes. It is being felt that along with the already introduced faceless assessment, an alternate settlement mechanism can be very effective at keeping disputes contained and would also be appreciated by the global investors. Settlement mechanism is one option available at present, but it provides only a one-time opportunity to resolve disputes. There is also a limitation on the kind of cases that can be taken up for resolution under this mechanism. A taxpayer can file an application only if his case is pending before the assessing officer and the assessment has not become time-barred. Moreover, there is usually a considerable delay in disposal of settlement applications. Alternate dispute mechanism that is being considered seeks to resolve disputes at a very early stage. "This is especially topical in today's times when many potential international tax disputes are likely to revolve around facts and apportionment of global income in the light of legislative changes and principles inspired by OECD's (Organisation for Economic Cooperation and Development) Base Erosion and Profit Shift (BEPS) project," said Sudhir Kapadia, national tax leader at EY India.

(Source:The Economic Times)

3. BUDGET EXPECTED TO FOCUS ON BETTERING MANUFACTURING CHAIN AND RAISING EXPORTS

The budget is expected to unveil more measures to build India as a hub in the global manufacturing chain and raise exports to increase the country's share in global trade to 5 per cent by 2025 from 1.67 per cent now. The pandemic has provided the Centre an opportunity to attract global manufacturers and make the country a manufacturing hub emerging as an alternative to China. Officials said the budget could have policies on how the country could participate in a big way in the global value chains. The government has announced production-linked incentive schemes for several sectors, but have not finalised the details for many sectors. Sources said the Finance Ministry is in discussions with the concerned Ministries on the details, while more sectors would get the production incentives.

Finance Minister Nirmala Sitharaman will also announce measures to strengthen the trade infrastructure, steps to boost the export of goods as well as reduce the cost of export credits. A taskforce under Commerce Ministry could be set up to identify the global value chain opportunities in consultation with the industry. The task force will announce policies targeted at attracting investments, both domestic and foreign investments, in the key areas. Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf said the government should introduce a “Double Tax Deduction Scheme” which would allow exporters to deduct against their taxable income. “A ceiling of $5,00,000 may be put under the scheme so that the investment and tax deduction are limited.” He added the marketing support under the Market Access Initiative of the Ministry of Commerce is “very” small and there is a need to create an Export Development Fund with a corpus of 0.5 per cent of the country’s exports to help MSMEs. Saraf said Indian companies winning contracts in India under a global tender may be accorded deemed exports status, since they substitute direct import which would have taken place if the contract had been won by a foreign supplier. “Deemed export status would enhance the competitiveness of Indian industry vis-a-vis foreign suppliers as the former would enjoy certain tax-related benefits,” Saraf said. Industry association CII said the government should extend trade infrastructure for export schemes (TIES) for another 3 years and should consider creating 5-10 exclusive Manufacturing Zones/clusters for exports in sectors such as textiles, leather, gems & jewellery and toys. These Manufacturing Economic Zones for Exports would be able to attract export oriented FDI and domestic investments, where globally competitive policies and infrastructure would be provided.
(Source: The Telegraph Online)

4. LOT TO BE DONE TO REPOSITION INDIA IN GLOBAL TEXTILE VALUE CHAIN

Industry experts viewed that product development, digitalization, niche products and world class R&D institutions are way forward to reposition India in global textile value chain. Ajay Arora, Managing Director, D'decor Home Fabrics Pvt. Ltd today said, "Digitalization across value chain is the key to growth and competitiveness in textile industry in India. It increases the interaction with buyers and allow companies to work closer to consumer through e-commerce. "Addressing 'FICCI TAG 2021, 12th annual Textile and Apparel Conference' on the theme 'Repositioning Indian Textiles and Strategizing for Growth in the Post-COVID World', Mr Arora further added that given the huge local market of 1.3 billion people, Indian companies should focus more on domestic market, achieve scale, and gradually look at exploring export opportunities as we become globally competitive in due course. R D Udeshi, President, Polyester Chain, Reliance Industries said, "Indian textiles industry has revived post-COVID with the help of new product segments in knit-based industry as focus on comfort wear has grown among users substantially." He further suggested that if Indian companies need to achieve the scale then end to end approach is required and it needs to be supported by world-class R&D institution set up in public private partnership. S K Gupta, Advisor and Board Director, Raymond Ltd said, "Cotton is our strength; we should not lose focus on same. While proactive product development is the key to growth, sustainability along with compliance can create huge differentiation for India among global peers." D Ghosh, Vice President- Sales, Oerlikon Textile India Pvt Ltd said, "Synthetics industry growth is the key and India need to increase the share of manmade fibers in the country to increase share of Indian textile industry in global market. India can also look at collaboration with neighbouring countries across supply chain to give push to textile industry's growth." Prashant Agarwal, Jt. MD, Wazir Advisors Pvt. Ltd said that India needs to reposition itself through anchor led model, which will involve MSME's to develop scale. Complete digitization of supply chain will make Indian companies more competitive and give services as per buyers need, he added. Ajay Sardana, Joint President & Head - Corporate Affairs, Grasim Pulp & Fibre Business said that creating sustainability across supply chain and adopting collaborative approach is the way forward for the textile industry's growth. G V Aras from ATE Enterprise suggested that the country needs to broaden its product basket to increase global footprint and look beyond US and EU for growth. Home textiles, technical textiles, cotton and synthetic knit goods will be the front runners to provide desired growth and newer opportunities, he said. Gunish Jain, CEO, Bluekaktus shared the importance of digitalization in the textile and apparel industry and the way companies are adopting advance technologies to address future opportunity areas.

(Source: SME Times)

5. TEXTILE SECTOR WANTS UNIFORM GST STRUCTURE, REMOVAL OF DUMPING DUTY ON INPUTS

The Textile Ministry has taken up the industry demand for implementing a uniform GST (Goods & Services Tax) structure for apparels and textiles to address the problem of higher duties on inputs and abolishing anti-dumping duties on viscose staple fibre (VSF) with the Finance Ministry for redressal in the forthcoming Budget. “The inverted GST structure in the textile industry and the anti-dumping duty on viscose staple fibre are two major irritants for textiles and garments manufacturers. The Textile Ministry has been holding discussions on the two issues with relevant bodies and the Finance Ministry. Hopefully the matter will be resolved in the forthcoming Budget,” an official told BusinessLine. Finance Minister Nirmala Sitharaman will present the Budget for 2021-22 on February 1 and her stress is expected to be on giving a further push to domestic manufacturing and the ‘Atmanirbhar Bharat’ drive.

(Source: Business Line)

6. GOVERNMENT MULLS EXTENDING INTEREST SUBVENTION SCHEME FOR MSME

The Central Government is mulling extending the interest subvention scheme for MSMEs by another six months beyond the March 31, 2021 deadline as part of its budget proposals. It is also planning to double the ticket size of the loans for which the interest subvention is given to Rs 2 crore. The money is lent by scheduled banks to micro, small and medium enterprises as term loans or working capital loans at reasonable rates of which the Government underwrites two per cent of the interest due. Top officials said with many MSMEs struggling due to the economic depression which the country witnessed in the wake of the COVID-19 pandemic, a package for the sector was being prepared which would be announced in the upcoming budget. Surveys of the MSME sector have shown that finance and especially working capital shortages have proved crippling for the sector, which employs more than 120 million people. “As the MSME sector is labour intensive, accounting for 30 per cent of GDP, its revival has to be given priority as it not only helps the GDP recover but also reduces the unemployment rate which shot up due to the Covid induced lockdown,” officials said. India’s unemployment rate is nearly 8 per cent and the majority of fresh industrial employment that will be created in the year ahead is expected to be in the MSME sector. “Our focus in the package for the budget will be on supporting them

financially, besides reducing their compliance burden on various accounts including GST and industrial laws," officials explained. The government will also step up spending on infrastructure for MSME industrial clusters and for skill enhancements and technological upgradation for this sector.
(Source: The New Indian Express)

7. INDIA PLANNING TIGHTER FDI RULES FOR E-COMMERCE SECTOR

India is likely to tighten the foreign direct investment (FDI) rules for e-commerce to check companies set up by the online marketplaces from trading on their own platform. The Department for Promotion of Industry and Internal Trade (DPIIT) may issue a clarification through a Press Note, expressly prohibiting e-commerce platforms from holding stake in a seller, directly or indirectly. “There are concerns that some e-commerce companies are not following the rules and hold indirect stakes in affiliates. This has come to our notice,” said one official. Press Note 2 of 2018 had banned entities related to an e-commerce marketplace from selling its goods on that marketplace. Further, the restrictions also applied to that entity whose inventory was controlled by the marketplace. The inventory of a vendor will be deemed to be controlled by the marketplace if more than 25% of the vendor’s purchases are from the marketplace entity, including its wholesale unit. These measures were instituted to create a level-playing field and ensure that FDI-funded e-commerce entities functioned only as marketplace. The Confederation of All India Traders (CAIT) has repeatedly complained to the government that online retailers are violating FDI rules for e-commerce. “The 25% definition is not working and blatant violations are taking place which is not in line with the spirit of law. We want to give clarity once for all,” said another official. "There is a scope for improving the current framework, " said a senior government official. The department will hold consultations with all stakeholders before it issues the clarification. “When B2C ecommerce is not allowed, these companies have circumvented the rules by setting up affiliates. We want to ensure a level playing field for all,” the second official said. E-commerce marketplaces can’t mandate any seller to sell any product exclusively on its platform only. “While many loopholes have been plugged over the years, marketplaces have come up with new structures to sidestep the rules such as having their own brands, third party manufacturing, curate more brands and increase margins, that makes many rules redundant,” said an expert on FDI issues.
(Source: The Economic Times)

8. RELAXED NORMS TO HELP MSMEs GET AEO RECOGNITION

In a welcome move, the Central Board of Indirect Taxes and Customs (CBIC) has relaxed the compliance and security requirements for micro, small, and medium enterprises (MSMEs) to get recognition as authorised economic operators (AEO).The idea is to help an MSME get internationally recognised quality recognition that indicates its secure role in the international supply chain and an assurance that it is a ‘secure’ trader and a reliable trading partner. In 2016, the CBIC launched a revised trade facilitation programme by merging the existing accredited clients programme.
(Source: Business Standard)

9. LAUNCH OF REGULATORY COMPLIANCE PORTAL TO MINIMIZE REGULATORY COMPLIANCE BURDEN FOR BUSINESSES AND CITIZENS

India's commitment to reforms is evident from the width and scale of reforms undertaken at pan- India level since 2014 under the visionary leadership of Hon. Prime Minister. This is reflected in the meteoric rise of India's rank in World Bank's Ease of Doing Business Report from 142nd in 2014 to 63rd in 2019. In order to translate the Atmanirbhar Bharat Abhiyan into a reality, the next generation of reforms relating to minimizing regulatory burden on businesses and citizens are being taken up by Central Ministries and States/UTs on a mission mode. Making Government to Business and Government to Citizen interfaces online, transparent and time bound are among the key priorities of the Government of India. Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry has been directed by Cabinet Secretary to act as the nodal department for coordinating the exercise of minimizing regulatory compliance burden for citizens and businesses. A systematic exercise across Central Ministries/Departments and States/UTs is being undertaken by DPIIT to eliminate/reduce compliances which have an adverse impact on time and cost of businesses. A major initiative in this regard is the launch of Regulatory Compliance Portal by DPIIT on 1st January 2021. The objective of this portal is to act as a bridge between citizens, industries and the Government in order to minimize burdensome compliances. It will also act as a first-of-its-kind central online repository of all Central and State-level compliances. All Central Ministries/Departments and States/UTs would examine laws/regulations/rules under their purview and implement an Action Plan to rationalize and simplify all the processes and remove burdensome compliances, decriminalize laws and repeal redundant Acts. These details would be captured and tracked on the Regulatory Compliance Portal. Industry stakeholders from Trade bodies such as CII, FICCI and ASSOCHAM would also be able to submit compliances and proposed recommendations. This will be assessed by concerned Government authorities and suitable action would be undertaken to minimize the regulatory compliance burden. Performance of activities on this portal would be closely reviewed by the Senior Government Officers. Cabinet Secretary would have real-time comprehensive view of all compliances and status of all requests raised across Central Ministries/Departments and States/UTs. Customized reports of action taken by each Ministry/Department and State/UT also gets generated for monitoring and evaluation. The Regulatory Compliance Portal will be instrumental in achieving the vision of a truly Atmanirbhar Bharat and help usher ease of doing business for industry and ease of living for citizens. DPIIT has conducted 21 training sessions from 04.01.2021 to 14.01.2021 for all ministries and states to familiarize them with Regulatory Compliance Portal. Additional 12 training sessions are also underway from 18.01.2021 to 23.01.21. These training sessions involve detailed information about submitting details in Regulatory Compliance Portal by respective Nodal Officers in Central Ministries and States.
(Source: pib.gov.in)

10. COTTON SPECIAL: DOMESTIC RATES EXPECTED TO RALLY UNTIL MARCH, PRICES LIKELY TO CONSOLIDATE NEAR RS 47,000

New Delhi Commodities Control - Indian cotton output is seen dropping in the ongoing season that started October 1, 2020, while demand for cotton and cotton yarn from the textiles sector is recovering at a phenomenal pace post lockdown-era. Apart from the bounce back in the domestic consumption, export demand for Indian cotton is likely to pick pace in the backdrop of lower global output estimates. Market analysts anticipate ICE cotton futures to face resistance around 85 cents per lb, which given the USD/INR rates converts to the level of Rs 48,700. Thus, domestic cotton prices are expected to extend northward drive in the coming weeks, before the prices consolidate in the near-to-medium term. Indian cotton exports are expected to go past 60 Lakh bales and may even touch 65 lakh bales for the ongoing cotton season that started in October 2020. Traders and market stalwarts attribute this to rising global cotton rates due to which Indian cotton has a better price parity in the World market now. Indian fibre continues to be cheaper as compared with U.S. cotton, while both the countries are anticipating lower cotton output this year. Having said so, Cotton Corporation of India or CCI is in possession of hefty Indian stocks from prior season and of the new crop, however the Govt. agency is unwilling to liquidate it at lower than procured rates. ICE March cotton is currently hovering over 80 cents mark, while the May active contract is flirting with 82 cents levels. Estimates of lower cotton output in the U.S are underpinning the price rally. This will ensure a favorable price parity for Indian cotton. Ahmedabad-based cotton trader points out that, weaker output forecast is U.S along with increased consumption is bound to squeeze the ending -stocks. This is the major reason behind ICE cotton futures trekking higher. This is beneficial for Indian cotton, as the domestic fibre continues to be cheaper and this will raise demand for Indian cotton'. Trade Sources reveal that export deals with Vietnam were executed at nearly Rs 47,500 per Candy (CNF). These rates have upped Rs 1,000-1,500 in the last 1-1.5 months. According to PK Agrawal-CMD of CCI, "India has, in the ongoing cotton season, exported 20 Lakh bales of cotton, of which 14 lakh bales was purchased by Bangladesh." Meanwhile the agency hopes to get export orders from China and Vietnam as well. Agrawal hopes that China may purchase 25-30 Lakh bales, while Bangladesh and Vietnam are expected to buy 30-35 Lakh bales and 4-5 Lakh bales respectively. This will eventually take the total exports to 60-65 Lakh bales. CCI's estimate goes way past CAI's initial export forecast of 54 Lakh bales. Indian registered cotton exports of 50 lakh bales last year. CCI has, until 18th January 2021, procured 84,80,544 lakh bales of cotton at MSP. CCI CMD adds that the agency had expected to procure 100-125 lakh bales of cotton from the growers at the beginning of the new season. The agency began its cotton procurement drive from the major producing mandis of the country at the rate of Rs 4,500-4,800 per Quintal, which has taken the market price in January to Rs 6,000-6,200/Quintal. Meanwhile the MSP of premium grade cotton stands at Rs 5,825/Quintal. Thus, cotton prices have gained by 33% so far in the current season. With the cotton prices gone past MSP, CCI has slowed its pace of procurement too, while private yarn millers, MNCs and stockists have jumped the bandwagon. According to Rakesh Rathi of North Indian Cotton Association, "Domestic cotton prices are aping northward rally in global cotton prices, due to which farmers are holding back their meaning supplies in anticipation of higher prices for their produce. This has reduced arrivals. Cotton growers are of the opinion that in case of any price fall in the market rates, they always have an option to reach to CCI for selling their supplies. The agency has cleared that it will continue to procure cotton stocks through the season, i.e., until September 2021. Rathi added that North Indian cotton farmers are left with just 20-25% of their supplies which is in strong hands, while Indian mandis have witnessed so far, arrivals of 215-220 Lakh bales which is over 60% of the estimated crop production in the country. Having said so, crop quality was also affected this year due to untimely rains and floods in various producing states in the country. This is one of the reasons behind cheaper cotton rates. It is to be noted that CCI is selling alongside old stocks and new crop. The demand for old stock is as good as the new one due to better quality of the fibre. Cotton Association of India (CAI) President Atul Ganatra said export demand is currently slow due to novel Coronavirus (COVID-19) lockdown in Europe and few more countries. His association has pegged exports at 54 lakh bales this season. In view of export prospects being good, he expects cotton carryover stocks to drop to 85 lakh bales this season against 125 lakh bales last season. CAI has, however, projected the carryover stocks at 113.50 lakh bales. The carryover stocks estimate is on the back of India's cotton production being pegged at 358.50 lakh bales by CAI against 360 lakh bales last season. Ganatra sees domestic consumption dropping to 250 Lakh bales, and sees imports dropping from 15.5 Lakh bales in the previous season to 14 Lakh bales this year due to heated global cotton prices. Mukhtsar-based cotton trader reveals that cotton yarn prices may have been rendered unviable tracking firm cotton prices, but export parity for the latter continues to be favourable. Even domestic demand from millers, that have started to operate over 85% of their production capacities, continues to improve. Their purchase pace may have weakened as the millers have procured supplies that will last for 2-3 months. The millers are in no rush to purchase despite rising cotton rates as CCI's sale of its stocks goes alongside its procurement. Having said so, global cotton rates indicate no bearish trend in the future, which means a firm price trend for domestic cotton as well. CCI has been selling cotton, as per quality, at the rate of Rs 44,100-45,400 per Candy. Now the market eyes the level of 85 cents per lb, in global benchmark futures. If the market tops out at the level, Indian cotton export rates may stabilise too and the domestic rates that are hovering around Rs 44,500 per Candy will eventually consolidate after touching levels close to Rs 47,000 per candy or so.

(Source: Citi Newsletter)