

FEDERATION OF INDIAN EXPORT ORGANISATIONS

ANNEXURE -II

For enhancing competitiveness, procedural simplification as also some changes in Custom Duty components, GST issues and Financing issues can lend cost competitiveness to the sector by reducing transaction cost and time:-

A. Custom duty related issues and recommendations

1. Request for continuation of the facility of duty free import of trimmings and embellishments (Serial No. 311) as it does not have any serious impact on the domestic industry or revenue foregone while it provides the much needed facility of export facilitation to smaller exporters.

2. **In case, the above request of Restoration of facility for import of trimmings and embellishments, etc. cannot be accepted, we request that the items earlier permitted for import under EPC, listed in the Serial No 311 of Principal Notification No 50/2017-Customs dated 30.06.2017 amended vide Custom Notification No. 2/2021 dated 01/02/2021, maybe included under items listed in serial no. 257 of notification no. 50/2017-Customs dated 30.06.2017 for the purpose of exports.**

3. Request for issuance of a suitable circular by CBIC for a nationwide adoption of the procedure for execution of bonds by exporters for apparel exports under Serial No 257 of notification no. 50/2017-Customs dated 30.06.2017 to bring uniformity in the process for execution of bond, issued towards duty free import of Tags, labels, stickers, belts, buttons, hangers or printed bags, and provide ease of compliance to the requirement.

4. From the provision of rule 96, in sub-rule (10), in clause (b) with effect from the 23rd October, 2017 of Notification No. 16/2020 – Central Tax dated 23rd March, 2020 rule 96, it seems that the IGST paid option for imports under advance authorization is available for imports undertaken through the seaports, airports, ICD or through a Special Economic Zone. Hence, Council is of the opinion that the above proposed facility under Advance Authorization through IGST paid route should be available for inputs taken from SEZs also.

4 Procurement of goods through the IGST paid options is available for imports. Similar allowance for procurement from SEZ offers the intended level playing to SEZ and provides an opportunity for production and employment in the country.

An amendment in Notification No.45/2016 Customs dated 13.08.2016 may be issued, allowing procurement of inputs under AA through the IGST paid route, from SEZ as is available for imports through seaports, airports, ICD or through a Special Economic Zone.

5. Manufacturer exporter registered with Export Promotion Council should be exempted from the condition of Pre – Shipment Certificate for Apparel Exporters either fully or on the basis of the Oeko-Tex certificate of the supplier / Mill.

6. On receipt of EODC, customs should release BG/Bonds online without waiting for exporters to approach customs.

7. Request for a one-time amnesty for the period November, 2019 till March, 2021 due to the pandemic. We request for:

- Exemption from refunds of ROSCTL and Duty Drawback due against non-realization of Export sales proceeds in the cases of filling of Bankruptcy/insolvency and Chapter 11 proceedings by the Buyers and non -payment of Export proceeds and where discounts had been forced by the Buyers.
- Treating the Export obligations as fulfilled in respect of Advance Authorisations, special Advance Authorisations, EPCG licenses (Chapter 4 and 5 of FTP) in all such cases of non-realisation, where discounts had been forced by the buyers as also cancellation of orders.

B: GST related issues and recommendations

1. Request for the clarification on applicability of rebate restriction under Rule 96(10) of the CGST Rules, 2017, in respect of procurements made under advance authorization after payment of IGST.

Detailed note on the above recommendations are placed below :

Detailed Note on issues related to Customs and GST :

Sr. No.	Suggestions	Reason/Justification
1	Restoration of facility for import of Trimmings and Embellishments, etc In the Notification No 2/2021-Customs dated 01.02.2021, the facility of duty free import of trimmings and embellishments under Serial No 311 has been discontinued. Hence, apparel exporters is not be able to import trimmings and embellishments as covered under Serial No 311, without payment of custom duty. We request for your kind intervention for continuation of this facility of duty free import of trimmings and embellishments (Serial No. 311) as it does not have any serious impact on the domestic industry or revenue foregone while it provides the much needed facility of export facilitation to smaller exporters.	➤ The smaller exporters source most of the raw material from the domestic market and import only small lots of trimmings and embellishments under the EPC Scheme. ➤ The normal import period from destinations like China, Hong Kong, South Korea, Taiwan is 20 days by sea shipments while smaller lots of trimmings and embellishments are normally imported via courier under the EPC Scheme and reach in 5 days. This helps in meeting the 30 to 40 days order period. ➤ Most of the exporters import these items because of the buyer's nomination. Hence need to be sourced from defined sources and within sharp timelines. ➤ This facility provides required flexibility to the smaller exporters. As per the EPC utilization data available with the AEPC, the duty foregone for import of these items was Rs. 210 Cr only in 2019-20, as against the export turnover of Rs. 109844 Cr. Thus, the duty foregone was only 0.19% of apparel export turnover.
2	<i>Inclusion of garment accessories listed under Serial No 311 of</i>	

<i>principal notification no. 50/2017-Customs dated 30.06.2017 and amended by Notification No. 2/2021 dated 01/02/2021 in the items under Serial No 257 of the said notification for duty free import against bond.</i> <u>In case, the above request in Point No. 1 of Restoration of facility for import of trimmings and embellishments, etc. cannot be accepted, we request that the items earlier permitted for import under EPC, listed in the Serial No 311 of Principal Notification No 50/2017-Customs dated 30.06.2017 amended vide Custom Notification No. 2/2021 dated 01/02/2021, maybe included under items listed in serial no. 257 of notification no. 50/2017-Customs dated 30.06.2017 for the purpose of exports..</u>	➤ This is because the provision at serial no. 257 allows for importing certain garments accessories like Tags, Labels, Stickers, Buttons, Hangers or Printed bags under duty free Bond Scheme for the purpose of exports and the items under Serial Number 311 are similar in nature and are being imported for similar purposes as items listed under Sr No 257. ➤ Therefore, we request that the existing list of serial no. 257 of notification no. 50/2017-Customs dated 30.06.2017 amended vide Custom Notification No. 2/2021 dated 01/02/2021 may be amended to include the items listed at Annex 1. ➤ The above request is because the Import Duty applied to the above indicated items will increase the prices of the garments and have an adverse impact on final FOB of the finished garment. Right now the industry is struggling to compete with other competitor countries like Bangladesh due to increase in raw material costs, labour cost, transportation cost and lower tariffs in the buying country because of Free Trade Agreements with major importing countries. ➤ The Import Duty applicable on these products adds to the loss of competitiveness and may lead to a systematic downfall in businesses for our Textile Industry.

3	Simplification in the procedure for execution of bond issued towards import of items under Serial Number 257 of notification no. 50/2017-Customs dated 30.06.2017 for export.	➤ There is a need for easing of the process of execution issued for the import of Tags, labels, stickers, belts, buttons, hangers or printed bags imported by exporters for apparel exports under Serial No 257 of notification no. 50/2017-Customs dated 30.06.2017 amended vide Custom Notification No. 2/2021 dated 01/02/2021. ➤ Procedure for simplification of the process, through a self-declaration process, towards utilisation of the imports for exports of garments, has been notified by Office of the Principal Commissioner of Customs (Air Cargo), Chennai as communicated vide Trade Facility Circular No. 09/2021 dated 12.07.2021. The circular clarifies the procedure with regard to Monitoring and Closure of Re-bond to be executed by the importers for imports. ➤ The proposed single running bond to enable easy debit of the duty saved and verification through self-declaration by exporters notified in the above circular is going to provide the much needed simplification of the execution of the bonds. AEPC would be happy to support the monitoring and verification process, as detailed in the circular. ➤ <u>We request that a suitable circular may be issued by CBIC for a nationwide adoption of this procedure for execution of bonds by exporters for apparel exports under Serial No 257 of notification no. 50/2017-Customs dated 30.06.2017. This will bring uniformity in the process for execution of bond, issued towards duty free import of Tags, labels, stickers, belts, buttons, hangers or printed bags, and provide ease of compliance to the requirement.</u>
4	Issue of interpretation of Customs Clarification on Customs Notification No. 45/2016 and amendments on IGST paid route for procurement of inputs by Advance	There is an issue relating to purchase of goods by apparel exporters from SEZ units. When an exporter in the DTA is buying the fabric/inputs from a SEZ unit, against advance authorization, the exporter can avail of

Authorization holders while taking goods from SEZ (Question of interpretation of Notification by Cochin SEZ)

From the provision of rule 96, in sub-rule (10), in clause (b) with effect from the 23rd October, 2017 of Notification No. 16/2020 – Central Tax dated 23rd March, 2020 rule 96, it seems that the IGST paid option for imports under advance authorization is available for imports undertaken through the seaports, airports, ICD or through a Special Economic Zone. Hence, Council is of the opinion that the above proposed facility under Advance Authorization through IGST paid route should be available for inputs taken from SEZs also.

Procurement of goods through the IGST paid options is available for imports. Similar allowance for procurement from SEZ offers the intended level playing to SEZ and provides an opportunity for production and employment in the country.

However, this is presently not being allowed. An example of this is that Cochin SEZ from where one of our exporters wanted to procure Linen through the IGST paid route. However, it was not allowed. The matter was taken up with Department of Commerce who has in turn advised to take up the matter with CBIC. The Council has

exemption of BCD and ADD and IGST. However, if an exporter wants to avail of the IGST paid imports for clearance of goods from SEZ to DTA, to avail of the IGST paid route for exports, it is not being permitted by the SEZ customs.

In case the exporter avails the exemption of IGST then the option to claim refund of IGST from Custom Authority is barred by Rule 96 of CGST Act and the only option left with the exporters is to claim the refund by filing RFD 1 with the GST Department, which is very time consuming. This in effect encourages exporters to source raw material directly through imports, rather than through SEZs.

As per Notification No. 16/2020 – Central Tax dated 23rd March, 2020:

In rule 96, in sub-rule (10), in clause (b) with effect from the 23rd October, 2017, the following Explanation shall be inserted, namely,-

*“Explanation.- For the purpose of this sub-rule, the benefit of the notifications mentioned therein shall not be considered to have been availed only where the **registered person has paid Integrated Goods and Services Tax** and Compensation Cess on inputs **and has availed exemption of only Basic Customs Duty (BCD)** under the said notifications.”*

From the above provision, it seems that the IGST paid option for imports under advance authorization is available for imports undertaken through the seaports, airports, ICD or through a Special Economic Zone. Hence, Council is of the opinion that the above proposed facility under Advance Authorization through IGST paid route should be available for inputs taken from SEZs also.

	schedules. Also, Indian exporters lose their credibility in the eyes of the buyer. Manufacturer exporter registered with Export Promotion Council shall have to be exempted from the above condition either fully or on the basis of the Oeko-Tex certificate of the supplier / Mill.	➤ Garment manufacturing requires different variety of fabrics; different styles ; colors and shades independent of each other, testing of every item add huge cost to the exporters and increase landing cost of the inputs. ➤ Indian Garment exporters are facing huge competition with competitors who have duty advantage. The additional burden of testing costs and time reduces the competitiveness of Indian Garment Exporters
6	Online release of BG/Bonds by Customs On receipt of EODC, customs should release BG/Bonds online without waiting exporters to approach customs.	➤ This will reduce time and transaction cost involved in follow-up with customs for release of BGs/Bonds. ➤ Release of Bank Guarantee (BG) / Bonds are delayed even after EODC certificates from DGFT.
7	Non – Realization of Export Proceeds We request for a one-time amnesty for the period November, 2019 till March, 2021 due to the pandemic. We request for: • Exemption from refunds of ROSCTL and Duty Drawback due against non-realization of Export sales proceeds in the cases of filling of Bankruptcy/insolvency and Chapter 11 proceedings by the Buyers and non - payment of Export proceeds and where discounts had been forced by the Buyers.	➤ Since the onset of pandemic, exporters have been facing bankruptcies of buyers, order cancellations and discounting of export orders. This has led to reduced availability of working capital as buyers had not paid or taken hefty discounts for export proceeds where goods have been shipped during last year. ➤ This has led to a major concern, where our exporters have already claimed for Duty Drawback & ROSCTL for the shipped goods. It has been ascertained that if the Buyer does not pay for the shipped goods, exporters would have to refund/return the Drawback & ROSCTL with interest. ➤ The relaxation in respect of Drawback, could be granted under the provision available under Rule 19 of Drawback Rules, 2017.

	• Treating the Export obligations as fulfilled in respect of Advance Authorisations, special Advance Authorisations, EPCG licenses (Chapter 4 and 5 of FTP) in all such cases of non-realisation, where discounts had been forced by the buyers as also cancellation of orders.	
8	Clarification on rebate restriction under rule 96(10) of the CGST Rules, 2017 in respect of procurements made under advance authorization after payment of IGST Clarification on applicability of rebate restriction under Rule 96(10) of the CGST Rules, 2017, in respect of procurements made under advance authorization after payment of IGST	This is regarding applicability of rebate restriction under rule 96(10) of the CGST Rules, 2017 in respect of procurements made under advance authorization after payment of IGST. Exporters, when they avail of IGST exempt route for import of inputs under AA for even a single consignment, the unit is barred from IGST paid route for exports for all subsequent consignments and are forced to use the LUT only. This restriction on the claim of refund of IGST paid on export of goods introduced under sub-rule (10) of rule 96 inserted vide Notification No. 54/2018-Central Tax dated 09.10.2018, should apply solely to the extent of those goods exported by availing the benefit under Notification No. 79/2017-Customs dated 13.10.2017 and not to any of the other goods exported by exporters. <u>We believe that denying the refund of IGST paid on all exports made merely because the unit has received a small part of supplies on which IGST is not paid in terms of Notification 79/2017 Custom dated 13.10.2017 may not be appropriate.</u>

	<u>In view of the above we request for the clarification on applicability of rebate restriction under Rule 96(10) of the CGST Rules, 2017, in respect of procurements made under advance authorization after payment of IGST.</u> .
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