

Smt. Smriti Zubin Irani
Hon'ble Minister of Textiles
Ministry of Textiles
Udyog Bhawan,
Dr Maulana Azad Road,
New Delhi, 110011

SUB : UNION BUDGET 2021-2022

Respected Madam,

Greetings from CMAI.

We would like to bring to your kind attention the following Points which concern of the Apparel Industry particularly in the Export Sector that were Introduced in the Union Budget 021-22 :

1. Restoration of Serial No. 311 (Trimmings and Embellishments) and the entries relating thereto under MoF, DoR Notification No 2/2021-Customs dated 01.02.2021.

As you are aware, up till now, Apparel Exporters were allowed Duty Free Import of lining and interlining material (Serial No 288) and trimmings and embellishments, etc (Serial No 311), as per Notification No. 50/2017-Customs dated 30.6.2017, read with Condition No. 28 issued earlier. However, in the new Notification No 2/2021-Customs dated 01.02.2021, the facility of trimmings and embellishments under Serial No 311, has been discontinued. As such, Apparel Exporters will not be able to Import trimmings and embellishments, as covered under Serial No 311 without payment of Custom Duty. Under European Payment Council (EPC) Scheme , this facility has been provided for more than a decade and the withdrawal of this Scheme puts the Apparel industry in a very difficult situation.

The facility of Duty Free Import of trimmings and embellishments (Serial No. 311) does not have any serious impact on the Domestic Industry, where it provides the much needed facility of Export facilitation to smaller Exporters as :

i) The smaller Exporters source most of the Raw material from the Domestic Market and they Import only small lots of trimmings and embellishments under the Sr. No. 311 (EPC Scheme).

ii) 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 Sr. No. 311 (EPC Scheme) and reach in 5 Days. This helps in meeting the 30 to 40 days Contract period.

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- iii) Most of the Exporters Import these items because of the Foreign Buyer's insistence and many Buyers stipulate in their Contract that Exporters will have to source these items from their designated Overseas suppliers. Hence this need to be sourced from defined sources and within strict timelines.
- iv) In case this provision is withdrawn, the increase in Cost of these Products will have to be borne by the Exporters, as Importers will not cover these Additional Costs. This would certainly affect the Apparel Exports which are currently under tremendous pressure. Madam, this year Apparel Exports have already decline by 26% .
- v) Needless to say here that Exporters have already booked their Orders for the Financial Year 2021-22 based on the Imports entitlement under EPC Scheme for the items covering under S. no. 311 and the value of Duty Free Import have been factored based on Export Performance of Financial Year 2020-21.
- vi) Madam, the present process is easy to Operate and well established and working well so far and this Scheme helps in ease of doing business .

We, therefore request you to kindly recommend for an amendment and restore this facility.

2. Request for Amendment in Condition 108

Similarly, Serial No 257 of Principal Notification no. 50/2017-Customs dated 30.06.2017 allowed Import of Tags, Labels, Stickers, Belts, Buttons or Hangers at 'NIL' Duty without any condition. As per new Notification No. 2/2021-Custom dated 1st February, 2021, Condition No. 108 has been inserted against the S. No. 257.

Condition 108 of Notification No 2/2021-Customs dated 01.02.2021 for items under S. No. 257 (Tags, Labels, Stickers, Belts, Buttons, Hangers or Printed Bags) requires the Exporter to submit a Bond for each Consignment which confirms that the Imported Articles will be Exported within Six months from the Date of Import.

This new Condition 108 has resulted problems in the following manner :

- i. Neither the Bond Format nor any guidance on the process of the Bond compliance has been notified by the Customs yet, although it is applicable from 2nd February 2021, leading to confusion among Exporters on the format to be followed.
- ii. As per present understanding, the Bond is needed for each Consignment, making the Documentation process very cumbersome for Importers.

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- iii. Not only providing Bond for Import of each such small item will lead to unnecessary expense on account of Bond Expenses, Notary, Filing Documents at Customs etc, but revoking the Bond after Export will be an equally tough challenge for Exporters as most of the items are small items and accounting and giving details for such small items in shipping bills will be a huge task.
- iv. Clearances of these items under Bond is going to be very cumbersome for the Govt. as well as the Exporters. It will increase the transaction cost in multiple.
- v. The Bond format being generated by the Exporters are not being accepted by some Ports leading to delays in Exports
- vi. The new condition does not allow Imports by Courier. However for Fashion products like Garments, Imports by Courier are very essential as such the facility of Import by Courier is inevitable.

As you are well aware, CMAI's Membership consists largely of Domestic Manufacturers. However, in recent years, many of them have diversified into Exports, particularly to Markets with a significant Indian diaspora.

Hence, many of these Members have requested us to take up these issues with you , on whom they have built great Confidence.

We, therefore, urge you to Recommend the Government for the removal of the above New condition 108 which provides the much needed facility of Export facilitation to smaller Exporters.

With Respectful Regards

Yours Sincerely.



Rajesh Masand
President

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