

Northern India Textile Mills' Association

PHD House, Sector 31 A, Chandigarh-160 031

Contact Nos.: +91 172 2637 573, +91 81466 77291, +91 81464 00264



Date: 14th June, 2018

Dr. S. Sunanda
Secretary General
CONFEDERATION OF INDIAN TEXTILE INDUSTRY (CITI)
6th Floor, Narian Manzil, 23, Barakhamba Road,
New Delhi – 110001

Subject: Duty free import of Garments from countries under SAFTA agreement.

Respected Sir,

The Northern India Textile Mills' Association, popularly known as NITMA is an apex association of North India serving the interest of textile units. All the large textile mills in the Northern part of India are associated with NITMA and the combined turnover of its members is approx 50,000 crores (USD 8 Billion). It was formed in 1958 and represents industry for all policy matters and disseminates information apart from conducting conferences, exhibitions, seminars & workshops.

During fixing of GST rates for textiles, an unintentional anomaly has crept in with regard to the import of garments.

Before the GST regime, the imported garments were being subjected to 12% CVD and 4% additional CVD. But as the garments were conditionally exempted from the central excise duty, so no modvat credit for the CVD paid @12% was available to traders.

Thus all the imported garments were subjected to 12% CVD with no modvat credit irrespective of the price.

For the Made in India Garments below Rs 1000/- MRP, no CED was applicable. In case of garments with MRP more than Rs 1000/- an excise duty of 12% was applicable, with a deemed modvat of 90%, provided no modvat credit on inputs are availed.

In the GST regime, all the garments are subjected to 5% GST (If the price is less than Rs 1000) and 12% GST (If the price is more than 1000). There after the GST paid is subject to full input tax credit, which means that the imported garments have become 12% cheaper and the Indian industry is subjected to the fierce competition from the overseas suppliers.

This will be a huge set back to the Govt. of India's **MAKE IN INDIA** policy.

It is pertinent to mention that most of the import of garments to hit the Indian garments industry is from Bangladesh. The import from Bangladesh is cheaper because of following factor:

Northern India Textile Mills' Association

PHD House, Sector 31 A, Chandigarh-160 031

Contact Nos.: +91 172 2637 573, +91 81466 77291, +91 81464 00264



- 1) Cheaper and duty free fabric import from China to Bangladesh.
- 2) No custom duty on garments imported from Bangladesh under **SAFTA agreement vide notification no – 99/2011 – customs dated 09th November'2011.**
- 3) In the GST regime, 12% CVD applicable on imports has been abolished and the GST applicable is subject to input credit for traders also.
- 4) Cheaper labour and manpower availability in Bangladesh.

When the fabric is imported from China into India, it is subjected to custom duty ranging from 10 to 25%. But the same fabric if imported in Bangladesh and converted into garments are free from any custom duty and can be imported into India in shape of garments from Bangladesh without any payments of duty.

Suggestion:

- 1) **We suggest that, under the SAFTA agreement only those goods should be exempted from custom duty, whose raw material is also manufactured by the countries under SAFTA.**
- 2) **The total value of the materials or produce originating from other countries or of undetermined origin used should not exceed 30% of the FOB value of the products produced.**

This will save a huge loss to the exchequer and save the Indian textile industry from the fierce competition from overseas suppliers and help in saving and growth of Indian textile industry which is the biggest job provider industry in the country for men & women.

For the sake of protecting the Indian Textile industry, we request a favorable action by your good office.

Thank You.

With kind regards

Rajiv Garg
President