Apparel Export Promotion Council

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Continuation of interest equalization scheme, removal of Sec43B (H) of IT Act, Simplification of Imports of Trims and Embellishments under IGCR (Import of Goods at Concessional Rate) procedure, Exemption of customs duty on imports of Garmenting Machinery, Green Transformation Scheme for upgrading ESG infrastructure, etc. are major demands of the Apparel Industry from Union Budget

3rd January 2025, New Delhi/ Gurugram: Speaking on the budget demand Shri Sudhir Sekhri Chairman AEPC stated that, "This is a watershed moment, when India is aspiring to capture higher share in global imports of apparels owing to the enhanced trust that global brands are placing on India. This is the opportune time for the country to leverage it in terms of export growth, as reputed global buyers / retailers/ chain stores are looking for alternatives due to China plus one factor and the Bangladesh crisis." The Union Budget is a great opportunity where our demands for long term policy support can be considered, he added.

Highlighting the demands of the RMG industry Shri Mithileshwar Thakur, Secretary general AEPC said," We need to quickly adopt right strategies to take advantage of evolving supply chain reorientation. The Indian apparel sector is on a high growth trajectory and has the potential to outpace global competitors with upscaling of production capacity, channelizing investments into the sector, upskilling of workforce and labour reforms."

Important demands of the industry are summarized below:

· AEPC has requested not only for continuation of the interest equalization scheme but also for enhancement of the interest equalization rate to 5% to offset high cost of capital.

· AEPC has proposed extension of concessional tax rate under the section 115BA for the new manufacturing units to encourage setting up of new garment units. Council has recommended the concessional duty rate of 15% under Section 115BA of income Tax Act.

· RMG industry has also demanded removal of Sec43B (H) of IT Act in the ensuing budget which pertains to payment to any MSME companies within a maximum 45 days' time to claim any deduction in tax. This has increased tax liabilities and has disrupted the cash flow of exporters. Many buyers adhere to the standard payment window of 90 to 180 days, so exporters have to extend a long credit period for payment. Therefore, exporters should be excluded from the purview of 43B(h) of income tax.

· The procedure of Imports of Trims and Embellishments under IGCR (Import of Goods at Concessional Rate) should be simplified and minimum wastage of 10% be allowed under the IGCR rule for the import of trimmings and embellishment.

- The council has requested for liberalizing e- commerce export procedures. These existing rules should be simplified, the cap per consignment of export value under e- commerce should be increased to minimum 25 lakhs and export realization period should be extended to 12 months.

- India's garment export sector relies heavily on imported garmenting machinery to maintain quality and global competitiveness, as domestic production is insufficient to meet demand. High import duties make Indian garments exports less competitive vis-a-vis countries like Bangladesh and Vietnam. AEPC recommends not only continuing existing exemptions but also reducing the customs duty to zero on remaining garmenting machinery to enhance the sector's efficiency.

- With the growing emphasis on ESG compliance in key overseas markets, particularly in the EU and the USA, it is crucial for India to prioritize the upgradation of sustainability-related infrastructure. To support and promote sustainable and green manufacturing, the Indian government should introduce a refinancing initiative, such as Green Transformation Scheme. Under this scheme, garment factories would have access to long term soft loans for importing machinery necessary to modernize their sustainability and green manufacturing infrastructure.

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