

AEPC seeks budgetary support for RMG export sector to enhance apparel export competitiveness

- *Request uniform GST of 5% for entire value chain*

24th January, New Delhi: AEPC has made its submission to the government on the Pre Budget-proposals to enhance competitiveness of RMG exports in India.

Speaking on the budget proposal Sh. Mithileshwar Thakur, Secretary General, AEPC said, "India is at the cusp of being the fastest growing economy and the forward looking, growth-oriented and progressive policies of the government have helped the labour-intensive sector like ours to gain competitive edge in global markets. We will look forward to the response of the Govt. on the suggestions made by AEPC which have been made after wider industry consultations." The suggestions from AEPC to Government is as under:

1. Trimmings and Embellishments under Import of Goods at Concessional Rates of duty Rules (IGCR Rules)

The operations involved in the garment export trade essentially require various kinds of quality trimmings and embellishments (tags, labels, stickers, belts, buttons, linings, inter-linings, etc.) to ensure desired functionality and aesthetics of garments in the global market. In order to maintain their brand image, the foreign buyers insist on maintaining consistency and quality and avoiding use of counterfeits. Any deviation in the specification and quality results in the rejection of the shipment. Indian Apparel exporters are constrained to use only those trimmings and embellishments, which are pre-approved by the buyer and these are mostly required to be sourced from overseas suppliers nominated by the garment buyers.

As of now, certain Trims and Embellishment items are not permitted under the S. No. 257B of Notification 02/2022-Customs (N.T) dated 01.02.2022 and thus not entitled to duty exemption. AEPC has submitted a list of the items currently not permitted under the S. No. 257B, viz.: Draw cord /Cord, Elastic Band/Tape, Metal Tab/Stoper/Clip, TAPE, Velcro Tape, Leather Badge, Die Set, D ring, etc. and has requested these items to be included in the list for eligibility for duty exemption.

2. Request to make uniformity in GST for entire value chain

A uniform GST of 5% only should be levied across the entire MMF value chain (fibre, yarn & fabric). Currently, the MMF GST rate on Fibre is 18%, Yarn 12%, Fabric 5%, etc., resulting in unutilized input credit and consequent liquidity issues for MSME units.

3. Shortage / Wastage should be allowed under IGCR

The apparel manufacturing and export industry faces lots of production and quality control challenges to remain competitive and despite quality control and internal production audit there are certain unavoidable rejections and wastage during manufacture of finished product. There is thus invariably production wastage and rejection at the time of manufacturing of garments whereas there is no wastage permitted for trimmings and accessories imported under IGCR Rules. This is causing concern in the apparel export industry.

It is therefore requested that minimum wastage @10% be allowed under the IGCR Rules for import of trimmings and accessories by issuing an appropriate notification. This will help apparel exporters to submit their utilization details on time and get the Bond executed at the customs released.

4. Request to increase the Rates to 5% for All Exporters under the Interest Equalization Scheme

Interest equalization rates were revised downwards from 3 to 2 per cent for non-MSME manufacturer exporters under the Interest Equalization Scheme on Pre and Post Shipment Export Credit. High cost of capital has been a major bottleneck for the exporting community.

AEPC has requested the Government to increase the interest equalization rates under the Scheme to 5% for all the Apparel exporters. This will increase apparel industry's competitiveness in the international market and enable them to avail necessary working capital.

Other suggestions include:

- ❖ Request to provide tax concessions to apparel manufacturers adopting ESG and other international quality standards and compliances
- ❖ Request to provide budgetary support for branding and marketing of Made in India products
