REF. MR/CIR/2021-22/0075 September 8, 2021

**To the Members of the Council**

Sir/Madam,

**Sub: Customs Duty Exemption Review in relation to textiles - reg.**

This is with reference to the communication from Ministry of Textiles, on above captioned subject.

In relation to review of Customs Duty Exemption, the Revenue Department, Ministry of Finance is seeking inputs on Customs Duty exemption, the Ministry of Textiles has requested views of the Council on behalf of the MMF textiles segment on the following product lines that fall under the purview of the Council:

1. Discontinuation of separate rates for upholstery fabrics and other than upholstery fabrics, or with adequate justification, for need of continuation in any refined form.
2. Discontinuation of Concessional customs duty at the rate of 2.5% on following:

* *Nylon 66 filament (54021990);*
* *Polyester yarn-Anti Static Filament (54025200);*
* *Aramid Flame Retardant Fibre (55031100); Para- aramid Fibre (55031100);*
* *Nylon Staple Fibre (55031900);*
* *Nylon Anti-Static Staple fibre (55031900);*
* *Modacrylic fibre (55033000);*
* *Flame Retardant Viscose Rayon Fibre (5504 1000)*

1. Discontinuation of Concessional customs duty at the rate of 5% on following goods, namely,

* *Hydrophilic Non-Woven,*
* *Hydrophobic Non- Woven, imported for use in the manufacture of Adult Diapers (56031100) [falling under Chapter 56 of the Customs tariff].*

1. Discontinuation of Concessional customs duty at the rate of 5% on *Polyester tyre cord fabric (5902 20)*
2. Discontinuation of Concessional customs duty at the rate of 10% on *Pile fabrics for the manufacture of toys (600110 or 600192).*

Members are requested to send their views/inputs by tomorrow, 9 Sept. 2021, 4.30 PM positively as per the attached Format (Annexed) through email at [baruah@srtepc.in](mailto:baruah@srtepc.in), [ed@srtepc.in](mailto:ed@srtepc.in). Those who have already sent their inputs are requested to ignore.

Thanking you in anticipation of an early response.

Regards,

**S. BALARAJU**

**EXECUTIVE DIRECTOR**

**ANNEXURE**

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| **Sr. No.** | **Product** | **Customs Duty revision proposed by the Govt.** | **Views/ Inputs with Justification** |
| **1** | Discontinuation of separate rates on Upholstery fabrics  **[Notification No. 14/2006-Customs dated 1st March, 2006]** | | |
| 1.a | Upholstery fabrics | -This notification provides effective rates for certain HSN belonging to textiles sector.  -Separate rates have been prescribed for upholstery fabrics and other than upholstery fabrics which has continued for more than 15 years. These entries have been provided on the recommendation of Ministry of Textile.  -In general, all fabrics attract higher rate which are mix of ad valorem and specific rates per unit. Therefore, there may not be any justification for continuing with two sets of rates for upholstery and other than upholstery fabrics. It is to mention that BCD rates were raised significantly in 2018 and 2019.  **-Members are requested to provide its inputs as regards discontinuation of separate rates for upholstery fabrics and other than upholstery fabrics, or with adequate justification, for need of continuation in any refined form.**  -If Members do not have any comments to offer the same may also be indicated. |  |
| 2 | **Discontinuation of Concessional customs duty at the rate of 2.5%** has been prescribed on following goods:  **In absence of this exemption, customs duty at the rate of 5% shall apply**  **[S.No. 320 of notification No. 50/2017-Customs dated 30.6.2017]** | | |
| 2.a | *Nylon 66 filament (54021990)* | -This exemption was first given in Budget 2016-17 on the recommendation of Ministry of Textiles.  -Exemption has continued for more than 5 years, and the imports under this S.No. adversely impacts domestic supplier of such materials and also hampers creation of domestic capacity.  -Since the rates on Nylon and other fiber chain have been rationalized and made uniform at 5% in Union Budget 2021-22. However, the goods mentioned in this entry are exception to the general rate of 5% on fibre and yarn.  -Import volumes are about Rs272 crore a year  -**Members are requested to provide its inputs as regards discontinuation of concessions on these fabric and yarn. This would rationalize the rate structure and would help in reducing distortions.**  - If Members do not have any comments to offer the same may also be indicated. |  |
| 2.b | *Polyester yarn-Anti Static Filament (54025200)* |  |
| 2.c | *Aramid Flame Retardant Fibre (55031100); Para- aramid Fibre (55031100)* |  |
| 2.d | *Nylon Staple Fibre (55031900)* |  |
| 2.e | *Nylon Anti-Static Staple fibre (55031900)* |  |
| 2.f | *Modacrylic fibre (55033000)* |  |
| 2.g | *Flame Retardant Viscose Rayon Fibre (5504 1000)* |  |
| 3 | **Discontinuation of Concessional customs duty at the rate of 5%** has been prescribed on following goods, namely, -  The exemption is granted subject to importer following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.  In absence of this exemption, customs duty at the rate of 20% shall apply to these fabrics (which is a general rate for special fabrics)  **[S.No. 326 of notification No. 50/2017-Customs dated 30.6.2017]** | | |
| 3.a | *Hydrophobic Non- Woven, imported for use in the manufacture of Adult Diapers (56031100)* | -Exemption has continued for more than 9 years and the imports may adversely impact domestic supplier of such materials and also hamper creation of domestic capacity.  -Import volumes are about Rs 1.25 crore a year which is not significant.  -Considering there is thrust for building capacity in fabric and these fabrics are produced in India, there appears merit for rationalizing the rates.  -**Members are requested to provide its inputs as regards discontinuation of the exemption, or with adequate justification, for need of continuation in any refined form.**  -If Members do not have any comments to offer the same may also be indicated. |  |
| 4 | **Discontinuation of Concessional customs duty at the rate of 5%** has been prescribed on following goods, namely, -  In absence of this exemption, customs duty at the rate of 20% shall apply  **[S.No. 328 of notification No. 50/2017-Customs dated 30.6.2017]** | | |
| 4.a | *Polyester tyre cord fabric (5902 20)* | -This exemption was first given in Budget 2008-09.  -Exemption has continued for more than 12 years and the imports may adversely impact domestic supplier of such materials and also hamper creation of domestic capacity as this items is being produced domestically. Since this item is being manufactured domestically, review of this exemption is warranted.  -Import volumes are about Rs 180 crore a year.  -**Members are requested to provide its inputs as regards discontinuation of the exemption, or with adequate justification, for need of continuation in any refined form.**  -If Members do not have any comments to offer the same may also be indicated. |  |
| 5 | **Discontinuation of Concessional customs duty at the rate of 10%** has been prescribed on following goods, namely, -  The exemption is granted subject to importer following the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.  In absence of this exemption, customs duty at the rate of applicable tariff shall apply  **[S.No. 329 of notification No. 50/2017-Customs dated 30.6.2017]** | | |
| 5.a | *Pile fabrics for the manufacture of toys (600110 or 600192)* | -This exemption was first given in 2000.  -Exemption has continued for more than 20 years and the imports may adversely impact domestic supplier of such materials and also hamper creation of domestic capacity as pile fabric is produced domestically. Since this item is being manufactured domestically, review of this exemption is warranted.  -Import volumes are about Rs 2.4 crore a year.  -**Members are requested to provide its inputs as regards discontinuation of the exemption, or with adequate justification, for need of continuation in any refined form.**  -If Members do not have any comments to offer the same may also be indicated. |  |