

Govt may unwrap uniform excise duty on textiles at 4%

FICCI & MAN-MADE FIBRE COS VOICE CONCERNS ON HIGH EXCISE ON PRODUCTS

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THE excise duty structure for textile sector may be in for some tweaking. The finance ministry is considering a budget proposal to bring down excise duty on fibre intermediaries, polymer, yarn and fabrics. Excise duty on these products — which ranges from 8% to 12% excluding cotton yarn that attracts 4% excise levy — may come down to a uniform level of 4%.

Industry associations like Federation of Indian Chamber of Commerce & Industry (Ficci) and various man-made fibre companies have voiced their concerns on heavy excise duty on such products.

Fibre intermediaries attract excise duty between 8% to 12% (8% on paraxylene and purified terephthalic acid and 12% on monoethylene glycol) while the levy on polymer, and yarns & fibres — such as polyester staple fibre — is at 8%.

Excise duty on cotton yarn, however, is at 4%. The finance ministry is looking into the industry's demand for a correction in the differential duty structure in the textile industry. The Bagchi Committee, which had submitted its report on 'excise duty structure on man-made fibres', has earlier favoured parity in cotton and manmade fibres. Man-made fibres (MMF) companies have asked the government to implement the committee's recommendations.

The industry view is that parity in the duty structure would make the MMF sector much more competitive.

Pointing at the global consumption pattern, they said even though cotton and MMF global consumption was in the ratio of 20:80, India was still harping on cotton. They said the government's plan of increasing textile exports to \$50 billion by 2010 can only be achieved through substantial investments and growth in the synthetic fibre sector.

The annual export of cotton textiles from India is about 85%, whereas only 15% of synthetic textiles are exported. Duty rationalisation for the sector is expected to boost its growth, which has been at a meagre 4.5% per annum for the last five years.