

Budget may herald Customs duty rationalisation for textile industry

• *Duty On Fibre Intermediaries May Be Brought Down To 2% From 10%*

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NEW DELHI

THE Customs duty structure for textile sector may see some rationalisation in the forthcoming Budget. With a view to correct the inverted duty structure in the man-made fibre sector, the finance ministry is considering a proposal to bring down Customs duty on fibre intermediaries, yarn and fabric.

One of the options being considered include a reduction in the Customs duty on fibre intermediaries may be brought down to 2% from 10%. Among fibre intermediaries, paraxylene (PX) attracts 2% Custom duty while 10% levy is imposed on purified terephthalic acid (PTA) and mono ethylene glycol (MEG). The move now is to bring in parity in the duty regime by bringing down the duty to a uniform level of 2% for these three intermediaries.

Customs duty on yarn and fibres may come down to 10% from 12.5% while that on fabrics the duty is likely to remain at existing 12.5%. The customs duty cotton yarns could also come down to 10% from 12.5%.

In a bid to bring in a progressive custom duty structure graduating from raw material to finished good, while simultaneously moving towards lower peak rates, the leading industry bodies like Ficci have pitched for bringing about correction in the duty structure.

The finance ministry is actively considering the industry's demand for moving towards a progressive duty structure., sources told ET.

In fact, various committees set up including that under the National Manufacturing and Competitiveness Council have recommended correction in the duty structure for the manmade fibre industry to give it a big boost.

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. The finance ministry, meanwhile, is also looking into a proposal to bring down 'excise' duty on fibre intermediaries, polymer and 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% post-Budget.