

Caught Pants Down!

By S. Jaikumar, Advocate, Swamy Associates)

When the Readymade Garments were last brought under the excise net in 2003, it was a complete mayhem. All of us witnessed colossal confusion among the trade, which were further ridiculed and complicated by the departmental clarifications. After much hue and cry, the entire textile sector, starting from the stage yarn till the garments were kept out of levy, by way of an optional scheme under Notification No.29 of 2004 and 30 of 2004.

In the present Budget, the optional scheme for payment of excise duty on readymade garments and textile made ups (which bear brand name or sold under a brand name) has been withdrawn and an excise duty @ 10% has been imposed on such goods. The general SSI exemption has also been extended to such goods. The tariff value for charging duty on readymade garments and textile made ups is fixed @ 60% of the retail price vide Notification No.20 of 2004 - CE(NT) as amended vide Notification NO.7/2011-CE(NT).

This levy takes effect from 01.03.2011, which means, all the garments / textile made ups which are cleared from the factory on or after 01.03.2011 would be subjected to the central excise duty. In other words, whatever goods which are cleared before 01.03.2011 would be out of central excise duty as per the ratio laid by the Hon'ble Supreme Court in the Wallace Floor Mills case.

I will not be surprised, if there is going to be a mass removal of garments / made ups, on or before 01.03.2011 from the respective factories, across nation, as the present excise duty @ 10% of 60% of the retail sale price has very huge impact on the bleeding garment industry.

Akin to the erstwhile Rule 12(B) to Central Excise Rules, 2002 a new Rule 4 (1A), has been inserted, whereby the principal manufacturer has been made to discharge the Central Excise liabilities and comply with all procedural formalities on behalf of the job-workers who undertake job work for the production of goods on behalf of such principal.

I am sure that this levy is going to be another bonanza for all concerned except the real concerned.

Before Parting ...

The general SSI exemption which stands at Rs 1.5 crores in a financial year has been extended to the readymade garments / textile made ups. Without any restricted turnover prescribed for the fiscal 2010-2011, the garment industry as well as other goods which are in the net would be entitled for a turnover of 1.5 crores in the month of March 2011, which is highly surprising. Is it intentional or a slip?