

# Duty rationalisation for man-made textiles

More allocation for textile schemes; Rs 189 cr for textile parks

Our Bureau

New Delhi, Feb. 28

Taking forward the duty rationalisation exercise initiated by the UPA Government for the cotton textiles sector during the previous two Budgets, the Finance Minister, Mr P. Chidambaram, on Tuesday announced a comprehensive tax rationalisation package for the man-made textile industry.

In the Budget for 2006-07, the Finance Minister announced excise duty cuts on man-made fibre and filament yarn to 8 per cent from 16 per cent.

The duty rationalisation addresses a big anomaly in the existing tax structure on man-made textiles sector since the new tax rate structure would bring the excise duty on raw material, namely fibre and filament, on par with the finished product (yarn). So far, since the tax on raw materials was higher than the levy on the finished products, spinners had been facing difficulties in getting full credit on excise, while selling yarn to their customers.

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## Spinners gain

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man-made fibres, filament yarns and spun yarns, along with the duty on raw materials for the man-made fibre sector such as DMT, MEG and PTA, from 15 per cent to 10 per cent.

For paraxylene, the import duty has been reduced to 2 per cent from 5 per cent. "The man-made textile industry is a growth and employment driver. It deserves encouragement," he said in his speech.

## OFFERING RELIEF

According to industry analysts, the reduction of import duty on all man-made fibres and yarn is expected to provide relief since the domestic producers had been pegging their prices with the landed cost of imports.

In view of the ongoing short-



**Easing machinery shortage:** The Finance Minister has lowered customs on "specified" textile machinery and parts from 15 per cent to 10 per cent.

age of textile machinery, the Finance Minister also lowered customs on "specified" textile machinery and parts from 15 per cent to 10 per cent. He also announced an enhanced allocation for the popular Textile Upgradation Funds Scheme to Rs 535 crore from Rs 435 crore. The scheme comes to an end on March 31, 2007.

## TEXTILE PARKS

In case of the Integrated Textile Parks scheme, the Minister announced a sum of Rs 189

crore and said the Centre has so far sanctioned seven textile parks and 10 more parks have been identified for development. He also said Jute Technology Mission would be launched in 2006-07 and Rs 50 crore will be allocated for development of handloom clusters.

Mr Chidambaram also announced that a scheme similar to TUFs would be introduced for the handloom sector. The overall allocation for handloom sector has gone up to Rs 241 crore from Rs 195 crore.

Will help exports'

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Coimbatore, Feb. 28

Lowering of excise and customs duty on man-made fibre/filament yarns proposed in the budget will bring down the raw material cost for the textile industry and enhance the scope for higher synthetic textiles exports from the country, feels Mr S.V. Arumugam, Chairman, Southern India Mills Association (SIMA).

He said the higher budgetary allocation of Rs 535 crore from Rs 435 crore towards technology upgradation fund scheme is another positive move, though this amount too will fall short in view of the increased TUFs investments happening in the industry.

The provision of Rs 189 crore under the scheme for integrated textile parks (SITP) will fuel more investment in textile parks. Mr Vishal Lohia, CEO of Indo Rama Textiles, said, "Due to the anomaly in the duty structure on inputs and finished products in the man-made textiles sector, the cash was getting stuck in the system. Now our cash flow problem would be addressed."

The cut in the excise and customs duty on man-made fibre will help to whet the demand for polyester-cotton blended yarns. But this will happen over the