

# Ministry weaves wish list to revive textiles

Sanjay Dutta | TNN

**New Delhi:** The textiles ministry has drawn up a booster dose of fiscal and policy measures to revive the sector that is second only to agriculture in terms of employment, sources told *The Times of India*. The December stimulus package for the textiles sector has not yielded the desired result as the industry depends a great deal on exports to the US and Europe. Even finance minister Pranab Mukherjee on Tuesday acknowledged to a TV channel that more needed to be done for the sector, raising hopes that the measures could make it to the Budget.

A draft package sent to the cabinet secretary suggests restoration of drawback rates, reinstatement of interest subvention on export credit, a two-year moratorium on term loan repayments, reduction in margin money requirement, exemptions from paying service tax/terminal excise duty and central sales tax.

To give a fillip to items made by rural artisans, the draft also suggests bringing in more products such as hand-printed textiles under the purview of Vishesh Krishi and Gram Udyog Scheme.

In the December package for the industry, the government had reduced from 8% to 4% ad-valorem rates of central excise on textiles and accessories, additional funds of Rs 1,100 crore to ensure full refund of terminal excise duty/central excise and additional allocation of Rs 1,400 crore to clear the



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backlog of Technology Upgrade Fund Scheme (TUFS).

"The above steps are not sufficient to improve the condition of the sector. For example, the reduction in central excise duty affects only man-made fibre industry; the additional allocation for TUFS (funds) in effect covers past dues only upto June 2008 and in reality is only payment of dues which was long overdue," the textiles ministry has told the cabinet secretary.

In contrast, the ministry pointed out, competing countries such as China had been "incentivising their textiles and clothes indus-

tries" heavily to survive the global slowdown. China, for example, announced a 2-4% increase in VAT refund rates on textiles and clothes exports as early as July 2008 to take it to 13% and followed it up with more cuts to raise the refund level to 15% by February.

Around the same period, Pakistan announced reintroduction of R&D assistance to garments exporters at 6%, 5% refund of interest paid on loans for machinery, 3% interest subvention for spinning industry and a two-year moratorium on repayment of principal and interest on term loans.