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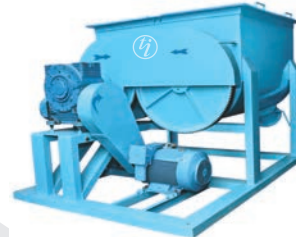
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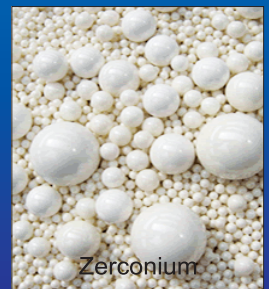
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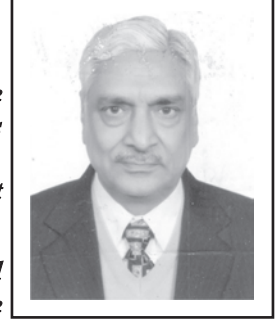
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Let noble thoughts come to us from every side — ऋग्वेद —

From
President's
Desk: 



Friends,

On behalf of AIFPI and its members, we extend heartfelt congratulations to Hon'ble Prime Minister alliance's victory in the recently held general elections-2024 and his appointment as the Prime Minister of India for the record third term in succession. This remarkable achievement is a clear indication of the trust and confidence that the people of India have in his visionary leadership.



The entire business community knows his foresightedness, successful entrepreneurship and a great reformer, who have achieved manifold success. The country has witnessed how he elbowed his way through all hardships and worked for betterment of the Industry. We are confident that under his dynamic leadership, India's industrial sector will reach its full potential and greater heights in the years ahead. I have every hope that the Government will take proactive action to reduce the compliance burden on industries, signaling a potential shift towards more business-friendly policies.

I would like to inform you that as our Federation's regular annual exercise, we have submitted Pre Budget Memorandum to the Minister of Finance and Finance Secretary. The recommendations made by us are given in this issue for the information of our member.

A small delegation of the Federation met Shri Mukesh Goel, Leader of the House, MCD and requested him to look into the issue of exorbitant rates of Property Tax for Industrial Properties in Delhi on the misconception that the property is commercial in nature and thus applying commercial Tax- Request to reframe rates for Industrial Property somewhere midway between residential and commercial. We have also requested for removal of multiplicative factor of 1.2 for property used by tenants for running the industrial activity in approved Industrial Areas of Delhi.

Another important point discussed with him is related to steep increase in MCD Factory License fee for operating Small Scale and Tiny Industries operating in erstwhile North MCD area for the year 2024-25 and subsequent years. He has assured that he will look into the matter favourably once the elections of the Mayor is held.

Besides the above, a delegation of the Federation met Shri Harsh Malhotra, Minister of State of Road Transport regarding reduction of GST on footwear from 12% to 5% upto Rs.1000/-. Subsequently a meeting was arranged with the Hon'ble Finance Minister along with which Shri Malhotra also accompanied and this matter has been brought to the notice of the Minister and we hope that this will be looked into positively.

In order to make our Federation voice heard at various government department, I would request our esteemed members to request your known firms to become member of the Federation so that we can collectively pursue our day to day problems with the department.


(Sadhu Ram Gupta)
President



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**Representation sent to the Mayor of Delhi,
Shri Mukesh Goel, Leader of the House, MCD and
Shri Akhilesh Pati Tripathi, MLC regarding
exorbitant increase of MCD factory Licence**

Sub: Exorbitant increase in MCD Factory License fee for operating Small Scale and Tiny Industries operating in erstwhile North MCD area for the year 2024-25 and subsequent years.

We wish to bring to your kind notice that after the unified MCD in 2022, the MCD Factory License fee for small and tiny units even in approved Industrial Areas of Delhi has been increased multiple times or say manifolds, than that existed during the year 2022-23 or earlier years.

OLD FEE

The fee earlier charged for renewal of the factory license earlier was as follows:-

For a unit having 120 HP license the fee was as under:-

- (a) Unit Charge 80/-
- (b) Charges according to the Power Load Rs.4/- per HP
- (c) Total License fee for 120 HP Load = 1.5 times (80+(4x120))= 850
- (d) Total amount payable = (C+ Transaction charges) = 850+ 22.05=872.05.

CURRENT FEE

The current fee as per the new proposals are as under:-

- (a) Application Fee (one time) 1000/-
- (b) Unit charge per year 1000/- with increase in 15%
- (c) Power load 50/- per H.P with increase in 15%.
- (d) Total License fee for Ist Year = 1000+1000+(50x120) = 8000/- for Ist Year
- (e) Total License for 2nd year=1150 +1150 +1150 + 6000+6900= 16350 for 2ndyr
- (f) Total License fee 3rd year = 1300+1150 +1150+1300+6000+6900+6900=24700
- (g) License fee increment for Ist year (8000-850) = 7150/- +Transaction charge
- (h) License fee increment for 2nd year (16350-8000-850) = 7500/- Trans charge
- (i) License fee increment for 3rd year (24700-16350-850) = 7500/-+ Trans Charges

Result: The industry has to pay additional fee of RS 22,150/- for a 3 year License now.

Exceptionally higher Rates of Tax Lead to Lower Revenue

Generation:-

Delhi has emerged as a manufacturing hub for all most all industrial products leave aside Mumbai, after the independence era, which resulted in the development of Delhi and we all are a witness to it. The industry is the backbone of economy and no state or country can survive, if its economy does not flourish. However during the Era 2001 and onward, our public representatives tried to experiment a new regime. Whereas the Large and Polluting Industries were shown the way out of this city by the Hon' Supreme Court keeping in view the health and other evil conditions like pollution etc. of the citizen of Delhi , there was no bar for Small and Medium Industries but the Policy of the Govt. of Delhi by imposing heavy taxes and stringent conditions and higher rates of electricity compelled the industry either to close down or shift from Delhi resulting that the financial position of Delhi instead of being self-dependent became more and more critical and in turn dependent on grant from the Union Govt. Considering the fact that the revenue of Delhi was being on a sticky wicket, the Central Govt in turn was hesitant to grant more aid/revenue sharing , knowing fully the factual matrix that the revenue in the city was not increasing at the same pace as the requirements of this city. Though the period of Carona Epidemic too made the situation worst, the halfhearted efforts of our bureaucrat and their policy did not yield good results.

Similarly the AAP Govt. has gifted a large number of Small and tiny units to nearby States especially Haryana, by resorting to abrupt increase in license fee in a bid to cover the expenses in sanction of Factory License incurred when compared to the realization from this avenue. It is worthwhile hear to mention , that whereas on one hand the MCD is struggling for funds due to its ever rising cost, we can hear the voice from people that the money exorted by the employees of this department is much larger than the revenue earned by the MCD. The comparison of income tax is already before us as explained above.

Sir, you would please, appreciate, admit and accept that the issue of corporation license is only a regulatory practice and should not in any way considered as a revenue building exercise. Whereas the number approved industrial area in

Delhi is about 26 as per DPCC List which include Bawana, Okhla, Wazirpur, Lawrence Road, Patparganj, Udyog Nagar, Kirti Nagar, Badli, Jhandewalan, Naraina Ph. I & II, SMA, Anand Parbat, Rajasthan Indl Area, Keshopur, Shahdara, Narela, Mayapuri, Shahzada Bagh, Friends Colony, Nazafgarh Road, Zhilmil, G.T. Karnal Road, Nangloi Industrial Area and Okhla Flatted Complex.

Since these Industrial areas have already been classified as Heavy and Light Industrial Areas, the list of Industries allowed in these Industries is already defined and the MCD should only permit the industry to run as per the prevailing list. The fee for permission should only be a token money for these industrial areas and for other areas of Delhi, the MCD can charge its own schedule of rates.

Sir/Madam, otherwise also, if the Industrial activity in Delhi goes up, it will not only provide direct employment to the person employed in the industry, but would also provide an indirect employment to a large number people of this country adding to growth of this country.

No doubt, the financial position of MCD of Delhi is in a precarious condition with the Delhi High Court passing strictures on the matter of nonpayment of salary to the staff, non Upgradation/non maintenance of proper civic service etc. The only answer to this menace is that whereas the expenses can be met from the earnings, meeting the expenses from money borrowed may not be a long term solution. Thus to cut short, the only alternative to Delhi Govt is to make sincere efforts for increase in production which in turn would increase the GST apart from providing employment thus result in compelling the Union Govt to share more revenues with our state and this would lead to all round prosperity.

We sincerely hope, you would please give a sincere thought to our suggestions and bring the MCD factory license fee to levels prior to 1.4.2022 to enable the industry to survive in national capital. We would request you to spare some of your valuable time out of your busy schedule to enable us to come to your office and explain the matter in person for the survival of industries in Delhi. ■

Representation sent to the Mayor of Delhi, Shri Mukesh Goel, Leader of the House, MCD and Shri Akhilesh Pati Tripathi, MLC regarding exorbitant increase of Properties tax in Delhi

1. Exorbitant rates of Property Tax for Industrial Properties in Delhi on the misconception that the property is commercial in nature and thus applying commercial Tax- Request to reframe rates for Industrial Property some where midway between residential and commercial.

2. Removal of multiplicative factor of 1.2 for property used by tenants for running the industrial activity in approved Industrial Areas of Delhi.

These days, the Industrial Properties in Delhi are having only MSME units, and majority of them are tiny units (after the Large Industries were shifted out of Delhi by the orders of Supreme Court) and while calculating property tax payable, these units are being charged at commercial rates without giving due consideration to the fact that the nature of Industrial activity in these Properties have entirely no similarity or connection with the commercial ones. Whereas on one hand the Industrial properties create wealth for the nation by producing goods or articles with the use of raw material added with the skills and devotion of the entrepreneur which result in value addition to a great extent, as well as formation of new product. On the other hand, in the case of commercial property, after adding to the cost of

procurement of manufactured goods by other manufacturers /producers, the commercial entity add their own margins and reselling to their customers. From the above it is also clear that the income of the state in the form of GST is likely to be very much higher in the case of goods produced by Industrial Units as compared to commercial units. It is only for this reason that the industry is termed as the back bone of economy of the nation and our Govt should leave no stone unturned to save and protect its industry.

The Govt. of India while assessing the income from business has introduced the following scheme:-

The presumptive taxation scheme of section 44AD can be exercised only if your total turnover or gross receipts from the business do not exceed Rs. 2 crores for AY- 2023-2024 onwards. However, these limits were revised from 2 crores to 3 crores in Budget 2023 if the cash receipts of such businesses are less than 5% of the total receipts. The new rates are applicable from AY 2024-25.

In case you are adopting the provisions of section 44AD, your income will not be computed in the normal manner but will be computed @ 8% (6% in case of digital receipts) of the turnover or gross receipts of the eligible business for the year.

The income computed under this scheme will be the final taxable income of the business covered under the presumptive taxation scheme, and no further expenses will be allowed or disallowed even on account of depreciation. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 is claimed and has been actually allowed.

Income at the higher rate, i.e., higher than 8%, can be declared if the actual income is higher than 8%.

You can declare income at a lower rate (i.e., less than 8% or 6%); however, if you do so and your income exceeds the basic exemption limit, then you will be required to maintain the books of accounts u/s 44AA and to get your accounts audited u/s 44AB.

From the above, it is abundantly clear that the more the turnover, the more will be the incidence of tax, and in the case explained above, the tax on commercial establishment is bound to be much higher as compared to the industrial units working within the similar premise and so is our contention for a lower tariff for Industrial Properties.

Now coming to a comparison of Commercial and Industrial Property, an establishment can have a turnover of Crores of Rupees even if operating from a small area of premises, whereas an Industry cannot manufacture and subsequently sell its products for that much quantum of goods. The turnover of a manufacturing establishment of say 100 sq meter shall only be a small percentage of that of commercial establishment of 100 sq. meter.

From the above examples, it is well established that the taxation on Industrial Establishment cannot by any stretch of imagination be kept equivalent to commercial property. It is this anomaly which is taking the industrial establishments in Delhi in deep water, with the result that the Industrial Units are shifting to the neighboring states where the rates of property tax are at a much lower rates as compared to Delhi.

Citing an example, an industrial property in Haryana, Kundli in the Sonapat Distt. having Plot area of 1200 sq yd has to pay property tax @ Rs. 5000/- to Rs. 6000/- whereas similar size of property in Delhi has to pay nearly Rs. 1.00 Lac as property tax to MCD.

It would not be out of place to mention here that whereas the bureaucrats at MCD are only thinking on extracting more and more from Industrial Units, they miss a very important factor that whereas the value addition of a Commercial Property owner is much less as compared to Industry and would generate a very high amount in terms of GST to the national

exchequer and the share of the state will also increase exponentially, which would in turn cover all the losses of revenue incurred by MCD in this exercise. And this too would grow more and more every year.

That the estimated amount of Property Tax in Delhi during the year 2022-23 is estimated at 2409.5 crores of Rupees which includes Rs. 654.5 Crores from Samriddhi Scheme ending on March 31,2023. Similarly the Property Tax collected during 2021-2022 is Rs. 2014.7 Crores. If the collection from Samriddhi Scheme is excluded from the collections of 2022-23, the collection is the same as for 2021-22. The comparison clearly shows that there is a declining trend in collection of property tax, the reason being incidence of higher tax rates. It is a basic formula that the higher the tax rates are, the more is the premium for nonpayment of taxes or avoiding/evasion of tax or indulging in unnecessary litigation. It is also interesting to point out at this juncture that during the Samriddhi Scheme, new Buildings, with 1.32 Lacks Tax payers were added which were instrumental in raising the revenue of MCD. The above data show that the Property Tax inspecting staff very well knew that the tax payers can be added, but instead of bringing the new Property owners to the tax, they are more interested in putting unnecessary pressure on existing tax payers by issuing notice on one pretext or other for reasons best known to each one of us. In this entire process, seeing the cost of litigation, the corporations suffers while its officials are at handsome gains. This practice will have to be toned down once for all. The MCD must declare that when a self-assessment return is filed by the property owner, and even if the difference in assessed property tax is to the tune of 10-15% , the assessment will not be reopened thus saving time of the officers to devote more time in bringing new property into tax net, and the tax payer would feel comfortable by liquidating their liability once for all. The tax payer is never afraid of paying legitimate tax, but is afraid and annoyed at the harassment it suffers from the inspecting officials for the reasons, you are well aware of.

Sir, This position was very carefully analyzed by the Income Tax Department and found that the only way to come out from this unnecessary litigation and get more and more revenue into the national exchequer was to create an atmosphere of trust amongst the tax Payers so that they contribute their best to the national exchequer.

On the other hand, it appears that the bureaucrats at MCD Delhi do not want to realize these facts, in their own interest, keep aside the interest of MCD, which has to be curtailed, if

the MCD has to survive. Whereas the Unit area Byelaws provide that:-

123 B(10) Where no notice is sent by the Commissioner under section 123C within twelvemonths after the year to which such self-assessment relates, such self-assessment shall be regarded as assessment made under this Act: Provided that in any case, where there has been wilful suppression of facts, penalty up to thirty per cent of the tax due may be imposed: Provided further that the procedure for sending of notice, hearing of objection and determination of tax and penalties shall be such as may be specified in the bye-laws.

From the plain reading of the legislature Section 123B (10) reproduced above, the intention of the legislature is firm and clear, but the officials with their ill intentions try to manipulate the law so as to bring before the authorities that every tax payer is culprit, notwithstanding the fact that the salary of the staff/ department is being paid from the tax payers money.

Also, it is seen that for a rented industrial property a multiplicate factor of 1.2 is prescribed. We fail to understand this thought, because of the fact that the property owners who

are not able to run their own unit for one factor or the other, or may be due to their old age, often give their industrial space on rent to get money for their survival and still contribute to the prosperity of the nation by keeping the contribution of industrial production and prosperity of nation. But surprising for the MCD, who is providing basic amenities, there is hardly any change whether the owner of Plot runs the unit on his own or in partnership with another person or has leased his premises. This factor is illegal and has been added without giving proper thought in the matter and needs immediate deletion.

It is also worthwhile hear to mention that on the face of it , the suggestions stated above may look like sacrificing some amount of revenue, if we see in the larger interest of the state, this would be a great win-win situation in long run.

We therefore request you to kindly spare some time out of your precious time schedule to give us a date and time for hearing into the grievances of the industrial fraternity, and we are ample sure that the meeting will definitely yield results for the prosperity of our state in particular and our country as a whole. ■

Representation sent to Shri Rajeev S Thakur, Additional Secretary (DPIIT), Ministry of Commerce and Industry

Request to consider the applicability of same BIS licence for manufacturing same categories of footwear to a company in his other units for production of the same products on the basis of one GST/PAN.

As per BIS norms there are almost 27 categories of footwear. For manufacturing of these categories of footwear, every premise has to obtain BIS licence for making footwear for each and every category. Footwear is a seasonal product and the manufacturer is making products as per the demand of the masses in the country and also keeping in view the rainy, summer and winter season. There are almost 4 categories of footwear i.e. sport shoes, sandal sleepers, hawai chappal and general purpose footwear which every manufacturer is making keeping in mind the demand and weather. Particularly in Delhi the plot sizes are from 200 to 300 sq. meters and the manufacturers are making all the above 4 categories in their premises.

As per GST norms, if a units is having one GST number and PAN number, he can operate in one name using single GST/PAN though he is operating from multiple premises and the same GST/PAN is allowed, he can add the address of these locations in the GST. However, as per BIS rules, for different category of footwear and for each premises, BIS licence has to

be obtained for different categories and different premises.

Sir we would like to mention here that if 'A' company which is manufacturing different kind of footwear i.e. sports shoes, sleepers, hawai chappal etc. and have already obtained three BIS licences for the same, and the 'A' company is having another units in the same names, he may be allowed to produce these items in his other units on the same BIS licence keeping in view that the 'A' company is producing the sport shoes, sleeper or hawai chappal in his own name on the basis of single GST number and PAN number.

In view of the above, it is submitted that the BIS licence could be allowed to one company/unit manufacturing same category of footwear products in his another location/premises having one GST and PAN Number in order to ease of doing business and these locations may be added to his BIS licences as is done in GST norms. This will not only reduce time and energy of the department but also enable manufacturer to maintain records properly and help them to run their business without any fear and confusion and financial burden. We shall be grateful if you kindly consider our request favourably in the overall interest of the footwear sector. Submission of Pre Budget Memorandum to the Finance Minister and Secretary (Finance)

PRE-BUDGET MEMORENDUM 2024-25

Based on the suggestions of the Members, the Federation would like to submit its Pre-Budget Memorandum as under:

1. Request for reducing GST on footwear having value up to Rs.1000/- to previous rate of 5% regarding

The GST on footwear has been increased from 5% to 12% having value up to Rs.1000/- w. e. f. 1.1.2022. The footwear manufacturers are making low cost non leather footwear like plastic shoes, hawai chappal, sleepers etc. which are being used by poor people like farmers, women folks in the villages and Aam Aadmi etc. The footwear is a basic need of the human beings which is being used by them in their day to day life as such it is a necessity item for human use over the centuries more than the readymade garments.

In view of the above facts, we would earnestly request your good self to kindly consider levying previous rate of GST @ 5% on non-leather footwear having value up to Rs.1000/- at par with the garments. This will reduce the price 7% of low cost footwear which would give relief to the poor people.

2. Reduction of GST on (shoe upper) footwear component etc. (Chapter 64 Head 6404) from 18% to 12% reg.

We would like to submit that GST on footwear component (chapter 64 HSN 6404) is at present 18%. The small and tiny units of footwear including the job workers having three four stitching machines are making footwear components in their small premises/household units. . The 18% GST paid on components is affecting these tiny and job workers. There will be very less refund in case GST is reduced to 12% on footwear components (chapter 64).

It is submitted that GST on footwear covered under Chapter 64 (sub heading 6404) may be revised to 12% in the overall interest of the small and tiny units.

3. Reduction of GST on manpower agencies/Placement and Staffing industry from 18% to 5%.

The small and medium scale industries are job providing industry and quite often appoint staff and workers in their factories. In view of the seasonal demand they are looking for extra manpower from various staffing industries/placement agencies to appoint workers, security guards etc. The GST on such manpower providing agencies at present is @18% which is a huge amount and these manpower agencies are charging this from the MSME sector thereby increasing their cost and they are hesitant to appoint. These agencies are charging for contract staffing services, temporary staffing and long term staffing services@ 18% per person inclusive of monthly salary of the person + overtime

paid to the worker+ESI+PF+ own service margin + on total salary and perquisites being paid to the concerned employee, which becomes a very huge amount for small and medium enterprises.

It is submitted that GST on staffing sector/manpower providing agencies may be kept at the minimum i.e. 5% or GST be charged only on their service margin charge (profit margin) so that more and more employment can be generated in small and medium industries and other sectors of the economy. This will not only encourage Manpower agencies to provide trained manpower but also help various sectors to give employment in their factories.

4. Request to review the decision of payment of 45 days to Micro and Small Units by the medium enterprises

As per the provisions for the MSME 45 days payment rule in Sections 15, 16 and 2(b) of the MSME Act, for the goods and services supplied by the MSEM units, payments have to be made by the buyers on or before the date agreed on between him and the supplier in writing or, in case of no agreement, before the appointed day. The agreement between seller and buyer shall not exceed more than 45 days.

We would like to mention that the medium enterprises who are doing seasonal work like footwear industry, they have to make the payment to the Micro and small enterprises within 45 days whereas they have to make the stock prior to the season and manufacturer has to make preparation before the season. The medium enterprises will not get the business and as such how they can pay to the Micro and small industries within 45 days. There will be big disturbance in medium enterprises and they will try not to buy the material from the micro and small enterprises. Many buyers, who have been receiving the goods / supplies hitherto with a flexibility of payment period as agreed upon between both the parties, are now hesitant to accept the goods, when the payment terms are limited to 45 days only.

It is submitted that government may repeal the changes made of 45 days payment to MSMEs which will be helpful to the trade and industry including MSMEs.

5. Incentives to be given to labour intensive sector.

Incentives should be given to the labour intensive sector as if the employment increases in a units, company may be given incentives on employment generation. If women employee is appointed some additional benefits should be given to as to encourage the employment.

6. GST paid on inputs

GST paid on inputs for purchase of goods/machinery etc. it should be refunded to him as the case may be, as he has to pay income tax on that also.

7. Reduced rate of loan for installation of plant and machinery

The rate of loan taken for installing plant and machinery should be reduced as in the case of house loan or car loan.

8. National Policy on Minimum Wages”

We would like to submit that different States are having their own Minimum Wages which are not only identical and are creating confusion amongst the trade and industry. The minimum wages are suddenly increased by the State Government which is hurting the small and medium industries as their ongoing production processed is hampered due to sudden increase and the workers are demanding the increased wages. This has become a common phenomenon and the ongoing production has been slowed down. These will not only affect the profits, but the income of these small industries will be curtailed, and they have no other alternative either to increase the wages or the small industries will cut down their labour force and this will lead to unemployment.

In order to have coordinational relations between the employers and the employee, it is submitted that the Government may kindly formulate a national policy on minimum wages and the same may be enforced in the whole country in the overall growth of the industry as well as employees in the country.

9. Labour Law Reforms

There is multiplicity of labour Laws which is responsible for slow growth of industry in our country. Experience reveals that while following one law, there is contravention of the provisions of another law particularly when we compare the

laws of Factories Act, Minimum Wages Act, ESI Act, Payment of Bonus Act, and other allied Acts pertaining to labour. The trade unionism is a mechanism for resolving of grievances/disputes across the table but it is observed that this mechanism is not applied in true spirit.

It is submitted that there is a need not only to reduce the number of laws for the industrial enterprises but also to simplify and codify them in a way that it becomes easy to understand and follow. There should be a mechanism for time bound redressal of grievance/disputes. This will help in maintaining industrial peace and harmony in the industrial sector. We would like to submit that at present 12% of EPF is being paid by employers and the same 12% is being deducted from employees which are a huge burden on the small and medium industries. The profit margin, increased cost of raw materials, and running expenses, the quantum of PF contribution is quite high as the salary and pay of the employees have increased due to minimum wages and the ceiling has also been increased to Rs.15,000/-.

It is also submitted that PF contribution from the employer's and employee side may be reduced to 8% on the basic pay as was allowed earlier in order to help both employee as well as the employer.

10. Corporate Tax Limit

There is a need for reduce the Corporate tax to 20% keeping in view of the backdrop of low investment and this would facilitate investment and increase employment opportunities.

It is requested that for the development of small scale industry, these points may kindly be considered and necessary relief may be provided to entrepreneur community. We shall be grateful for sympathetic consideration of the aforesaid submission in the Union Budget 2024-25. ■

Letter to Finance Minister, Smt Nirmala Sitharaman on GST on footwear

Request to restore increased GST rates on footwear from 12% to 5% reg

Heartiest congratulations on the splendid performance of newly elected BJP Government in the recently concluded elections. Kindly accept our best wishes and compliments on your assuming office as Union Minister of Finance. Nobody could have filled in this slot better than you with your vast knowledge, rich experience and expertise. Let me congratulate you personally as well as on behalf of all the Executive Council members, Patron Members, Life Members

and Annual Members of the Federation, at the very outset!

Madam, we would like to submit before your good self that the GST on footwear has been increased from 5% to 12% having value up to Rs.1000/- w. e. f. 1.1.2022. The footwear manufacturers are making low cost non leather footwear like plastic shoes, hawai chappal, sleepers etc. which are being used by poor people like farmers, women folks in the villages and Aam Aadmi etc. The footwear is a basic need of the human beings which is being used by them in their day to day life as such it is a necessity item for human use over the centuries

more than the readymade garments. GST on footwear may be applicable @ 5% at par with the readymade garments sector so as to help the small footwear manufacturers so that they may be able to increase employment in the sector.

The footwear is one of the major labour intensive industries providing direct and indirect employment to general masses, artisan, women folks etc. who have been making shoe upper and soles, components etc. in their tiny and small units. They have been contributing to the economy of the country as well as regional level. Due to this increase footwear sector has suffered a lot. Footwear below Rs.1000/- is a necessity human item and not a luxury one as these are being used by daily workers, rickshaw puller, aam gareeb aadmi etc.

This industry is mainly in the MSME category which is contributing substantially to the economy and GDP of the country. The footwear industry can be started with small

investment and give more employment. The footwear is a seasonable industry and different kinds of footwear are being made keeping in view rainy season, summer and winter season. Madam, due to the dynamic leadership of the Hon'ble Prime Minister, ease of doing business and make of India initiative, the footwear industry is providing employment not only in cities but at the regional level also.

In view of the above facts, we would earnestly request your good self to kindly consider levying previous rate of GST @ 5% on footwear having value up to Rs.1000/- at par with the garments. This will not only reduce the price of low cost footwear but would also give relief to the poor people as well as to the manufacturers.

We shall be highly obliged if you may kindly accede to our request favourably in the overall growth of the footwear sector. ■

Letter to Shri Harsh Malhotra, Minister of State for Road Transport regarding reduction of GST on footwear from 12% to 5%

Sub: Request to restore increased GST rates on footwear from 12% to 5% reg

Heartiest congratulations on the splendid performance of newly elected BJP Government in the recently concluded elections. Kindly accept our best wishes and compliments on your assuming office as Minister of State of Road Transport and Minister of State for Corporate Affairs. Nobody could have filled in this slot better than you with your vast knowledge, rich experience and expertise. Let me congratulate you personally as well as on behalf of all the Executive Council members, Patron Members, Life Members and Annual Members of the Federation, at the very outset!

Sir, we would like to submit before your good self that the GST on footwear has been increased from 5% to 12% having value up to Rs.1000/- w. e. f. 1.1.2022. The footwear manufacturers are making low cost non leather footwear like plastic shoes, hawai chappal, sleepers etc. which are being used by poor people like farmers, women folks in the villages and Aam Aadmi etc. The footwear is a basic need of the human beings which is being used by them in their day to day life as such it is a necessity item for human use over the centuries more than the readymade garments. GST on footwear may be applicable @ 5% at par with the readymade garments sector so as to help the small footwear manufacturers so that

they may be able to increase employment in the sector.

The footwear is one of the major labour intensive industries providing direct and indirect employment to general masses, artisan, women folks etc. who have been making shoe upper, toe, soles, components etc. in their tiny and small units. They have been contributing to the economy of the country as well as regional level. Due to this increase footwear sector has suffered a lot and their working capital has been adversely affected.

On the other hand, this has encouraged grey market which will not generate revenue to the Government. Footwear below Rs.1000/- is a necessity human item and not a luxury one as these are being used by daily workers, rickshaw puller, aam gareeb aadmi etc.

In view of the above facts, we would earnestly request your good self to kindly recommend to the Finance Ministry to consider levying previous rate of GST @ 5% on footwear having value up to Rs.1000/- at par with the garments. This will not only reduce the price of low cost footwear but would also give relief to the poor people as well as to the manufacturers.

We shall be highly obliged if you may kindly accede to our request favourably in the overall growth of the footwear sector. ■

Full Budget Likely to be Presented Around July 10-12

With the general elections entering the final phases, ministries and departments of the Union government have begun the internal exercise to firm up proposals and expenditure plans for the full Budget 2024-25, which is likely to be presented around July 10-12, sources told FE.

In 2019, the budget was presented on July 5, a month and five days after Narendra Modi was sworn in on May 30.

This time election results will be announced on June 4 and the swearing-in of the new government will likely happen before June 10.

Given the paucity of time, only around a month will be available for the budget consultation with industry and other stakeholders before the Budget is presented in Parliament.

Modi continues to express supreme confidence that his government will secure a straight third term in the ongoing general elections, even as the leaders of the opposition INDIA alliance see a tide in their favour.

"We have been told to firm up our proposals and

recommendations now as there will not be much time after the government formation as the Budget has to be approved at the earliest for faster execution of proposals," a senior official said.

Recently, a meeting of all financial advisers of all departments was held to sensitize them about the upcoming Budget.

The Centre's expenditure so far has been as per the plans envisioned in the interim budget but will see acceleration only after June. A source said the expenditure size of Rs 47.65 trillion presented in the interim budget in February for FY25 may see some changes depending on the new ideas included by the government, key ratios such as the fiscal deficit are unlikely to vary.

The government may top up the 50-year interest-free capex loans to states by 15 per cent to Rs 1.5 trillion in 2024-25 from Rs 1.3 trillion provided in the interim budget due to increased demand for the liberal loan facility aimed at boosting economic activity across the country. ■

Finance Ministry Proposes New Central Excise Law, Seeks Public Feedback

The Union Finance Ministry announced its intention to replace the eight-decade-old Central Excise Act with a new central excise law.

The ministry has released a draft Central Excise Bill, 2024 and is seeking public comments on the proposed legislation until June 26th as part of a pre-legislative consultative process.

After the implementation of the Goods and Services Tax (GST) regime, only a few products like crude oil, petrol, diesel, natural gas, and aviation turbine fuel remain under the purview of the Central Excise Act.

However, these products yield substantial tax revenues for both the Union government, which collected over Rs 3 trillion from central excise duties in the fiscal year 2023-24, and state governments, which levy value-added tax (VAT) on these items instead of state GST.

According to the Finance Ministry, the draft Bill aims to enact a comprehensive, modern central excise law that emphasis's promoting ease of doing business while repealing outdated and redundant provisions.

The proposed legislation comprises twelve chapters, 114 sections, and two schedules.

Although the industry has advocated for including crude oil and petroleum products under the GST regime, a lack of consensus among states, which are reluctant to relinquish their taxation powers over these items in favour of the GST Council, has hindered such a move.

Unlike the excise law, GST avoids anomalies like 'tax on tax' by levying the tax at each successive stage of the supply chain only on the value added at that stage, thereby reducing the cost of doing business and the overall tax burden on the end consumer. ■

RBI Holds Repo Rate Steady, Revises GDP Projections Marginally Upward

In its latest monetary policy review meeting, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) maintained the repo rate at 6.5 per cent for the eighth consecutive time.

This decision marks the first MPC gathering since the recently concluded general elections.

During the post-meeting press conference, RBI Governor Shaktikanta Das announced an upward revision of the gross domestic product (GDP) growth projection for the fiscal year 2024-25 to 7.2 per cent, an increase from the earlier estimate of 7 per cent.

The RBI operates under a statutory mandate to maintain consumer price index (CPI) inflation at 4 per cent.

In April, the central bank had kept the repo rate unchanged at 6.5 per cent and maintained its 'withdrawal of accommodation' policy stance.

The decisions were taken by a majority vote of 5:1 within the six-member MPC, chaired by Governor Das.

The unchanged repo rate translates to no increase in external benchmark lending rates linked to the repo rate, providing relief to borrowers as their equated monthly instalments (EMIs) will remain unaffected.

Explaining the rationale behind the rate pause in April, Governor Das had cited persistent uncertainties in food prices as an upside risk to inflation, requiring vigilance to ensure a sustained disinflation path. ■

GST Appellate Tribunal To Digitise Dispute Resolution Process

The Goods and Services Tax Network (GSTN) is set to digitise the entire appeal process to the GST Appellate Tribunal (GSTAT), a senior government official has informed.

A dedicated portal for this purpose is expected to be operational before the full commissioning of all GSTAT benches across India.

In a move to address the substantial backlog of pending GST-related disputes at the appellate level, the government aims to operationalise all GSTAT benches by January 2025.

The principal bench in New Delhi is anticipated to commence functioning between July and August this year.

Official data reveals a staggering 14,227 appeals against disputed tax demands raised by Central GST authorities were pending as of June 2023, underscoring the urgency of streamlining the appeal mechanism.

On May 6, Finance Minister Nirmala Sitharaman administered the oath to Sanjaya Kumar Mishra, former Chief Justice of the Jharkhand High Court, as the President of the GSTAT.

Established under the Central GST Act, 2017, GSTAT is the appellate authority mandated to adjudicate various appeals against orders of the first appellate authority.

Comprising a Principal Bench in New Delhi and 31 notified state benches across the country, the tribunal's structure aims to ensure efficient and localised dispute resolution.

The government is currently appointing judicial members with legal and judicial expertise, as well as technical members proficient in taxation, finance, accounting, or economics, to serve on the GSTATs.

Their combined expertise is crucial for adjudicating appeals in accordance with legal principles and industry. ■

India's Economic Growth to Maintain Momentum in Q1 FY 2024-25: Finance Ministry

The Finance Ministry's monthly economic review for April 2024 indicates that India's economic growth practices.

In addition to digitising the appeal process, experts suggest increasing the number of GSTAT benches, appointing additional qualified members, and implementing strict timelines for hearing and resolving appeals to expedite the

disposal of the mounting backlog.

is poised to maintain its robust momentum in the April-June quarter of fiscal year 2024-25.

A likely boost in merchandise exports, fuelled by enhanced supply chain resilience, is expected to contribute to this sustained economic performance.

The review highlights that the Indian economy concluded the previous fiscal year 2023-24 on a strong note, surpassing market expectations despite significant external headwinds.

Early indicators, such as Goods and Services Tax (GST) collections, e-way bills, electronic toll collections, vehicle sales, purchasing managers' indices, and the value and number of digital transactions, point toward a continuation of this economic strength during the first quarter of the current fiscal year. Both the industrial and service sectors are demonstrating a robust performance, bolstered by brisk domestic demand and tentative external demand.

This favourable climate presents an opportunity for India's manufacturing firms to benefit from the "China Plus One" strategy, as organisations seek to diversify and strengthen their supply chains.

The EXIM Bank of India has forecasted double-digit growth in merchandise exports for the first quarter of fiscal year 2024-25, signalling a potential tailwind for the Indian economy's growth trajectory.

However, the review acknowledges the substantial challenges posed by unrelenting geopolitical tensions and volatility in global commodity prices, particularly for petroleum products. Nonetheless, the Finance Ministry expresses confidence that India's nurtured and strengthened macroeconomic buffers will help the economy navigate these challenges reasonably smoothly. As India continues to navigate the global economic landscape, the government remains focused on capitalising on the nation's economic resilience and leveraging opportunities for export growth and supply chain diversification. ■

Incongruity in the provisions regarding refund of accumulated ITC adversely affecting certain traders

In the year 2017 the Government took a landmark step by implementing Goods and Service Tax (GST) to boost the GDP of the country. The steps to introduce GST was definitely a win-win situation for all stakeholders of industry, government and the consumers. Early stages of the GST regime was a transforming force for business and auditors. Although digitization mode of payment of tax linked with the filing of returns has been made easy and suitable but at same time it has created complexity and made the compliance burdensome for MSME.

Tax rate challenges:

The multiple tax rates with intricacies and compliances have turned out to be extra burden especially for those who operate their businesses across multiple states and sectors to integrate operation including pricing structure of goods.

The situation become more complex in respect of those persons who are engaged in dealing in goods where there is inverted tax rate structure. Means where tax rate on inward supplies (both goods and services) is more than the rate of tax on outward supplies. The simplification of GST rate structure by reducing the instances of inverted tax structure by minimizing the number of tax rates. And the businessmen can optimise their supply chain management and overcome cash crunch on account of accumulation of input tax credit (ITC).

It is imperative that a suitable mechanism should be introduced for refund of accumulated ITC especially in respect of traders who are in the business of on-line trading

with the help of e-commerce partner. The ITC accumulated on the inward services like advertisement and on-line service charges lying unutilized in the electronic credit account of such traders, which adds up in the costing due to cascading effect of tax. This will definitely help such small industries / traders to say MSME to survive. ■



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Ministry Receives 'Positive' Feedback on 45-Day MSME Payments Rule

The Ministry of Micro, Small and Medium Enterprises (MSME) has received "positive" feedback from industry regarding the new 45-day payments cycle rule for MSMEs, according to a senior government official.

The rule, introduced in the Finance Act 2023, requires companies to pay outstanding dues to micro and small enterprises within 45 days for product supplies where an agreement exists, and within 15 days without an agreement.

Failure to adhere to these timelines will mean the buyer cannot claim tax deductions for such payments.

While some MSMEs had raised concerns that large firms may avoid procuring from small suppliers due to the penalties involved, the official said the ministry has received an encouraging response so far.

"We have received positive feedback from industry on

implementing the 45-day payments rule. They are very happy," the official stated, adding that any changes to the provision would be the finance ministry's prerogative, reported BS.

The new rule aims to address prolonged payment delays faced by MSMEs which adversely impact their working capital and business growth.

However, Sumit Singhania of Deloitte India noted some implementation issues like determining MSME eligibility, performance-linked retentions and year-end accruals that still need resolution.

MSME representatives welcomed the move, stating it will foster financial discipline among buyers and prevent disastrous impacts of delayed payments on small businesses. ■

Government Unveils Economic Blueprint for Job Creation, PLI Expansion &

The government is poised to introduce a comprehensive economic strategy aimed at fostering job creation, empowering small businesses, and enhancing women's participation in the workforce, according to sources familiar with the preliminary budget discussions.

A key component of this strategy involves the proposed expansion of the Production Linked Incentive (PLI) scheme to new sectors such as furniture, toys, footwear, and additional segments of textiles.

This move is intended to stimulate domestic manufacturing and attract foreign investment. The government is also contemplating the inclusion of speciality chemicals in the PLI scheme, capitalising on the retreat of European companies from this sector.

The plan places significant emphasis on Micro, Small, and Medium Enterprises (MSMEs), recognising their pivotal role in job creation.

While specific details are yet to be finalised, the objective is to empower these enterprises, building upon the support provided during the post-Covid recovery phase.

Addressing concerns about employment that emerged during recent elections, the government is prioritising both the quantity and quality of jobs.

This focus is partly in response to perceived voter dissatisfaction, which some analysts attribute to the ruling party's performance in certain regions.

Women's economic empowerment is another central theme of the proposed measures. Initiatives under consideration include tax arrangements and other incentives designed to boost women's income levels and workforce participation.

The middle class may also see targeted benefits, potentially extending beyond conventional tax concessions to include measures such as interest rate subsidies on housing loans.

Infrastructure development remains a priority, with plans being formulated to enhance both urban and rural infrastructure.

These initiatives are expected to form part of the government's 100-day agenda, which will inform the targets set for 2030. The Finance Ministry is scheduled to commence pre-budget consultations this week, engaging with a diverse range of stakeholders including economists, agricultural experts, market participants, bankers, and labour unions.

The Finance Minister is also slated to meet with state finance ministers to gather input for the national budget, prior to convening the GST Council meeting. ■

Union MSME Minister Manjhi Calls All Entrepreneurs To Register At Udyam Portal

Jitan Ram Manjhi, who was recently sworn in as the Union Minister for Micro, Small and Medium Enterprises (MSME), has urged aspiring entrepreneurs in India to register their new ventures on the government's Udyam registration portal.

In a post on the social media platform X (formerly Twitter), Manjhi stated, "Get your Udyam Registration for free and start your own business. Register at <https://udyamregistration.gov.in> to get your Udyam Registration."

He added that the resolution of Prime Minister Narendra Modi's government is to foster skills development and employment opportunities across the nation.

Accompanying Manjhi is Shobha Karandlaje, who has

assumed the role of Minister of State for Agriculture & Farmers Welfare and Minister of State in the MSME Ministry, replacing the former Minister of State, Bhanu Pratap Verma.

According to data from the MSME Ministry, India currently has 4.5 crore MSMEs registered on the Udyam portal, which was launched in July 2020.

The vast majority, 4.4 crore or 98.1 per cent, are classified as micro enterprises, followed by 7.06 lakh small enterprises and 67,364 medium enterprises.

The micro enterprise count includes 1.89 crore micro enterprises that are not covered under the Goods and Services Tax (GST), such as street vendors, who were registered via the Udyam Assist Platform introduced in January 2023. ■

Half Of MSME Working Capital Demand To Emerge From Tier-2 & 3 Cities From UP, Gujarat & Maharashtra

As India gears up for the festive season in 2024, micro, small, and medium enterprises (MSMEs) are poised for increased sales but continue to grapple with working capital shortages, according to a recent report by KredX, an Indian supply chain finance platform. The report projects that 40 to 50 per cent of the working capital demand during the pre-festive period will originate from tier two and three cities in Gujarat, Maharashtra, and Uttar Pradesh.

Simultaneously, tier-one cities such as those in Maharashtra, Tamil Nadu, Telangana, Karnataka, and Delhi NCR are expected to drive 20-30 per cent of the demand.

Despite festive sales being a vital revenue stream for MSMEs, particularly those in manufacturing, e-commerce, and logistics, limited access to short-term credit remains a significant growth barrier.

The report underscores that capital requirements for Indian businesses are anticipated to remain high as they pursue capacity expansion and inorganic growth.

E-commerce is identified as a key driver of demand, with consumer appliances, fashion, apparel, and fast-moving consumer goods (FMCG) leading the growth.

The sector now reaches over 20,000 pin codes, resulting in increased working capital needs. Notably, Kolkata and Hyderabad have seen a 200 per cent growth in e-commerce,

while Chennai, Mumbai, Delhi, and Bangalore report 100-150 per cent growth.

Tier two and three cities in Telangana, Uttar Pradesh, and Andhra Pradesh are experiencing over 500 per cent growth.

In the manufacturing sector, commodities such as electronics, automotive, engineering, and chemicals are expected to see a 50-60 per cent increase in working capital demand.

Ahmedabad leads tier-one cities with a 200 per cent growth rate, followed by Mumbai, Kolkata, Chennai, and Bangalore.

Tier two and three cities in Delhi NCR, Tamil Nadu, Chhattisgarh, Uttar Pradesh, and Jharkhand are projected to have a 500 per cent growth rate.

Manish Kumar, Founder and CEO of KredX, stated, "The festive season is critical for Indian businesses, especially MSMEs. We anticipate a 200 per cent increase in working capital demand in tier two and three cities, signalling a strong need for intervention."

The report attributes the high capital requirement to the need for expanded capacity in response to robust consumption growth, driven by India's increasing population, rising incomes, and growing urbanisation.

While the festive season presents significant opportunities, the persistent challenge of accessing working capital continues to impede the growth potential of Indian MSMEs. ■

DGTR Recommends Anti-Dumping Duty On Chemical Imports From China & Japan

The Directorate General of Trade Remedies (DGTR), an arm of the Indian commerce ministry, has recommended imposing an anti-dumping duty on imports of Trichloro isocyanuric acid, a chemical used for water treatment, from China and Japan.

The move aims to protect the domestic industry from cheap inbound shipments of the chemical from these two countries.

The DGTR's notification stated, "The authority recommends imposition of provisional anti-dumping duty on the imports." The recommended duty ranges from USD 170 per tonne to USD 870 per tonne.

The recommendation follows an investigation initiated by the DGTR after Bodal Chemicals Ltd, an Indian company, filed

an application alleging dumping of the chemical from China and Japan. While the DGTR, under the commerce ministry, has recommended the duty, the final decision to impose the same will be taken by the finance ministry within three months of the recommendation.

Anti-dumping probes are initiated to determine if domestic industries have been hurt due to a surge in below-cost imports. If proven, duties are imposed within the multilateral regime of the World Trade Organisation (WTO) as a countermeasure.

Anti-dumping measures are taken to ensure fair trade and provide a level playing field to the domestic industry. They are not intended to restrict imports or cause an unjustified increase in the cost of products. ■

Reforms in GST, Custom Duty, MSMEs to Push India's Growth: GTRI

The Global Trade Research Initiative (GTRI), a prominent economic think tank, released a comprehensive policy agenda on Thursday, urging the implementation of strategic reforms across various sectors.

According to the GTRI, India stands at the cusp of a transformative era, necessitating comprehensive economic reforms.

The proposed agenda addresses a wide range of issues, from simplifying the customs duty structure and pioneering regulatory frameworks for emerging sectors like crypto currencies, to boosting the MSME (Micro, Small, and Medium Enterprises) sector through GST (Goods and Services Tax) reforms and fortifying the nation's energy security.

One of the key recommendations is the simplification of the convoluted customs duty structure, which currently affects imports worth USD 680 billion.

The current structure, which has not been reviewed in 20 years, features over 27 different duty rates and over 100 specific or mixed duty slabs.

Notably, 85 percent of customs duty revenue comes from less than 10 percent of tariff lines, while 60 percent of tariff lines contribute less than 3 percent of revenue.

The GTRI suggests that with some adjustments, the average import tariff could be reduced from 18.1 percent to below 10

percent without impacting essential products.

This simplification would not only address global criticism, such as former US President Donald Trump's portrayal of India as the "tariff king," but also contribute to the nation's broader economic objectives.

Furthermore, the think tank proposes increasing the GST exemption limit for a firm's annual turnover from Rs 40 lakh to Rs 1.5 crore.

This move is anticipated to be transformative for India's MSME sector, promoting job creation and growth. Firms with less than Rs 1.5 crore turnover account for over 80 percent of GST registrations but contribute less than 7 percent of the tax collected.

Addressing concerns over India's growing reliance on Chinese imports, particularly in sectors like electric vehicles (EVs) and active pharmaceutical ingredients (APIs), the GTRI recommends avoiding incentives for low value-added EVs and instead focusing on developing domestic capacity for API production.

Finally, the agenda highlights the need to simplify e-commerce export rules, which could enable more than 20 lakh Indian firms to explore export opportunities, thereby boosting the nation's exports across various sectors, including handicrafts, jewelry, ethnic wear, decorative paintings, and Ayurvedic products. ■

SBI Introduces Cutting-Edge Digital Platform for MSME Loans

The State Bank of India (SBI), the nation's preeminent banking institution, unveiled a pioneering digital lending initiative aimed at revolutionising access to credit for micro, small, and medium enterprises (MSMEs) across the country.

Titled 'SME Digital Business Loans,' this cutting-edge platform leverages advanced data analytics and automated closure to condense the entire loan sanctioning process to a mere 45 minutes from start to finish.

Developed as part of SBI's strategic focus on the MSME segment for driving future growth, the new offering harnesses application programming interfaces (APIs) to seamlessly integrate verified data sources such as income tax returns, goods and services tax (GST) filings, and bank statements.

This robust ecosystem enables SBI's proprietary credit assessment engine to render loan approval decisions within just 10 seconds after applicants submit the requisite information, without any manual intervention.

Notably, the platform eliminates the conventional requirement for financial statements for loans up to Rs 50 lakh, relying instead on transactional records and GST returns for risk evaluation.

This radical departure from traditional underwriting practices

underscores SBI's commitment to enhancing ease of access while mitigating costs and delays historically associated with MSME lending. "We are committed to setting a new industry benchmark with SME Digital Business Loans, underscoring our constant efforts to drive innovation in MSME lending," remarked Dinesh Khara, Chairman, SBI.

He further explained, "By leveraging the rich data footprint of MSME units, we aim to provide the fastest and most intuitive lending process, further solidifying our position as the leading MSME lender in the country." Vinay Tonse, Managing Director for Retail Banking and Operations, SBI, emphasised the bank's focus on empowering MSMEs through disruptive technologies. He stated, "With this launch, we are offering a unique proposition to both new and existing MSME relationships, ensuring in-principle sanction within 45 minutes, ultimately enabling MSMEs to thrive in today's dynamic business landscape." The SME Digital Business Loans platform will be accessible to customers through SBI's extensive network of branches, dedicated SME centres, online portals, and digital channels. The bank plans to further augment availability through its correspondent banking partners and QR code-enabled outdoor kiosks in the coming months. ■

FISME Calls For Urgent Review Of SMA Framework For Struggling MSMEs In Post-Covid Era

The Federation of Indian Micro and Small & Medium Enterprises (FISME), a leading body representing MSMEs, has urged the new government to immediately address the challenges faced by micro, small and medium enterprises impacted by geo-political disruptions in the post-Covid period.

In a communique submitted to the Department for Promotion of Industry and Internal Trade (DPIIT), FISME highlighted that many MSME exporters have been severely affected by events such as the Russia-Ukraine war, the Israel-Palestine conflict, and the recent crisis in the Red Sea, leading to delays or cancellations of orders and payments.

However, exporters are not the only ones struggling. Several MSME segments are grappling with delays in payments, prolonged arbitration processes with government agencies, and issues with large corporations undergoing insolvency resolution under the IBC Act, according to FISME. The body has raised concerns about the Reserve Bank of India's Special Mention Account (SMA) provisions, which do not consider

such extraordinary circumstances. Under the SMA framework, banks are required to assign ratings of SMA-0, SMA-1, or SMA-2 to accounts showing signs of stress, even if payments are only 30 days overdue. This effectively paralyses the banking operations of the affected units. FISME has called for urgent reforms to the SMA policy, which it claims has proved disastrous for thousands of MSMEs recovering from the Covid-19 pandemic.

The policy, in place since 2013, has led to successful MSMEs being classified as non-performing assets (NPAs) due to its rigid nature, ultimately forcing some to shut down operations. The body cited examples of a Jaipur-based auto-lights manufacturer and a Bangalore-based granite pickling-tank manufacturer, both of which turned NPAs and were forced to close due to the SMA framework's impact during the pandemic and geo-political crises. FISME has urged the government to review the SMA policy urgently to prevent further harm to the MSME sector, which plays a vital role in the country's economy. ■

GST Council To Address Inverted Duty Structure Relief For Key Industries

The Goods and Services Tax (GST) Council is expected to consider a proposal aimed at providing relief to industries such as textiles, fertilisers, and leather, which have been grappling with the challenges posed by the Inverted Duty Structure (IDS).

The IDS refers to a situation where the Goods and Services Tax (GST) rate on inputs is higher than the rate on the final product.

This inversion leads to the accumulation of input tax credit (ITC) for businesses, resulting in cash flow constraints as they are unable to effectively utilise the accrued credit.

Consequently, producers in affected sectors often apply for refunds, a process that has been hindered by complexities in calculation and litigation, as reported by businessline.

The issue of IDS is currently under review by the Group of Ministers (GoM), convened by Uttar Pradesh's Finance

Minister Suresh Kumar Khanna and tasked with rate rationalisation.

While the GoM has yet to submit its final report, an interim report released in June 2022 suggested measures to address IDS in certain sectors.

According to the interim report, the non-availability of refunds for accumulated ITC on services and capital goods in cases of IDS has increased the cost of supply, rendering Indian manufacturers and suppliers less competitive in both domestic and international markets.

Additionally, the report highlighted that ITC blockage incentivises tax evasion.

The GoM asserted that correcting the inversion would enable domestic manufacturers to utilise the credit for taxes paid on inputs, preventing the burden from being passed on to consumers while benefiting manufacturers simultaneously. ■

Govt Considers Personal Income Tax Cuts, Aiming To Boost Consumption

The Indian government is evaluating potential reductions to personal income tax rates for certain segments of taxpayers, according to two government sources familiar with the discussions. The mooted tax cuts are being viewed as a measure to stimulate consumption in Asia's third-largest economy, as reported by Reuters.

The sources, who requested anonymity due to the confidential nature of budget deliberations, stated that an announcement regarding the tax reforms could come as early as July.

This timing would coincide with the presentation of the first federal budget by Prime Minister Narendra Modi's government since his Bharatiya Janata Party (BJP) failed to secure an outright majority in the recent general elections.

Despite India's economic growth reaching an impressive 8.2 per cent in the 2023-24 fiscal year, consumption growth has been relatively muted, expanding at approximately half that rate. Addressing this discrepancy appears to be a priority for the administration, with Prime Minister Modi previously signalling his government's intent to bolster middle-class savings and enhance living standards.

The sources indicated that the proposed tax relief could target individuals earning above 15 lakh rupees annually, up to an

as-yet undetermined income threshold.

Modifications are being contemplated to the existing tax regime introduced in 2020, which levies a 5-20 per cent tax on annual incomes up to 15 lakh rupees, while incomes exceeding that amount are taxed at a flat rate of 30. One source highlighted the steep increase in the tax rate, which escalates six-fold when an individual's income rises from 300,000 rupees to 1.5 million rupees.

Discussions are also underway to explore lowering personal tax rates for those earning 1 million rupees annually and potentially revising the threshold for the highest 30 per cent tax bracket under the older tax system.

While acknowledging that any reduction in tax revenue could partially be offset by increased consumption from the targeted income groups, the government is also cognizant of its fiscal deficit target of 5.1 per cent of GDP for the 2024-25 financial year. Robust tax collections amidst India's economic buoyancy, coupled with a substantial dividend from the central bank, are expected to provide the administration with greater flexibility in crafting its first budget of the new term.

The Finance Ministry did not immediately respond to a request for comment on the matter. ■

Recommendations of 53rd GST Council Meeting

The 53rd GST Council met under the Chairpersonship of Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman in New Delhi today. The meeting was also attended by Union Minister of State for Finance Shri Pankaj Chaudhary, Chief Ministers of Goa and Meghalaya; Deputy Chief Ministers of Bihar, Haryana, Madhya Pradesh, and Odisha; besides Finance Ministers of States & UTs (with legislature) and senior officers of the Ministry of Finance & States/ Uts.

The GST Council inter alia made the following recommendations relating to changes in GST tax rates, measures for facilitation of trade and measures for streamlining compliances in GST.

Changes in GST Tax Rates:

I. Recommendations relating to GST rates on Goods

A. Changes in GST rates of goods

1. A uniform rate of 5% IGST will apply to imports of 'Parts, components, testing equipment, tools and tool-kits of aircrafts, irrespective of their HS classification to provide a fillip to MRO activities subject to specified conditions.
2. All milk cans (of steel, iron and aluminum) irrespective of their use will attract 12% GST.
3. GST rate on 'carton, boxes and cases of both corrugated and non-corrugated paper or paper-board' (HS 4819 10; 4819 20) to be reduced from 18% to 12%.
4. All solar cookers whether single or dual energy source, will attract 12% GST.
5. To amend existing entry covering Poultry keeping Machinery attracting 12% GST to specifically incorporate "parts of Poultry keeping Machinery" and to regularise past practice on 'as is where is' basis in view of genuine interpretational issues.
6. To clarify that all types of sprinklers including fire water sprinklers will attract 12% GST and to regularise the past practice on 'as is where is' basis in view of genuine interpretational issues.
7. To extend IGST exemption on imports of specified items for defence forces for a further period of five years till 30th June, 2029.
8. To extend IGST exemption on imports of research equipment/buoys imported under the Research Moored Array for African-Asian-Australian Monsoon Analysis and Prediction (RAMA) programme subject to specified

conditions.

9. To exempt Compensation Cess on the imports in SEZ by SEZ Unit/developers for authorised operations w.e.f. 01.07.2017.

Other Miscellaneous Changes

10. To exempt Compensation cess on supply of aerated beverages and energy drinks to authorised customers by Unit Run Canteens under Ministry of Defence.

11. To provide Adhoc IGST exemption on imports of technical documentation for AK-203 rifle kits imported for Indian Defence forces.

II. Recommendations relating to GST rates on services

1. To exempt the services provided by Indian Railways to general public, namely, sale of platform tickets, facility of retiring rooms/waiting rooms, cloak room services and battery-operated car services and to also exempt the Intra-Railway transactions. The issue for the past period will be regularized from 20.10.2023 to the date of issue of exemption notification in this regard.

2. To exempt GST on the services provided by Special Purpose Vehicles (SPV) to Indian Railway by way of allowing Indian Railway to use infrastructure built & owned by SPV during the concession period and maintenance services supplied by Indian Railways to SPV. The issue for the past will be regularized on 'as is where is' basis for the period from 01.07.2017 till the date of issue of exemption notification in this regard.

3. To create a separate entry in notification No. 12/2017-CTR 28.06.2017 under heading 9963 to exempt accommodation services having value of supply of accommodation up to Rs. 20,000/- per month per person subject to the condition that the accommodation service is supplied for a minimum continuous period of 90 days. To extend similar benefit for past cases.

Other changes relating to Services

4. Co-insurance premium apportioned by lead insurer to the co-insurer for the supply of insurance service by lead and co-insurer to the insured in coinsurance agreements, may be declared as no supply under Schedule III of the CGST Act, 2017 and past cases may be regularized on 'as is where is' basis.

5. Transaction of ceding commission/re-insurance commission between insurer and re-insurer may be declared as no supply under Schedule III of CGST Act, 2017 and past

cases may be regularized on 'as is where is' basis.

6. GST liability on reinsurance services of specified insurance schemes covered by Sr. Nos. 35 & 36 of notification No. 12/2017-CT (Rate) dated 28.06.2017 may be regularized on 'as is where is' basis for the period from 01.07.2017 to 24.01.2018.

7. GST liability on reinsurance services of the insurance schemes for which total premium is paid by the Government that are covered under Sr. No. 40 of notification No. 12/2017-CTR dated 28.06.2017 may be regularized on 'as is where is' basis for the period from 01.07.2017 to 26.07.2018.

8. To issue clarification that retrocession is 're-insurance of re-insurance' and therefore, eligible for the exemption under Sl. No. 36A of the notification No. 12/2017-CTR dated 28.06.2017.

9. To issue clarification that statutory collections made by Real Estate Regulatory Authority (RERA) are exempt from GST as they fall within the scope of entry 4 of No.12/2017-CTR dated 28.06.2017.

10. To issue clarification that further sharing of the incentive by acquiring bank with other stakeholders, where the sharing of such incentive is clearly defined under Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions and is decided in the proportion and manner by NPCI in consultation with the participating banks is not taxable.

B. Measures for facilitation of trade:

1. Insertion of Section 128A in CGST Act, to provide for conditional waiver of interest or penalty or both, relating to demands raised under Section 73, for FY 2017-18 to FY 2019-20 : Considering the difficulties faced by the taxpayers, during the initial years of implementation of GST, the GST Council recommended, waiving interest and penalties for demand notices issued under Section 73 of the CGST Act for the fiscal years 2017-18, 2018-19 and 2019-20, in cases where the taxpayer pays the full amount of tax demanded in the notice upto 31.03.2025. The waiver does not cover demand of erroneous refunds. To implement this, the GST Council has recommended insertion of Section 128A in CGST Act, 2017.

2. Reduction of Government Litigation by Fixing monetary limits for filing appeals under GST: The Council recommended to prescribe monetary limits, subject to certain exclusions, for filing of appeals in GST by the department before GST Appellate Tribunal, High Court, and Supreme Court, to reduce government litigation. The following monetary limits have been recommended by the Council:

GSTAT: Rs. 20 lakhs

High Court: Rs. 1 crore

Supreme Court: Rs. 2 crores

3. Amendment in Section 107 and Section 112 of CGST Act for reducing the amount of pre-deposit required to be paid for filing of appeals under GST: The GST Council recommended reducing the amount of pre-deposit for filing of appeals under GST to ease cash flow and working capital blockage for the taxpayers. The maximum amount for filing appeal with the appellate authority has been reduced from Rs. 25 crores CGST and Rs. 25 crores SGST to Rs. 20 crores CGST and Rs. 20 crores SGST. Further, the amount of pre-deposit for filing appeal with the Appellate Tribunal has been reduced from 20% with a maximum amount of Rs. 50 crores CGST and Rs. 50 crores SGST to 10 % with a maximum of Rs. 20 crores CGST and Rs. 20 crores SGST.

4. Applicability of Goods and Services Tax on Extra Neutral Alcohol (ENA) Taxation of ENA under GST: The GST Council, in its 52nd meeting, had recommended to amend GST Law to explicitly exclude rectified spirit/Extra Neutral Alcohol (ENA) from the scope of GST when supplied for manufacturing alcoholic liquors for human consumption. The GST Council now recommended amendment in sub-section (1) of Section 9 of the CGST Act, 2017 for not levying GST on Extra Neutral Alcohol used for manufacture of alcoholic liquor for human consumption.

5. Reduction in rate of TCS to be collected by the ECOs for supplies being made through them: Electronic Commerce Operators (ECOs) are required to collect Tax Collected at Source (TCS) on net taxable supplies under Section 52(1) of the CGST Act. The GST Council has recommended to reduce the TCS rate from present 1% (0.5% CGST + 0.5% SGST/UTGST, or 1% IGST) to 0.5 % (0.25% CGST + 0.25% SGST/UTGST, or 0.5% IGST), to ease the financial burden on the suppliers making supplies through such ECOs.

6. Time for filing appeals in GST Appellate Tribunal: The GST Council recommended amending Section 112 of the CGST Act, 2017 to allow the three-month period for filing appeals before the Appellate Tribunal to start from a date to be notified by the Government in respect of appeal/ revision orders passed before the date of said notification. This will give sufficient time to the taxpayers to file appeal before the Appellate Tribunal in the pending cases.

7. Relaxation in condition of section 16(4) of the CGST Act:

a) In respect of initial years of implementation of GST, i.e., financial years 2017-18, 2018-19, 2019-20 and 2020-21:

The GST Council recommended that the time limit to avail input tax credit in respect of any invoice or debit note under Section 16(4) of CGST Act, through any return in FORM GSTR 3B filed upto 30.11.2021 for the financial years 2017-18, 2018-19, 2019-20 and 2020-21, may be deemed to be 30.11.2021. For the same, requisite amendment in section 16(4) of CGST Act, retrospectively, w.e.f. 01.07.2017, has been recommended by the Council.

b) with respect to cases where returns have been filed after revocation:

The GST Council recommended retrospective amendment in Section 16(4) of CGST Act, to be made effective from July 1st, 2017, to conditionally relax the provisions of section 16(4) of CGST Act in cases where returns for the period from the date of cancellation of registration/ effective date of cancellation of registration till the date of revocation of cancellation of the registration, are filed by the registered person within thirty days of the order of revocation.

8. Change in due date for filing of return in FORM GSTR-4 for composition taxpayers from 30th April to 30th June: The GST Council recommended an amendment in clause (ii) of sub-rule (1) of Rule 62 of CGST Rules, 2017 and FORM GSTR-4 to extend the due date for filing of return in FORM GSTR-4 for composition taxpayers from 30th April to 30th June following the end of the financial year. This will apply for returns for the financial year 2024-25 onwards. The same would give more time to the taxpayers who opt to pay tax under composition levy to furnish the said return.

9. Amendment of Rule 88B of CGST Rules, 2017 in respect of interest under Section 50 of CGST Act on delayed filing of returns, in cases where the credit is available in Electronic Cash Ledger (ECL) on the due date of filing the said return: The GST Council recommended amendment in rule 88B of CGST Rules to provide that an amount, which is available in the Electronic Cash Ledger on the due date of filing of return in FORM GSTR-3B, and is debited while filing the said return, shall not be included while calculating interest under section 50 of the CGST Act in respect of delayed filing of the said return.

10. Insertion of Section 11A in CGST Act for granting power not to recover duties not levied or short-levied as a result of general practice under GST Acts: The GST Council recommended inserting a new Section 11A in CGST Act to give powers to the Government, on the recommendations of the Council, to allow regularization of non-levy or short levy

of GST, where tax was being short paid or not paid due to common trade practices.

11. Refund of additional Integrated Tax (IGST) paid on account of upward revision in price of the goods subsequent to export: The GST Council recommended to prescribe a mechanism for claiming refund of additional IGST paid on account of upward revision in price of the goods subsequent to their export. This will facilitate a large number of taxpayers, who are required to pay additional IGST on account of upward revision in price of the goods subsequent to export, in claiming refund of such additional IGST.

12. Clarification regarding valuation of supply of import of services by a related person where recipient is eligible to full input tax credit: The Council recommended to clarify that in cases where the foreign affiliate is providing certain services to the related domestic entity, for which full input tax credit is available to the said related domestic entity, the value of such supply of services declared in the invoice by the said related domestic entity may be deemed as open market value in terms of second proviso to rule 28(1) of CGST Rules. Further, in cases where full input tax credit is available to the recipient, if the invoice is not issued by the related domestic entity with respect to any service provided by the foreign affiliate to it, the value of such services may be deemed to be declared as Nil, and may be deemed as open market value in terms of second proviso to rule 28(1) of CGST Rules.

13. Clarification regarding availability of Input Tax Credit (ITC) on ducts and manholes used in the network of Optical Fiber Cables (OFCs): The Council recommended to clarify that input tax credit is not restricted in respect of ducts and manhole used in network of optical fiber cables (OFCs), under clause (c) or under clause (d) of sub-section (5) of section 17 of CGST Act.

14. Clarification on the place of supply applicable for custodial services provided by banks: The Council recommended to clarify that place of supply of Custodial services supplied by Indian Banks to Foreign Portfolio Investors is determinable as per Section 13(2) of the IGST Act, 2017.

15. Clarification on valuation of corporate guarantee provided between related persons after insertion of Rule 28(2) of CGST Rules, 2017: GST Council recommended amendment of rule 28(2) of CGST Rules retrospectively with effect from 26.10.2023 and issuance of a circular to clarify various issues regarding valuation of services of providing corporate

guarantees between related parties. It is inter alia being clarified that valuation under rule 28(2) of CGST Rules would not be applicable in case of export of such services and also where the recipient is eligible for full input tax credit.

16. Clarification regarding applicability of provisions of Section 16 (4) of CGST Act, 2017, in respect of invoices issued by the recipient under Reverse Charge Mechanism (RCM): The Council recommended to clarify that in cases of supplies received from unregistered suppliers, where tax has to be paid by the recipient under reverse charge mechanism (RCM) and invoice is to be issued by the recipient only, the relevant financial year for calculation of time limit for availment of input tax credit under the provisions of section 16(4) of CGST Act is the financial year in which the invoice has been issued by the recipient.

17. Clarification on following issues to provide clarity to trade and tax officers and to reduce litigation:

i. Clarification on taxability of re-imburement of securities/shares as ESOP/ESPP/RSU provided by a company to its employees

ii. Clarification on requirement of reversal of input tax credit in respect of amount of premium in Life Insurance services, which is not included in the taxable value as per Rule 32(4) of CGST Rules.

iii. Clarification on taxability of wreck and salvage values in motor insurance claims

iv. Clarification in respect of Warranty/ Extended Warranty provided by Manufacturers to the end customers

v. Clarification regarding availability of input tax credit on repair expenses incurred by the insurance companies in case of reimbursement mode of settlement of motor vehicle insurance claims.

vi. Clarification on taxability of loans granted between related person or between group companies.

vii. Clarification on time of supply on Annuity Payments under HAM Projects.

viii. Clarification regarding time of supply in respect of allotment of Spectrum to Telecom companies in cases where payment of licence fee and Spectrum usage charges is to be made in instalments.

ix. Clarification relating to place of supply of goods supplied to unregistered persons, where delivery address is different from the billing address

x. Clarification on mechanism for providing evidence by the suppliers for compliance of the conditions of Section

15(3)(b)(ii) of CGST Act, 2017 in respect of post-sale discounts, to the effect that input tax credit has been reversed by the recipient on the said amount.

xi. Clarifications on various issues pertaining to special procedure for the manufacturers of the specified commodities, like pan masala, tobacco etc.

18. The Council recommended amendment in section 140(7) of CGST Act retrospectively w.e.f. 01.07.2017 to provide for transitional credit in respect of invoices pertaining to services provided before appointed date, and where invoices were received by Input Service Distributor (ISD) before the appointed date.

19. The Council recommended providing a new optional facility by way of FORM GSTR-1A to facilitate the taxpayers to amend the details in FORM GSTR-1 for a tax period and/ or to declare additional details, if any, before filing of return in FORM GSTR-3B for the said tax period. This will facilitate taxpayer to add any particulars of supply of the current tax period missed out in reporting in FORM GSTR-1 of the said tax period or to amend any particulars already declared in FORM GSTR-1 of the current tax period (including those declared in IFF, for the first and second months of a quarter, if any, for quarterly taxpayers), to ensure that correct liability is auto-populated in FORM GSTR-3B.

20. The Council recommended that filing of annual return in FORM GSTR-9/9A for the FY 2023-24 may be exempted for taxpayers having aggregate annual turnover upto two crore rupees.

21. Amendment was recommended to be made in section 122(1B) of CGST Act retrospectively w.e.f. 01.10.2023, so as to clarify that the said penal provision is applicable only for those e-commerce operators, who are required to collect tax under section 52 of CGST Act, and not for other e-commerce operators.

22. The Council recommended amendment in rule 142 of CGST Rules and issuance of a circular to prescribe a mechanism for adjustment of an amount paid in respect of a demand through FORM GST DRC-03 against the amount to be paid as pre-deposit for filing appeal.

Other measures pertaining to Law and Procedures

23. Rolling out of bio-metric based Aadhaar authentication on All-India basis: The GST Council recommended to roll-out the biometric-based Aadhaar authentication of registration applicants on pan-India basis in a phased manner. This will strengthen the registration process in GST and will help in

combating fraudulent input tax credit (ITC) claims made through fake invoices.

24. Amendments in Section 73 and Section 74 of CGST Act, 2017 and insertion of a new Section 74A in CGST Act, to provide for common time limit for issuance of demand notices and orders irrespective of whether case involves fraud, suppression, willful misstatement etc., or not: Presently, there is a different time limit for issuing demand notices and demand orders, in cases where charges of fraud, suppression, willful misstatement etc., are not involved, and in cases where those charges are involved. In order to simplify the implementation of those provisions, the GST Council recommended to provide for a common time limit for issuance of demand notices and orders in respect of demands for FY 2024-25 onwards, in cases involving charges of fraud or willful misstatement and not involving the charges of fraud or willful misstatement etc. Also, the time limit for the taxpayers to avail the benefit of reduced penalty, by paying the tax demanded along with interest, has been recommended to be increased from 30 days to 60 days.

25. The Council recommended amendment in section 171 and section 109 of CGST Act, 2017 to provide a sunset clause for anti-profiteering under GST and to provide for handling of anti-profiteering cases by Principal bench of GST Appellate Tribunal (GSTAT). Council has also recommended the sunset date of 01.04.2025 for receipt of any new application regarding anti-profiteering.

26. Amendment in Section 16 of IGST Act and section 54 of CGST Act to curtail refund of IGST in cases where export duty is payable: The Council recommended amendments in section 16 of IGST Act and section 54 of CGST Act to provide that the refund in respect of goods, which are subjected to export duty, is restricted, irrespective of whether the said goods are exported without payment of taxes or with payment of taxes, and such restrictions should also be applicable, if such goods are supplied to a SEZ developer or a SEZ unit for authorized operations.

27. The threshold for reporting of B2C inter-State supplies invoice-wise in Table 5 of FORM GSTR-1 was recommended to be reduced from Rs 2.5 Lakh to Rs 1 Lakh.

28. The Council recommended that return in FORM GSTR-7, to be filed by the registered persons who are required to deduct tax at source under section 51 of CGST Act, is to be filed every month irrespective of whether any tax has been deducted during the said month or not. It has also been recommended that no late fee may be payable for delayed filing of Nil FORM GSTR-7 return. Further, it has been recommended that invoice-wise details may be required to be furnished in the said FORM GSTR-7 return.

Note: The recommendations of the GST Council have been presented in this release containing major item of decisions in simple language for information of the stakeholders. The same would be given effect through the relevant circulars/ notifications/ law amendments which alone shall have the force of law. ■

Traders Seek 180-Day Payment Window For MSMEs From New Govt

The Federation of All India Vyapar Mandal (FAIVM), a traders' body, plans to urge the new NDA government led by Prime Minister Narendra Modi to extend the time period for payment to Micro, Small and Medium Enterprises (MSMEs) from their buyers to up to 180 days. Currently, the payment window is limited to 45 days.

FAIVM President Jayendra Tanna said the changes made to Section 43B of the Income Tax Act, pertaining to delayed payments' crisis for MSMEs, are expected to be repealed in the full budget in July, as hinted by Finance Minister Nirmala Sitharaman.

"The new government should have a uniform policy on payments to suppliers of goods and services within 180 days from the date of invoice issuance instead of the current 45 days," Tanna said, reported FE.

The traders' body argues that the revised payment policy will address the provisions of the Goods and Services Tax (GST) regulations and extend benefits of MSME registration, including the delayed payment mandate, to traders with Udyam registration from the MSME Ministry.

During her recent visit to Ludhiana, Sitharaman had indicated that the government would repeal the changes to Section 43B if MSMEs wanted to continue operating without uncertainty on payment timelines from their buyers.

The Supreme Court had previously rejected a plea by FAIVM and other associations seeking an interim stay or quashing of the new provision in the Income Tax Act.

With Narendra Modi set to be sworn in as Prime Minister on June 9, the traders' body is hopeful that the new government will address their concerns regarding MSME payments. ■

Union Minister Shri Piyush Goyal holds review meeting with officials of Ministry of Commerce and Industry

Union Minister Shri Piyush Goyal officially took charge of the Ministry of Commerce and Industry for a second consecutive term in New Delhi today. Upon assuming office, Shri Goyal immediately convened a review meeting with senior officers from both departments within the Ministry of Commerce and Industry.

Minister of State, Ministry of Commerce and Industry, Shri Jitin Prasada also attended the meeting. During the meeting, the Commerce Secretary and DPIIT Secretary presented a brief on the ongoing proposals and action items of the ministry.

Shri Goyal emphasized the importance of continued collaboration and directed that a series of meetings must be scheduled in the coming days to delve into the details of various policies and action items that have to be finalized.

Expressing his gratitude and enthusiasm, Shri Piyush Goyal stated, "I am delighted to be part of PM Modi's third term and am grateful to the people of Mumbai North for electing me. As I take charge, I come to you with a lot of fresh perspectives about India and about ground zero."

Shri Piyush Goyal said that there is a need to introspect and coordinate better between departments. Shri Piyush Goyal

emphasized upon the importance of Research & Development (R&D) and strengthening Public Private Partnership (PPP) model of governance.

He urged the officers to focus upon integrity, speed, skill and scale. He said that Steering Committee on Advancing Local value-add & Exports (SCALE) Committee and Production Linked Incentive (PLI) Schemes must be utilized to their full potential to boost exports and domestic production.

Highlighting the achievements of his previous term, Shri Goyal cited the boost in overall exports from India, signing of various Free Trade Agreements (FTAs), significant inflow of Foreign Direct Investment (FDI) into the country, etc. With a renewed commitment to driving economic growth and fostering international trade, the Minister expressed hope to lead the Ministry of Commerce and Industry towards new heights, ensuring that India's progress remains steadfast and inclusive. Shri Goyal encouraged the officers of the Ministry to make Quality the mantra to ensure India's progress. Shri Goyal noted that the timely sharing of data and transparency in exports and imports will encourage investors to invest more confidently. He said that India is positioned in a sweet spot and it is the right time to convert our challenges into opportunities. ■

CBIC initiates electronic disbursement of duty drawback amount directly to exporter's bank accounts through PFMS

In an effort to facilitate trade, Central Board of Indirect Taxes and Customs (CBIC) will electronically disburse duty drawback amount directly to exporter's bank account in a transparent and efficient manner with effect from today, 5th June, 2024.

The payment of duty drawback amounts into the exporters' accounts will be facilitated through the Public Finance Management System (PFMS) automatically. This is another initiative of the CBIC towards paperless Customs and enhanced trade facilitation.

This new functionality is expected to reduce time taken for payment of drawback amount by eliminating manual intervention in the drawback disbursement mechanism and increase transparency.

Duty Drawback under section 75 of the Customs Act, 1962

rebates customs duty chargeable on any imported materials or excisable materials used in the manufacture of export goods. Duty Drawback claims are processed through the Customs Automated System (CAS), enumerated in a scroll, Computerised Customs Drawback Advice (CCDA) is printed and sent to the Authorised Bank branch along with supporting single cheque of consolidated amount for payment of duty drawback amounts into the exporters' accounts. This contributes to the delay in the disbursement of duty drawback.

The CBIC continues to play a key role in India's efforts to improve ease of doing business through trade facilitation and having fully implemented the WTO Trade Facilitation Agreement (TFA), CBIC now aims to undertake next generational Trade Facilitation reforms adopting the TFA plus approach. ■

Launch of a new Software Functionality for online filing of the PF member to update/correct their Member Profile

The Employees' Provident Fund Organization is one of the World's largest Social Security Organizations in terms of the clientele and the volume of financial transactions undertaken. Presently, around 7.5 Crore members are actively contributing to the Provident Fund, Pension & Insurance Schemes each month.

In the first 2 months of this Financial Year alone around 87 lakh claims had been settled in the form of social security benefits like advances for housing, post matriculate education of children, marriage, illness, final Provident Fund settlements, pension, insurance etc.

The member claim these benefits online which has been made possible through a robust computer software application, which validates the data of the member in the Universal Account Number (UAN).

Therefore, the consistency of the data of the member in the records of the EPFO is of paramount importance to ensure that the services are provided online seamlessly and to the correct member duly avoiding any risk of erroneous payments or

frauds. The integrity of the data in the Member Profile is thus being ensured by a Standard Operating Process (SOP) issued by the EPFO on 22nd August, 2023. It has now been operationalized by EPFO in a digital online mode. The members may request for change/rectification in the Member Data like Name, Gender, Date of Birth, Parent Name, Marital Status, Nationality, Aadhaar, etc online and upload the relevant prescribed documents.

All such requests get routed to the PF offices across the country through the respective employers. Members have started filing their requests using this new facility out of which around 40,000 are already approved by the field offices of EPFO. The requests land at the employers' end, who after verification recommend it for approval. They have received around 2.75 lakh such requests till now.

A proper KYC and matching member profile facilitates EPFO in providing instant services like auto settlement of advances, auto transfer of PF account, e-nomination etc. to the member without the need for any physical visits to any office. ■

Employment Challenges Persist, Industry Body Calls For National Policy

A comprehensive report by the PHD Chamber of Commerce and Industry (PHDCCI) has underscored the need for accelerating employment generation in India through a focused National Employment Policy. The chamber has proposed a multi-pronged approach to create over 10 crore jobs by 2030. According to the PHDCCI report, around 6 crore new jobs should emanate from micro, small and medium enterprises (MSMEs), aided by measures such as handholding support and boosting apprenticeships and internships. The report envisions another 3 crore employment opportunities from large industrial conglomerates, 1 crore from start-ups, and 25 lakh from government departments and NGOs, including filling vacant positions.

The PHDCCI has advocated for incorporating quarterly targets in the proposed National Employment Policy to enhance employment across sectors. Other key recommendations include establishing start up incubation and technology development centres with industry involvement at educational institutions, strengthening workforce-absorbing sectors through public-private partnerships, filling all vacant government positions, enhancing university-industry

linkages, boosting R&D and innovation, and publishing quarterly labour force data.

The chamber's suggestions come amid persisting challenges in youth unemployment. A recent International Labour Organisation (ILO) report highlighted that India's youth unemployment rate surpassed that of adults, rising from 5.6 per cent in 2000 to nearly 18 per cent in 2018 before easing to 15.1 per cent in 2020. Unemployment among educated youth has exceeded global averages, the report stated, citing declining labour force participation despite higher educational attainment.

While acknowledging the societal implications of educated youth unemployment, the PHDCCI has emphasised the crucial need for a coordinated national policy to stimulate job creation across sectors. Previous government surveys have shown fluctuations in unemployment rates, including a spike during the COVID-19 pandemic before a subsequent decline. As India aims for economic development and a 'Developed India' by 2047, addressing employment challenges through collaborative efforts between the government, industry, and educational institutions emerges as a pressing priority. ■

RBI Holds Repo Rate Steady, Revises GDP Projections Marginally Upward

In its latest monetary policy review meeting, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) maintained the repo rate at 6.5 per cent for the eighth consecutive time.

This decision marks the first MPC gathering since the recently concluded general elections.

During the post-meeting press conference, RBI Governor Shaktikanta Das announced an upward revision of the gross domestic product (GDP) growth projection for the fiscal year 2024-25 to 7.2 per cent, an increase from the earlier estimate of 7 per cent.

The RBI operates under a statutory mandate to maintain consumer price index (CPI) inflation at 4 per cent.

In April, the central bank had kept the repo rate unchanged at 6.5 per cent and maintained its 'withdrawal of accommodation' policy stance.

The decisions were taken by a majority vote of 5:1 within the six-member MPC, chaired by Governor Das.

The unchanged repo rate translates to no increase in external benchmark lending rates linked to the repo rate, providing relief to borrowers as their equated monthly instalments (EMIs) will remain unaffected.

Explaining the rationale behind the rate pause in April, Governor Das had cited persistent uncertainties in food prices as an upside risk to inflation, requiring vigilance to ensure a sustained disinflation path. ■

Reforms in GST, Custom Duty, MSMEs to Push India's Growth: GTRI

The Global Trade Research Initiative (GTRI), a prominent economic think tank, released a comprehensive policy agenda on Thursday, urging the implementation of strategic reforms across various sectors.

According to the GTRI, India stands at the cusp of a transformative era, necessitating comprehensive economic reforms.

The proposed agenda addresses a wide range of issues, from simplifying the customs duty structure and pioneering regulatory frameworks for emerging sectors like cryptocurrencies, to boosting the MSME (Micro, Small, and Medium Enterprises) sector through GST (Goods and Services Tax) reforms and fortifying the nation's energy security.

One of the key recommendations is the simplification of the convoluted customs duty structure, which currently affects imports worth USD 680 billion.

The current structure, which has not been reviewed in 20 years, features over 27 different duty rates and over 100 specific or mixed duty slabs.

Notably, 85 percent of customs duty revenue comes from less than 10 percent of tariff lines, while 60 percent of tariff lines contribute less than 3 percent of revenue.

The GTRI suggests that with some adjustments, the average import tariff could be reduced from 18.1 percent to below 10

percent without impacting essential products.

This simplification would not only address global criticism, such as former US President Donald Trump's portrayal of India as the "tariff king," but also contribute to the nation's broader economic objectives.

Furthermore, the think tank proposes increasing the GST exemption limit for a firm's annual turnover from Rs 40 lakh to Rs 1.5 crore.

This move is anticipated to be transformative for India's MSME sector, promoting job creation and growth. Firms with less than Rs 1.5 crore turnover account for over 80 percent of GST registrations but contribute less than 7 percent of the tax collected.

Addressing concerns over India's growing reliance on Chinese imports, particularly in sectors like electric vehicles (EVs) and active pharmaceutical ingredients (APIs), the GTRI recommends avoiding incentives for low value-added EVs and instead focusing on developing domestic capacity for API production.

Finally, the agenda highlights the need to simplify e-commerce export rules, which could enable more than 20 lakh Indian firms to explore export opportunities, thereby boosting the nation's exports across various sectors, including handicrafts, jewelry, ethnic wear, decorative paintings, and Ayurvedic products. ■



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FED Circular No. 11

All Scheduled Commercial Banks
(holding AD Category-I license)

June 11, 2024

Madam/ Sir

**International Trade Settlement in Indian Rupees (INR)
– Opening of additional Current Account for settlement of trade transactions**

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to FED Circular No. 08 dated November 17, 2023, in terms of which, AD Category-I banks maintaining Special Rupee Vostro Account vide A.P. (DIR Series) Circular No.10 dated July 11, 2022 on International Trade Settlement in Indian Rupees (INR) were permitted to open an additional special current account for its constituents, exclusively for settlement of export transactions.

2. On a review, and to provide operational flexibility, the facility of opening an additional special current account by the AD Category-I banks (maintaining Special Rupee Vostro Account in terms of the RBI circular dated July 11, 2022 referred above) for its constituents may be extended for settlement of their export as well as import transactions.

3. The contents of this circular may be brought to the notice of your constituents.

Yours faithfully

(N. Senthil Kumar)
General Manager

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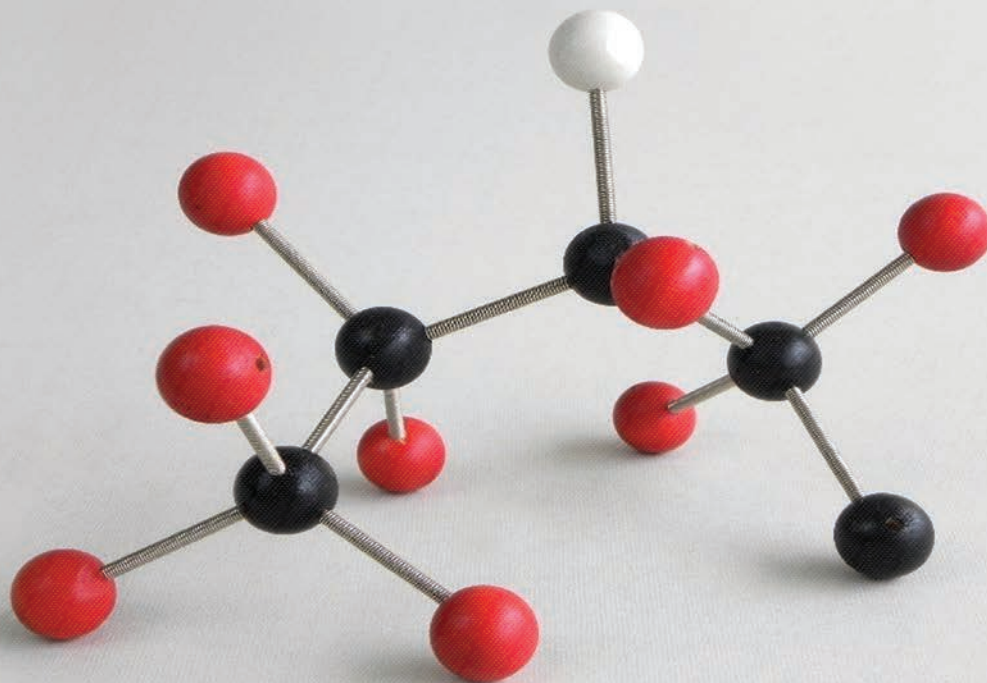
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