

Bonanza for readymade garments

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Branded readymade garments, falling under Chapters 61, 62 and 63 of the Central Excise Tariff were liable to 12 % Excise duty so far. The tariff value for the same has been fixed 30 % of the Retail Sale Price of the garments. All goods falling under these chapters, not bearing any brand name, were entitled for full exemption as per S.No. 16 of Notification 30/2004. Now, this S.No. 16 of Notification 30/2004 has been amended to the effect that even branded garments would also be entitled to claim full exemption. The option of paying 6 % duty is now made available under S.No. 7 of Notification 7/2012 even for branded garments.

Now, all branded readymade garments manufacturers, who were hitherto paying 12 % on 30 % of MRP, can opt for full exemption under S.No. 16 of Notification 30/2004, with effect from 01.03.2013.

But, it may be observed that the said exemption is subject to a condition of non availment of cenvat credit on inputs. Had they availed any cenvat credit on inputs till now, they have to calculate the cenvat credit on inputs attributable to the inputs lying in stock, in process and contained in the final products and reverse / pay the same, as per Rule 11 (3) (i) of the Cenvat Credit Rules, 2004. For ready reference, the said Rule is reproduced below:

(3) A manufacturer or producer of a final product shall be required to pay an amount equivalent to the CENVAT credit, if any, taken by him in respect of inputs received for use in the manufacture of the said final product and is lying in stock or in process or is contained in the final product lying in stock, if, -

(i) he opts for exemption from whole of the duty of excise livable on the said final product manufactured or produced by him under a notification issued under section 5A of the Act; or

(ii) the said final product has been exempted absolutely under section 5A of the Act, and after deducting the said amount from the balance of CENVAT credit, if any, lying in his credit, the balance, if any, still remaining shall lapse and shall not be allowed to be utilized for payment of duty on any other final product whether cleared for home consumption or for export, or for payment of service tax on any output service, whether provided in India or exported.

After quantifying such credit and reversing the same from the available cenvat credit balance, the balance credit shall **not** lapse, as the requirement of reversal in this case is under Rule 11 (3) (i) and not under 11 (3) (ii) and the lapsing provision will apply only for the cases covered under Rule 11 (3) (ii). In other words, this is an optional exemption, to which a manufacturer can opt.

Such balance cenvat credit, if any can be used by the manufacturer for any other purpose, viz., payment of duty on exports under claim for rebate or payment of service tax on any output services provided by the same manufacturer!

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