

Policy Circular No. 23/RE(2010)/2009-14

Dated: 21st February, 2011

Sub: Eligibility of tufted cotton bathmats/cotton tufted bathrugs covered under ITC (HS) Codes 5703 or 5705 for grant of duty credit scrip under VKGUY/FPS of FTP.

Policy Circular 21/2009-14 dated 12.1.2010 clarified how the cases of exports of cotton bathmats/rugs covered under ITC (HS) Codes 5703 or 5705 would be treated as hand-made category for grant of benefit of duty credit scrip by obtaining a suitable self-declaration from the exporters.

2. Trade and Industry has again represented that in respect of some export shipments prior to 12.01.2010, the benefit is being denied because the export product has been described on the shipping bill as "cotton powerloom-tufted bathmats/cotton powerloom-tufted bathrugs". The representation says that a powerloom only weaves and cannot 'tuft'. At the time of custom clearance they had to declare as to whether their export product is manufactured on a handloom or a powerloom. Since these cotton bathmats/bathrugs were not woven but tufted by using a tufting machine similar to table-top type sewing machine, the expression "cotton powerloom tufted" came to be used on the shipping bills. The Trade and Industry has, therefore, requested to issue necessary clarification that benefit of Chapter 3 of FTP may also be granted to such shipments.

3. The matter has been examined. There is merit in the contention of the Trade and Industry. Policy Circular 21/2009-14 dated 12.1.2010 has already explained how such products would fall in the hand-made category. The entire process requires elaborate manual handling by a worker using a motor operated table top type tufting machine; marking of the outlines on the base fabric as per the design and colour combination is done manually; the base fabric/canvas is cut manually to give it the desired shape; filling of different colours with the needle of the sewing machine is done by moving the base fabric/canvas by hands; after finishing the tufting, uneven threads are cut by hands with the help of a scissor and sheering and embossing is also done by hand with the help a scissor to produce a finished product.

4. Export shipments covered under ITC (HS) Code 5703 or 5705 are to be treated as hand-made category even if the description of the export product entered in the relevant shipping bills may have been "cotton powerloom tufted bathmats/cotton powerloom tufted bath rugs", for the reasons given in 3 above. This is in consonance with clarification given in Policy Circular 21/2009-14 dated 12.1.2010. As these products are handmade category, they will be eligible for grant of the benefit of duty credit scrip at the rate of 5% under the Focus Product Scheme for exports made from 23.2.2009 onwards, and earlier under VKGUY/FPS, at the applicable rates. However, if the export description in the relevant shipping bill fails to mention the word 'Handmade', a declaration based on trust has to be taken from the exporter. The necessary declaration, on lines of Policy Circular 21/2009-14 dated 12.1.2010 with suitable modification, to be given by the exporter is as under:

"It is certified that cotton bathmats/rugs, described in the Shipping Bill No.---- dated ---- (to write all Shipping Bill Nos., if more than one), as cotton powerloom tufted bathmats/ cotton powerloom tufted bath rugs, and against which the benefit under FPS or VKGUY (to write whichever is applicable) under ITC (HS) Code 5703 or 5705 (to write whichever is applicable) is being claimed under the DGFT File No.----- , have been tufted by a worker by using a table-top mounted sewing machine, and it is also certified that all other processes like cutting of the base fabric as per the design, sheering, embossing etc. have been done manually".

5. This self-declaration can be given for shipping bills up to 11.01.2010 so that RA can grant of the benefit of duty credit scrip at the rate of 5% under the Focus Product Scheme for exports made from 23.2.2009 onwards, and earlier under VKGUY/FPS, at the applicable rates.

6. This issues with the approval of DGFT.

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Sd/-
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