

18 FAQs: Excise Duty Structure on Ready-Made Garments

Date: March 4, 2016

Finance Bill, 2016 has imposed excise duty of 2% (without CENVAT credit) or 12.5% (with CENVAT credit) on branded readymade garments and made up articles of textiles of retail sale price of Rs.1000 or more.

We bring you a set of 18 Frequently Asked Questions (FAQs).

S.No.	FAQs	Answers
1.	What is the excise duty structure on ready-made Garments?	In Finance Bill, 2016, excise duty of 2% (without CENVAT) and 12.5% (with CENVAT credit) has been levied.
2.	From which date it is made effective?	It is effective from 01.03.2016
3.	Whether excise duty is levied on all type of ready-made Garments?	It has been levied on goods : (a) which has RSP of Rs.1000/- and above; and (b) which bear or are sold under a brand name. There is no levy on rest of the garments.
4.	Whether made up articles of textile are also covered?	Yes
5.	At what value excise duty is payable?	Excise duty will have to be paid on 60% of RSP in terms of notification no. 20/2001-CE(N.T.) Notf. No. 11/2016 dtd. 01.03.2016.
6.	Which value shall be considered for availing exemption of Rs.1.5	60% of MRP.

	<p>crore:- (a) MRP (b) Sale price (c) 60% of MRP</p>	
7.	<p>The exemption of Rs.1.5 crore is available, if the total turnover in preceding financial year do not exceed Rs.4 crore. Is it correct?</p>	Yes.
8.	<p>My Total Sale in proceeding Financial year was Rs.30 crore out of which the sale of Rs.28 crores pertains to trading only. Whether I am eligible for exemption of Rs.1.5 crore?</p>	Yes, because for working out sale of Rs.4 crore, only the value of manufactured goods is to be considered.
9.	<p>My total sale in proceeding Financial year was Rs.30 crore out of which the my turnover pertaining to export is Rs.28 crore. Whether I am eligible for exemption of Rs.1.5 crore?</p>	Yes, because the value of export goods is not to be taken into account while calculating Rs.4 crore Para 2 (VII) of Notf. No. 8/2003 dt. 01.03.2003.
10.	<p>Can a shopkeeper of garments buy garments and affix brand name / put RSP at his end? Is there any implication?</p>	Yes, affixing brand name / RSP amounts to manufacturer.
11.	<p>Can a person buy goods without MRP from suppliers, affix MRP at his end and pay excise duty.</p>	No. Since he is not affixing any MRP.

	Whether the supplier will also have to pay excise duty.	
12.	Are Ladies Suits, unstitched, cut to size, embroidered as printed at neck and border, presented as such also excisable?	Yes, made up articles are also subjected to levy, if RSP is above Rs.1000/- and brand name is affixed.
13.	Are Chunnies, whether supplied with ladies suits or separately excisable?	Yes, these are excisable as clothing accessories under Ch. H. 6102 or 6202.
14.	Can a shopkeeper affix a device meant for detecting thefts known as security tag, particularly when the device bear the name of the shop?	Yes. There is no implication of excise.
15.	Garments are normally put on sale at lower prices. The original price is cut and lesser price is shown. If there two prices, at what price duty is payable.	Duty is payable at lower price. There is a clarification by Ministry on this issue.
16.	Are Ties, Handkerchiefs and Socks etc. also to be assessed on MRP?	Yes, Notf. No. 20/2001-CE(NT) covers clothing accessories also.
17.	Who is to obtain registration?	A person purchasing the inputs and sending it, to job worker is required to obtain registration. A job worker may however, be authorized by brand name owner (supplier) to get registered and pay duty. It is optional.

18.	Whether excise duty is leviable on stock lying as on 29.02.2016?	Yes. The same has been clarified by the Ministry.
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FAQs have been framed by Mr. Ashok Bhasin, Partner, Bhasin Sethi & Associates.

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