IMPACT OF GST ON TEXTILE INDUSTRY

GST, a long desired indirect tax legislation is facing tough time to penetrate. Government has been quick in accepting stakeholder's feedback and increasing the acceptability of the new law.

The textile industry has played an important role in India success stories observed easily through:

- ✓ Contribution in GDP
- ✓ Export and Foreign earning
- ✓ Employment generation

The export of textiles contributes to 10% of GDP, though recently post GST, the industry experts noticed its declines reason mainly being:

- ✓ Working Capital blockage due to inverted duty structure.
- ✓ No Refund of duty at fabric stage to export industry manufacturers and suppliers.

However, the responsive government has addressed both the issues by:

-Reducing GST rate on made synthetic fibre and yarn from 18% to 12% making inverted duty structure straight thereby unblocking working capital.

http://pib.nic.in/newsite/PrintRelease.aspx?relid=171467

-Releasing the held up refund of IGST

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-circulars/cs-circulars-2017/circ42-2017cs.pdf

The current position can be summarized as under:

Item	**Cotton fibre #**	**Man made synthetic fibre #**	**Real Zari**	**Silk and Jute**
GST Rate	5%	12%*	5%	Exempt

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Detailed Table:

Cotton fibre:

For cotton products like- dhoti, saree, zari border saree, zari border dhoti, shirting, casement, viol, sheeting, suti, cambric, lawn, latha, lungi & furnishing fabrics:

S. No	Cotton Composition	HSN Code	GST Tax Rate
1	Products with more than 85% cotton content & weight is less than 200 gm/sq mtr	5208	5%
2	Products with more than 85% cotton content & weight is greater than 200 gm/sq mtr	5209	5%
3	Products with less than 85% cotton content, mixed with additional fabrics & weight is less than 200 gm/sq mtr	5210	5%
4	Products with less than 85% cotton content, mixed with additional fabrics & weight is greater than 200 gm/sq mtr	5211	5%
5	Other Cotton Products	5212	5%

Man made synthetic fibre:

For synthetic filament yarn Products like- parachute fabrics, tent fabrics, nylon furnishing, umbrella cloth, polyester shooting, polyester shirting, other polyester cloth, nylon brasso, nylon jacket, nylon saree terylene saree, dacron saree, rayon crepe, rayon jackets, rayon saree, rayon shirting & rayon brocade:

S. No	Yarn Specification	HSN Code	GST Tax Rate
1	Sewing thread of manmade filaments, whether or not put up for retail sale	5401	12%
2	All synthetic filament yarn, such as nylon, polyester, acrylic, etc.	5402, 5404, 5406	12%
3	All artificial filament yarn, such as viscose rayon, Cuprammonium,	5403, 5405, 5406	12%
4	Sewing thread of manmade staple fibres	5508	12%
5	Yarn of manmade staple fibres	5509, 5510, 5511	12%
6*	Synthetic Mono filament of 67 Decitex or more and of which No cross sectional dimensions exceed 1 mm; strips & the Like of synthetic textile material of an apparent width not exceeding 5 mm.	5407	5%
7*	Artificial Mono filament of 67 Decitex or more and of which No cross sectional dimensions exceed 1 mm; strips & the Like of synthetic textile material of an apparent width not exceeding 5 mm.	5408	5%

For Apparels:

Value	GST Rate
Upto Rs 1,000	5%
More than Rs1,000	12%

Apparels can be classified under 3 chapters in GST:

- ✓ Chapter 61:Knitted Apparel
- ✓ Chapter 62: Not Knitted Apparel
- ✓ Chapter 63: Textile products

The following are **textile products** listed under **chapter 63** of the HSN code:

- ✓ Blankets and travelling rugs.
- ✓ Curtains (including drapes) and interior blinds; curtain or bed valances.
- ✓ Other furnishing articles such as bedspreads, counterpanes, napkins, pillow case and pillow slip, table cloth and table cover, Towels, other than terry towel, mosquito nets, cushion covers.
- ✓ Sacks and bags, of a kind used for the packing of goods.
- ✓ Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods.
- ✓ Other made up articles, including dress patterns; such as floor-cloths, dishcloths, dusters and similar cleaning cloths, life-jackets and lifebelts, sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale.
- ✓ Worn clothing and other worn articles.
- ✓ Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.

For Job Work:

Job Work plays an important role in textile industry. The GST council in its 20th GST Council Meeting held on 5th August, 2017 has fixed 5 % for all job work.

http://www.cbec.gov.in/resources//htdocs-cbec/gst/Decisions-in-20th%20-GST-council-meeting-revised.pdf

E way bill rule:

The provision of E way bill shall become effective from 1 April 2018. E way bill shall be applicable if both the following conditions are satisfied:

a) Value of goods being transported is more than Rs 50,000.
b) The movement is more than 10 Kms.

The design of GST is such that it puts a self compliance environment for the assessee aiding in tracking the revenue and build up efficient supply chain management. Once the unorganized and informal sector in the textile industry gets into this value chain we can see the true fruit of this legislation.