



IMPACT OF GST ON TEXTILE INDUSTRY OF PUNJAB

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Abstract

The state provides investment opportunities in sectors such as textiles, agro-based industries, Information Technology goods. Punjab is the source of 95% of India's woollen knitwear production, 85% of India's sewing machine production and 75% of India's sports goods production. At starting of GST implementation there were also discrepancies in GST rates of yarn and fabric as GST rate on yarn was fixed at 5% on other side GST on Fabric was 12% this will create financial problem for small industry but now government is overcoming such issues. It also easier to have an interest buying and selling of raw material because no matter where the vendors and customers are located, the GST will be the same.

Keywords

GST (goods and service tax), fabric, yarn and production.

INTRODUCTION

Despite concerns expressed by the industry, the government is unlikely to defer implementation of higher goods and services tax on certain textile products, as the decision was taken by the GST council. The new GST rates will kick in from January 1 the sector had opposed the increase citing higher compliance costs, especially for the unorganised sector and micro, small and medium enterprises besides making clothing more expensive for the poor people in the country and state. The finance ministry is expected to take up with the GST council the concerns raised by the industry over the latter's decisions to increase the rates on several textile products to 12%. The council had in its previous meeting held in Lucknow on September 17 decided to correct the inverted duty structure on footwear and textiles. After this the GST on footwear and textiles was raised to 12% effective from January 1. The decision to implement from January 1 was taken by the council after intense deliberations. We will place the representatives before the council whenever it meets next time meeting done by the council.

Once it kicks in apparel will attract 12% GST as against 5% on sale value of up to Rs 1000 per piece currently. This similarly the 5% tax on sale value of up to Rs 1000 per pair of footwear has been increased to 12%. GST on woven fabric, sewing thread of man- made



filaments, synthetic filament yarn other than sewing thread; synthetic monofilament etc provides the goods under different GST rates tax slab used by the textile industry of Punjab. The government of any country needs money for its functioning and taxes are a major source of revenue for a government. Thus the taxes collected are spent by the government for the public.

These taxes are broadly classified into two types as follows:

1. Direct tax: - Direct tax is a type of tax where the incidence and impact of taxation fall on the same entity. In case of direct tax the burden can't be shifted by the taxpayer to someone else. These are largely taxes on income or wealth. Income tax, corporation tax, property tax, inheritance tax and gift tax are examples of direct tax.

2. Indirect tax: - GST is known as goods and services tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT (values added tax), services tax etc. the goods and service tax was passed in the parliament on 29th march 2017 and came into effect on 1st July 2017. In other words goods and service tax is levied on the supply of goods and services. Goods and services tax law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

THE JOURNEY OF GST IN INDIA

The GST journey began in the year 2000 when a committee was set up to draft law. It looks 17 years from then for the law to evolve. In 2017 the GST bill was passed in the Lok Sabha and Raja Sabha. On 1st July 2017, the GST law came into force.

REVIEW OF LITERATURE

Poirson (2006) the study focused on the area on the Indian tax system from the perspective of how effective it is towards encouraging growth of the economy. The author has compared the Indian tax system to other countries and concluded that Indian economy is highly indirect tax dependent, effective tax rates and productivity are lower and marginal tax rates are higher. The study has concluded that indirect taxes are a big contributor of total taxes which can be regressive, effective tax rates are lower and marginal effective tax rates are high.

Ehtisham Ahmed and Satya Poddar (2009) the study focused on the area on goods and service tax reforms and intergovernmental consideration in India and found that GST introduction will provide simple and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Dr. R. Vasanthagopal (2011) the study focused on the area on GST in India: A big leap in the indirect taxation system and concluded that switching to seamless GST from current



complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also be established in the country.

Jana V. M, Sarma and V Bhaskar (2012) the study focused on the area that the road maps for implementation of goods and service tax. This study found that the steps to be undertaken to implement the comprehensive tax system. The study has thrown the light on the constitutional amendment required for the implementation of GST in India.

Nishitha Guptha (2014) the study focused on the area that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. The GST may develop in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the central government and the state government.

OBJECTIVES OF THE PRESENT STUDY

1. To study the impact of GST in textile industry of Punjab.
2. To study the growth rate in textile industry of Punjab.

DATA COLLECTION

The study being conducted on secondary data only. The present study showed the data for GST levy on textiles and apparel sector in India to know about the relevant results about the implementation of GST tax rates slab. The present study covered the data from 2015-16 up to 2020-21.

DATA ANALYSIS AND INTERPRETATION

1. To study the impact of GST in textile industry of Punjab

The possible impact this would affect 85% of the industry and roughly 80% of final products. Over 15 lakh jobs in main and ancillary units would be lost as a result of the planned GST increase. Because of the unorganised sector accounts for over 80% of fabric production in the country, raising the GST on fabrics to 12% will hurt power loom and handloom weavers. Due to extraordinary price increases in raw materials like yarn, packing materials raised in the textile industry lead to increase the higher cost of production in textile industry.



Table no: 1.1
GST Levy on Textiles and Apparel

Silk and Jute	0%
Cotton and Natural Fibre	5%
Manmade Fibre	18%
All Categories of Yarn	5%
Manmade yarn	18%
Dyeing and Printing Units	18%
Embroidery and Other Job work Services	18%
Fabrics, Irrespective of fibre	5%
Apparels Priced above Rs. 1000	12%
Apparels Priced below Rs. 1000	5%

Source: - <https://economictimes>

From the above table the data shows the various GST tax slabs on textiles and apparel industry in India. Due to the implementation of GST on textiles and apparel leads to more increase in prices of products and also increased the raw material prices in the textile industry of Punjab.

2. To study the growth rate in textile industry of Punjab

Table no: 1.2
GSDP of Punjab at current Prices

2015-16	3.90
2016-17	4.27
2017-18	4.71
2018-19	5.25
2019-20	5.56
2020-21	5.42

Source: - Economic and Statistical Organisation of Punjab



From the above table the state GSDP (gross state domestic product) increased at a compound annual growth rate (CAGR) of 6.78% between 2015-16 and 2020-21. The state provides investment opportunities in sectors such as textiles, agro based industries, IT etc. Punjab is the source of 95% of India's woollen knitwear production, 85% of India's sewing machine production and 75% of India's sports goods production.

Punjab among the largest producers of cotton and blended yarn as well as mill made fabrics in India. Ludhiana is often referred to as the "Manchester of India". In FY21 until January 2021 Punjab exported cotton yarn worth US\$323.66 million and readymade garments (man - made fibres) worth US\$123.55 million.

CONCLUSION

After the implementation of GST there is mixed response in textile industry as textile units are benefited with various advantages to name a few are it reduced the production costs of the organisation because GST eliminates the cascading effect of taxes but similarly sales of small looms or small units are effecting because of tax liability is higher and taking long time to get GST input tax credit. At starting of GST implementation there were also discrepancies in GST rates of Yarn and fabric as GST rate on yarn was fixed at 5% on other side GST on Fabric was 12% so created financial problem for small industry but now government is overcoming such issues in textile industry of Punjab.

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