



“GST—A TRANSITION FOR INDIA'S TEXTILE INDUSTRY”

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Abstract:

The Indian textile industry provides a variety of job opportunities to a large number of talented and unqualified workers throughout the country. It accounts for around 10% of total annual exports, and this figure is likely to rise under GST.

GST would have an impact on the overall cotton value chain of the Textile Industry, including all pieces of clothing for both men and women, for example, shirts, pants, sarees, clothes, shoes, and any additional attire materials, which is favoured by many individuals in the small and medium-sized enterprises because it currently attracts zero focal extract obligations.

This study investigates the effects of GST on the Indian textile sector. It also outlines improvements that are needed in the government's support policies as the Indian textile industry prepares for the GST transition.

Keywords: Goods and service tax (GST), Industry, and GST Impact.



Introduction:

Textile taxation is pervasive and non-neutral across its numerous segments. Many textile products are either tax-free or have relatively low tax rates under the central and state tax regimes. The majority of indirect taxes are levied on inputs, including products and services, and hence remain hidden if unrebated. Textile units have always benefited from small industry exemptions. Because of its abundant labour, India has a comparative edge in garment production. In India, the garmenting process is labour intensive, as opposed to China, where it is highly mechanised.

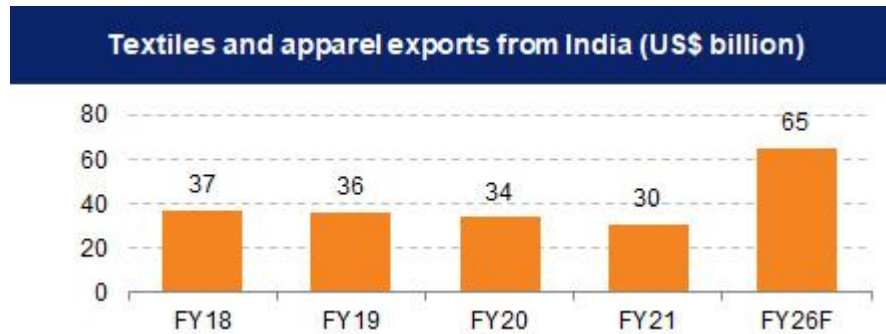
Indian Textile Industry

The textile business is immensely diverse, with hand-spun and hand-woven textiles at one end of the spectrum and capital-intensive modern mills at the other. The textiles sector is dominated by the decentralised power looms/hosiery and knitting sector. The textile industry's tight relationship to agriculture (for raw materials such as cotton) and the country's old culture and traditions in terms of textiles distinguishes it from other industries in the country. The textile industry in India is capable of producing a wide range of products suitable for various market segments both in India and beyond the world.

The textile sector in India employs around 4.5 crore people, including 35.22 lakh handloom workers. The Indian textile and clothing sector is predicted to develop at a 10% CAGR from 2019 to 2025-26, reaching US\$ 190 billion. India is the world's largest cotton producer. During the cotton season 2021-22, estimated production was 362.18 lakh bales. Domestic consumption for the cotton season 2021-22 is expected to reach 338 lakh bales. Fiber output in India reached 2.40 MT in FY21 (through January 2021), while yarn production was 4,762 million kgs during the same period. India's textile and apparel exports (including handicrafts) were US\$ 44.4 billion in FY22, representing a 41% rise year on year. Ready-made garment exports, including cotton accessories, fell.



MARKET SIZE



<https://www.ibef.org/industry/textiles>

GST

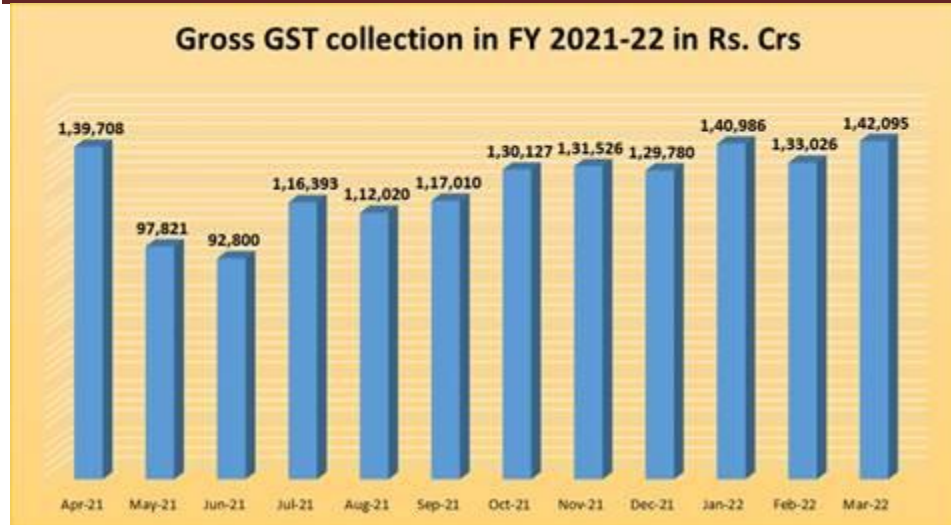
The Goods and Services Tax (GST) is an indirect tax (sometimes known as a consumption tax) levied in India on the supply of goods and services. It is a multistage, destination-based tax: comprehensive since it incorporates almost all indirect taxes, with the exception of a few state taxes. The GST is imposed at each stage of the manufacturing process as a multi-staged tax, but it is intended to be refunded to all parties involved in the manufacturing process other than the final consumer, and as a destination-based tax, it is collected at the point of consumption rather than the point of origin, as previous taxes were.

For tax collection purposes, commodities and services are divided into five tax slabs: 0%, 5%, 12%, 18%, and 28%. Petroleum, alcoholic drinks, and electricity, on the other hand, are exempt from GST and are taxed individually by state governments, as was previously the case.

- The gross GST collection in April 2022 is an all-time high, Rs. 23,000 crore higher than the second highest collection in June 2022, Rs. 1,44,616 crore.

The revenues for June 2022 are 56% greater than the GST collections for the same month in 2021, which were Rs. 92,800 crore.

- The average monthly gross GST collection for the first quarter of FY 2022-23 was 1.51 lakh crore, compared to 1.10 lakh crore in the first quarter of the previous fiscal year, representing a 37% rise.



<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1609919>

Research Methodology

This is a conceptual research paper on GST and its impact on the textile industry. The study's objectives in this context are as follows:

Research problem

The study represents the implications of GST on the garment industry and includes the following problem statements:



1. After the implementation of GST, the prices of garment products have risen.
2. After the imposition of GST on suppliers, exports have declined.
3. Even after the implementation of GST, cash sales transactions in the garment industry have not disappeared.
4. Because GST registration is voluntary, small firms face some disadvantages.
5. The Input Tax Credit has increased the tax burden on end users.

Objectives of the study:

1. Research relevant topics in existing taxation and GST in the textile business.
2. Research the textile industry's transition to GST in the Indian economy.
3. To investigate the impact of the GST regime on the textile industry.
4. To study about Goods and Service Tax and its impact on the economy.

Data Collection: This paper is a descriptive paper based on secondary data collected from different books, news-paper articles and research journals

Research Design type-Qualitative research

Hypothesis

.Null Hypothesis: H_0 : There is significant decrease in exports in Garment Industry due to GST.

Alternative Hypothesis: H_1 : There is significant decrease in exports in Garment Industry not due to GST.

Limitations of the Study

The study paper is a conceptual piece in which the concept, issues, and impact of GST on the textile industry have been researched using accessible literature and the opinions of industry professionals. Observations and interviews with traders and manufacturers may result in a variety of effects felt by the sector.



Conclusion

The implementation of GST will result in significant changes in India's textile industry, with an overall beneficial influence on the sector. GST has a few disadvantages for the textile industry, including a higher tax rate and the elimination of benefits from the cotton value chain. GST implementation is projected to improve company efficiency and move India to a simpler, more transparent, and tax-

friendly system. GST in the Indian framework will fix revenue leakages in the current system while also providing taxpayer relief in the form of decreased tax burden, removal of the cascade effect, and frictionless flow of input credit on most commodities, in addition it would ultimately lead to Economic Development by unlocking a torrent of commercial benefits previously untapped by the VAT system.

Resources

- [PIB E-booklet on GST](#)
- <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1609919>
- <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1708930>
- <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1812315>
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