

BUDGET EXPECTATIONS

Textile sector calls for uniform GST



Textiles and apparel industry accounts for about 2.3 per cent of the GDP

Industry hopeful of Finance Ministry giving a push to domestic manufacturing

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The Textile Ministry has taken up the industry demand for implementing a uniform GST (Goods & Services Tax) structure for apparels and textiles to address the problem of higher duties on inputs and abolishing anti-dumping duties on viscose staple fibre (VSF) with the Finance Ministry for redressal in the forthcoming Budget.

"The inverted GST structure in the textile industry and the anti-dumping duty on viscose staple fibre are two major irritants for textiles and garments manufacturers. The Textile Ministry has been holding discussions on the two issues with relevant bodies and the Finance Ministry. Hopefully the matter will be resolved in the forthcoming Budget," an official told *BusinessLine*.

Finance Minister Nirmala Sitharaman will present the Budget for 2021-22 on February 1 and her stress is expected to be on giving a further push to domestic manufacturing and the 'Atmanirbhar Bharat' drive.

In the last Budget, the Finance Ministry had removed anti-dumping duties on purified terephthalic acid (PTA), which is an important input in the manufacture of textile fibres and yarns. The move hit domestic manufacturers of PTA such as Reliance Industries, JBF and Indian Oil but benefited thousands of fibre, yarn and garments producers who could source the input much cheaper.

Acrylic fibre

In November 2020, the government withdrew anti-dumping duty on acrylic fibre to enable sweater and shawl manufacturers get the raw material at competitive prices.

"There is now a big demand from textile bodies for removal of anti-dumping duties on VSF to benefit the entire value chain given the growing demand for VSF and its blended textiles," the official said.

Textile associations such as the Southern Indian Mills Association, Indian Texpreneurs Federation, and Northern India Textile Mills' Association have given representations to the Centre seeking removal of anti-dumping duties on VSF to prevent stoppage of production across the value chain and save jobs from getting lost.

"Till the Budget is announced, we will not know whether the demand of the textile sector will be met but the government has already demonstrated that it understands the need to do away with anti-dumping duties on critical inputs. If around two decades of protection has not made the domestic producers of the inputs competent, then there is no point of continuing to shield them," the official said.

On the demand for implementation of a uniform GST structure for textiles, the official said the present rates were creating an inverted duty structure, where taxes on inputs are higher than that on output, and blocking working capital. "The Textile Ministry had earlier taken up the matter with the GST Council and there is an expectation that it might be addressed in this year's Budget," the official said.

Man-made fibre

At present, man made fibre is taxed at 18 per cent, spun yarn and filament yarn at 12 per cent and final output, including garments, at 5 per cent. "As far as refunds are concerned, there is no certainty when that would happen," the official said.

Indian textiles and apparel industry account for about 2.3 per cent of the GDP, 13 per cent of industrial production and 12 per cent of export earnings, per government figures.