

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

**LOK SABHA**

**UNSTARRED QUESTION NO. 432.  
TO BE ANSWERED ON MONDAY, THE 5<sup>TH</sup> FEBRUARY, 2018.**

**INCENTIVES TO INDUSTRIES**

**432. SHRI RAVNEET SINGH:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether there is no clarity in Goods and Services Tax about the various incentives etc. given by the States for setting up of industries/companies in their States and if so, the details thereof and the reasons therefor, especially in the textile sector;
- (b) whether the Government has evaluated the change in benefits available with regards to incentives for manufacturing textiles and if so, the details thereof;
- (c) whether representations have been made by various industries and companies seeking clarification from the GST Council and his Ministry in this regard; and
- (d) if so, the details thereof along with the response of the Government thereon?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सी.आर. चौधरी)**

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI C.R. CHAUDHARY)**

**(a) to (d):** It was decided in the 2<sup>nd</sup> Goods and Services Tax, (GST) Council Meeting held on 30.09.2016, that all entities exempted from payment of Indirect Tax under any existing tax incentive scheme shall pay tax in the GST regime. The decision to continue with any incentive given to specific industries in existing industrial policies of States or through any schemes of the Central Government shall be with the concerned State or Central Government, respectively. In case the State or Central Government decides to continue any existing exemption/ incentive/ deferral scheme, then it shall be administered by way of a reimbursement mechanism through the budgetary route, the modalities for which shall be worked out by the concerned State/ Centre.

The "Scheme of Budgetary Support to the eligible units located in the States of Jammu & Kashmir, Uttarakhand, Himachal Pradesh and North Eastern States including Sikkim under Goods and Services Tax regime" has been formulated for granting budgetary support to the extent of

Central Government's share in the CGST/IGST collected from these units. The Scheme will be applicable for the residual period from 01.07.2017 to 30.06.2027 to those existing industrial units, located in the above mentioned States, which were already receiving exemptions under the erstwhile Excise Duty Act.

Several issues which have arisen in the implementation of GST in Textiles were taken up by the Ministry of Textiles with Ministry of Finance/GST Council. Subsequently several of the issues have been resolved by the GST Council.

Amongst the issues resolved are:

- 1) GST rate on job works for entire textile segment i.e. yarn, fabric garments and made-ups was revised from 18% to 5%;
- 2) GST rates for a few Handicraft items have been reduced;
- 3) GST rate for Corduroy has been reduced from 12% to 5%;
- 4) GST rates for Manmade Filament and yarn has been reduced from 18% to 12%;
- 5) Import duty on MMF fabric has been enhanced from 10% to 20% to protect domestic market;
- 6) Sari has been included in the classification of fabric with 5% GST.
- 7) GST rates on velvet fabric has been reduced from 12% to 5% and
- 8) GST rates on Common Effluent Treatment Plants services of effluents has been reduced from 18% to 12%.

Issues remaining unresolved include:

- i. Non-refund of ITC at fabric stage:.
- ii. Machinery used by MSME textile units to be taxed at lower rates: Tax on machinery used by the MSME textile sector prior to GST was 5%. Taxing of machinery at 18% adversely affects the textile sector. Therefore, the Ministry has been pursuing differential rate of taxation which could be levied at 5% for machineries costing up to Rs. 1 crore; 12% for machineries costing between Rs. 1 crore and Rs. 5 crores; and 18% on machineries costing more than Rs. 5 crores.
- iii. SITP parks to be treated at par with industrial parks for GST:
- iv. Issues related to enhancement of import duty on other lines of fabrics.

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