

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

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**LOK SABHA
UNSTARRED QUESTION No.1845
TO BE ANSWERED ON FRIDAY, DECEMBER 21, 2018/AGRAHAYANA 30, 1940
(SAKA)**

IMPACT OF GST ON APPAREL SECTOR

1845. SHRI B.V. NAIK:

Will the Minister of FINANCE be pleased to state:

- (a) whether the impact of Goods and Services Tax (GST) on the apparel sector consisting primarily of Micro, Small and Medium Enterprises (MSMEs) has led to decline in textile exports for the last one and half years and if so, the details thereof;
- (b) the details of the concerns raised by MSMEs;
- (c) whether the Government is introducing incentives like access to loans at discounted rates for MSMEs under apparel/textiles sector that comply with GST rules and if so, the details thereof; and
- (d) the other steps taken to support MSMEs in transition to GST by addressing their concerns and building necessary capabilities?

**MINISTER OF STATE FOR FINANCE
(SHRI SHIV PRATAP SHUKLA)**

- (a) & (b) No Madam. Export of textile and apparel has increased by 2% from US\$ 46 bn during July 2015- October 2016 to US\$ 47.1 bn during July 2017- October 2018.

Export (in US\$ mn)	July 2015-Oct 2016	July 2017-Oct 2018	Growth
Textile and apparel	46,112	47,097	2%

- (c) Yes Madam. Government has announced the Special Package for garments and made-ups sectors. The package offers Rebate of State Levies (RoSL), labour law reforms, additional incentives under ATUFS and relaxation of Section 80JJAA of Income Tax Act. Further, the rates under Merchandise Exports from India Scheme (MEIS) have been enhanced from 2% to 4% for apparel, 5% to 7% for made-ups, handloom and handicrafts w.e.f. 01.11.2017.

Products such as fibre, yarn and fabric in the textile value chain are being strengthened and made competitive through various schemes, inter alia, Powertex for fabric segment, Amended Technology Upgradation Fund Scheme (ATUFS) for all segments except spinning, Scheme for Integrated Textile Parks (SITP) for all segments, etc. Assistance is provided to exporters under Market Access Initiative (MAI) Scheme. Further, Government has enhanced interest equalization rate for pre and post shipment credit for the textile sector from 3% to 5% w.e.f. 02.11.2018.

(d) Based on the representations and feedback received, the GST Council has undertaken various decisions from time to time to alleviate the concerns raised by the small and medium sectors. Details of various such decisions implemented for the small and medium enterprises are placed below:

- (i) Increase in aggregate annual turnover threshold for eligibility under the composition scheme from Rs. 75 lakh to Rs. one crore for 27 States (including Jammu & Kashmir and Uttarakhand).
- (ii) Increase in the aggregate annual turnover threshold for eligibility under the Composition scheme from Rs. 50 lakh to Rs. 75 lakh for Special Category States (as specified in sub-clause (g) of clause (4) of article 279A of the Constitution) other than Jammu & Kashmir and Uttarakhand.
- (iii) Taxpayers having annual turnover of up to Rs.1.5 crore in the previous year provided with an option to file quarterly Returns (FORM GSTR-1) and taxpayers having annual turnover above Rs.1.5 crore to file monthly returns (FORM GSTR-1).
- (iv) Registered persons making supply of goods to make payment of tax on issuance of invoice and not at the time when advances are received.
- (v) Suspension of the application of reverse charge mechanism under Section 9(4) of the CGST/SGST Acts, 2017 and Section 5(4) of the IGST Act, 2017 till 30th September, 2019 for all categories of registered persons including Composition taxpayers.
- (vi) Uniform rate of tax @1% under composition scheme for manufacturers and traders. The turnover for traders will be counted only for supply of taxable goods. No change in composition scheme for restaurants sector.
- (vii) Supply of exempted services by Composition taxpayer will be allowed and the same will not be taken into account while computing the aggregate turnover.
- (viii) The amount of late fee payable by a taxpayer whose tax liability for the month was 'Nil' will be Rs.20/- per day (Rs.10/- per day each under CGST & SGST Acts) subject to maximum Rs.5000/- each under Act from October, 2017.
- (ix) The amount of late fee payable by other taxpayers will be Rs. 50/- per day (Rs. 25/- per day each under CGST & SGST Acts) subject to maximum Rs.5000/- each under Act from October, 2017.
