

Government of India
Ministry of Textiles

Minutes of the Stakeholders' Consultation on the Implications of the GST for the Textiles Sector held under the Chairpersonship of Hon'ble Minister of Textiles on 17th December, 2016 from 2:00PM to 5:30PM at the Constitutional Club of India, New Delhi.

A Stakeholders' Consultation on the Implications of the GST for the Textiles Sector held under the Chairpersonship of Hon'ble Minister of Textiles on 17th December, 2016 from 2:00PM to 5:30PM at the Constitutional Club of India, New Delhi.

2. The list of Participants is at Annexure.

3. At the outset, Hon'ble Minister of Textiles, Smt. Smriti Zubin Irani welcomed the participants. Shri Manish Kumar Sinha, Commissioner GST Council Secretariat made a presentation on 'GST Related Issues for Textiles Industry'. The floor was then opened for discussions.

4. Shri Anil Rajvanshi, Chairman, SRTEPC stated that the same rate of GST should apply throughout the textile value chain as the blend of cotton and MMF keeps changing depending on the cost of the fibre and the seasonal requirements while it is difficult to differentiate between these blends based on appearance .

5. Shri HKL Magu, Vice-Chairman, APEC mentioned that **inter-state supply of Goods** between two divisions of the same legal entity must not be subject to GST, as is the international practice as no transaction has been effected with a third party and no consideration has changed hands . Such transactions are neither recorded, nor valued, nor invoiced at present and taxation of these activities under GST would imply huge cost. GST would result in increased working capital requirement for garment exports wherein input costs account for roughly 65% of the total costs which could earlier be claimed under duty drawback . Provision of tax on inter state supply of goods and services to the same entity would further

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enhance the requirement of working capital **The above concerns may be addressed by a single registration of exporters across States or limiting tax on inter state -supplies to goods only for resale as is done in China, or continuation of the current Duty drawback procedures for automated refunds in time bound manner.**

6. Shri Mahavir Sharma, Chairman, Carpet Export Council mentioned that currently exporters have two tax rates, one with payment of CENVAT and the other without CENVAT. The carpet value chain is segmented and unorganized and it is not easy to claim refund of input tax. The GST regime would not offer these options and would therefore increase the compliance cost for the carpet sector.

7. Shri Rakesh Biyani, Vice President, CMAI requested for a uniform rate of tax across textile fibres.

8. Shri J D Giri, Shahi Export, mentioned that typically there are 14 different processes in garmenting which would entail movement of goods and services across these segments and accounting for the same would increase compliance costs many times over GST and increase the requirement of working capital Which would make the industry uncompetitive.

9. To a query raised in respect of treatment of Textile exporters and Merchant Exporters and agency Commission by the representative of Texprocil , Commissioner GST clarified that the GST does not differentiate between these categories.

10. Shri Rakesh Kumar, Executive Director, EPCH raised the issues regarding the treatment of the existing stock/inventory of handloom & handicraft items under the GST law.

11. Shri S C Kapur, DG, Association of Synthetic Fibres said that the rates should be same for Synthetic fibres, possible at the lowest rate of GST.

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12. Shri V. Kumar, Chairman, HEPC requested for separate treatment of the handloom products with the same continuing to be exempt from GST. He desired to know the treatment of foreign agency commissions under GST. He also suggested review of provisions in Section 18 regarding the manner of recovery regarding the credit distributed in excess and Section 16 for taking input tax credit in respect of job work.

13. Dr. K Selvaraju, Secretary General, SIMA said that the GST should as low as 5% and should apply to the entire value chain with no differentiation in rates. The compliance cost due to the fragmented nature of the sector would be high. Only low and uniform tax rate could reduce the already complex structure of textile sector and encourage compliance.

14. Shri. Anil Peshwani, Member, AEPC mentioned that the depreciation of China's currency and the compliance cost of GST would make the sector uncompetitive in the international market if the sector is not kept in the lowest rate of GST. Suggestions were also made regarding the refund of State and Central levies through a single window.

15. Hon'ble Minister concluded the Meeting by thanking all participants for their valuable suggestions. She requested Commissioner GST Council for addressing the responses and sending in a revised presentation which could thereafter be circulated to the Industry. She also directed that a letter from her side be put up to Hon'ble Finance Minister regarding some of the key concerns raised by the industry representatives regarding impact of GST on textile sector.

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Annexure

List of Participants (GST)

1. Mrs Smriti Zubin Irani, Minister for Textiles
2. Mrs. Rashmi Verma, Secretary (Textiles);
3. Mrs. Pushpa Subrahmanyam, Addl. Secretary;
4. Mrs. Babni Lal, Economic Advisor
5. Shri A Madhukumar Reddy, Joint Secretary;
6. Shri Puneet Agarwal, Joint Secretary;
7. Mrs. Aditi Das Rout, Trade Advisor;
8. Sh.Manish Kumar Sinha ,Commissioner GST Council Secretariat
9. Sh. R.S. Khurana, Deputy Commissioner, GST Policy Wing
10. Sh. Anil Rajvanshi, Chairman ,Synthetic & Rayon Textiles Exports Promotion Council (SRTEPC)
11. Sh. Siddharth Rajgopal, Executive Director, TEXPROCIL
12. Sh. Ujwal R Lahoti, Chairman , The Cotton Export Promotion Council
13. Sh. Purushottam Vanga, Chairman, PDEXCIL
14. Sh. Sanjeev K Sharma, Chairman, OSD, Indian Silk Export Promotion Council
15. Sh. Kuldeep Raj Wattal, Chairman, Carpet Exports promotion Council
16. Sh. V.R. Sharma, Past Chairman, Carpet Exports Promotion Council
17. Sh. Shiv Kumar Gupta, Executive Director, Carpet Exports Promotion Council
18. Sh. V. Kumar, Chairman, Handloom Export Promotion Council
19. Sh. H K L Magu, Vice Chairman, Apparel Export Promotion Council
20. Sh. Anil Peshawari ,EC ,Member Apparel Export Promotion Council
21. Sh. Rakesh Kumar, Executive Director ,EPCH
22. Sh.Rahul Mehta ,President, Clothing Manufacturers Association of India
23. Sh. Rakesh Biyani ,Vice President, Clothing Manufacturers Association of India
24. Sh. Siddharth Bindra, Chairman, Northern Region Clothing Manufacturers Association of India
25. Sh. J.K. Arora ,Senior Director, Northern Regional Office Clothing Manufacturers Association of India
26. Sh. Dhiren N. Sheth, President, Cotton Association of India
27. Sh K K. Selvaraju, Secretary General, The Southern India Mills Association
28. Sh.Nagesh Prabhu, Chief Executive Officer & Member Secretary, Central Silk Board
29. Sh.S. C. Kapur, Director, General Association for Synthetic Fibres

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30. Sh. Binoy Job ,Secretary, General Confederation of Indian Textile Industry (CITI)
31. Sh. Naishadh Parekh, Chairman, Confederation of Indian Textile Industry (CITI)
32. Sh. R D Udeshi ,Reliance
33. Sh. O P Lohia, Chairman, Indorama
34. Sh. R.K. Vij, Advisor, Indorama
35. Sh.A. K Jain, General Manager, Orient Craft
36. Sh. Tushar Gurg, General Manager, Wool Textile (Raymond)
37. Sh. R Bhalla, JPDEPC
38. Sh. S. L. Pokharna, Chairman ,Wool Textile
39. Sh. Vivek Mehta, Vice Chairman, IWMF
40. Sh. A.P. Deshpanda ,ED, Wool Textile
41. Sh. Mahavir Sharma, Chairman ,CEPC
42. Sh. Sagar Mehta, Vice Chairman ,EPCH
43. Sh. Dinesh Kumar, Chairman, EDCH
44. Sh. V. Anil Kumar, ED ,SRTEPL
45. Sh. Joydeb Chatterji, CFO ,Technical Textile SRF LTd
46. Dr. K.V Prabhu ,VC, HEPC
47. Sh. R.P.Raj ,EPO, HEPC
48. Sh. K Raju ,RO, TEXPROCIL
49. Sh. Subhakirti Majumdar, Director ,General Indian Jute Mills Association
50. Sh. P.S. Champawat ,MDO, Central Wool Dev. Board
51. Sh. Atul Anand, Obeetee
52. Sh. Sachit Jain, Vardhman
53. Sh. J D Giri, Shahi Exports
54. Sh. B Prakash, Wazir Advisors
55. Sh. A K Jain, Orient craft
56. Sh. C.Chinnappa, Addl. Economic Adviser(Textiles)
57. Sh. S.R.Gaikwad, ADC(Handicrafts)
58. Sh M C Gupta, ADC (Handlooms);
59. Sh. Naveen Kumar, Assistant Director;
60. Sh. A K Ganguly, Consultant