

Many Steps Taken to Resolve Issues of Textile Sector

The stated policy of the Government is to reduce tax burden and increase ease of tax compliance of MSME's including Textiles MSMEs. For furtherance of this objective, the Government has taken various steps. Some of these steps taken in recent years are:

- i. The rate of corporate tax was reduced to 25 per cent for companies with a turnover of upto Rs. 250 crores in Financial Year 2016-17 (covering 99 per cent of domestic companies). This limit is further proposed to be increased to Rs. 400 crores vide Finance (No.2) Bill, 2019.
- ii. The threshold limit for applicability of presumptive taxation of business income was increased from Rs. 1 crore to Rs 2 crore.
- iii. The threshold for maintaining books of accounts on part of individuals and Hindu undivided family has been increased to income of Rs. 2.5 lakh from Rs. 1.2 lakh earlier or total turnover of Rs. 25 lakh from Rs. 10 lakh earlier.
- iv. The rebate provided under the Income-tax Act, 1961 has been increased and now any individuals or Hindu undivided family having a total taxable income upto Rs. 5 lakh do not need to pay any Income-tax.
- v. Section 80JJAA of the Act provides for deduction in *lieu* of employment generation. Considering the seasonal nature of the business of an assessee engaged in manufacturing of apparel, the requirement of 240 days of employment has been relaxed to 150 days.

Ministry of Textiles has taken up the issues raised by the Textiles Industry/Traders Associations regarding reduction of GST rates on various textile items and actively engaged with the Department of Revenue, Ministry of Finance for getting them resolved. As a result, many important changes have been made *inter alia*, which are as follows:

- i. GST rate on job works for entire textile segment i.e. yarn, fabric garments and made-ups was revised from 18% to 5%.

- ii. Initially GST rates for a few Handicraft items have been reduced. Subsequently, GST Council in its 28th Meeting held on 21.7.2018 reduced the GST rate to Zero for two handicrafts items, reduced from 12% to 10% for 15 handicraft items and reduced the GST rates from 12% to 5% on 8 items.
- iii. GST rates for Corduroy and velvet fabric has been reduced from 12% to 5%.
- iv. GST rates for Manmade Filament (MMF) yarn has been reduced from 18% to 12%.
- v. GST on Common Effluent Treatment Plants services of effluents has been reduced from 18% to 12%.
- vi. The import duty on MMF has been enhanced from 10% to 20% to protect domestic market.
- vii) Sari has been included in the classification of fabric with 5% GST.

vii) Refund ITC to fabrics was allowed with prospective effect (i.e. 27.7.2018). The inverted duty structure on MMR (i.e. 18% on fibre, 12% on yarn and 5% on fabric without refund of ITC) led to stranding of 2% tax at the fabric stage and rendering the weavers uncompetitive in domestic and international markets).

This information was given by Shri Nitin Gadkari, Union Minister for Micro, Small and Medium Enterprises in written reply to a question in Rajya Sabha today.

NP/SKP/IA

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