

The Proposal for increasing the Gst tax rates as per the Last Gst Council Meeting held on 17th September 2021 in Lucknow has been given effect to vide Notifications issued on 18th November 2021.

GST ON GARMENTS AND TEXTILE, 5% TO 12%

w.e.f. 01/01/2022

1. The rate of GST on garments, fabrics, Job works of dyeing and printing has now been increased to 12%.
2. A move has been taken whereby the output tax rates are increased to flat 12% irrespective of the price of garments. Also, as per the notification, the rate of tax on inward supplies of fabrics (other than cotton yarn), inward supply of services of 'Job workers', now stands increased to 12%.
3. Currently there has been a major issue in relation to accumulation of 'Input tax credit' due to prevalent Inverted duty structure. Numerous representations have been made by the trade body in this regard. The refunds are available only in respect of Input tax credit accumulated on account of goods purchased having high rate of tax than on output and whereas the refunds are not eligible in respect of 'Input services' and 'Capital Goods'
4. This would result in unblocking of working capital which was earlier getting stuck in form of Accumulated Input tax credit, which precisely is the reason why this change was proposed.
5. However, the only issue in such case would be that the consumer prices would increase.
6. Now here the textile and garment manufacturers may be getting out of 'accumulated Input tax credit web, but unfortunately at the retailers end there is an increase in customer price.
7. If the rates would have been kept stable at 5% and supplies such as fabric would have been brought in this band, the consumer price wouldn't have taken a seemingly possible hit.
8. Now, it would be a tough decision to either increase the MRP or compromise on Profit margins either.
9. Explained with an example-- cost price, sales price structure along with corresponding GST amounts applicable thereto.

Per unit cost and sales price of manufactured garment

Sr No	Particulars	Amount Rs	Old GST Rates	GST Amount	Amount Rs	New GST Rates	GST Amount
A	Fabric purchased	150.00	5%	7.50	150.00	12%	18.00
B	Job work stitching	60.00	5%	3.00	60.00	5%	3.00
C	Job work finishing	20.00	5%	1.00	20.00	5%	1.00
D	Dyeing Job work	40.00	5%	2.00	40.00	12%	4.80
E	Accessories	10.00	12%	1.20	10.00	12%	1.20
F	Accessories	5.00	18%	0.90	5.00	18%	0.90
G	Admin Expenses	5.00	18%	0.90	5.00	18%	0.90
	Cost of Production	290.00		16.50	290.00		29.80
H	Eligible Capital Goods	10.00	18%	1.80	10.00	18%	1.80
	Total Input tax credit			18.30			31.60
I	Sales Price	325.00	5%	16.25	325.00	12%	39.00
	Consumer Selling Price			341.25			364.00
J	Accumulated Input tax credit (I-H)			- 2.05			NIL
K	Differential Tax Payable in Cash (I-H)						7.40