

Apply GST on factory price of textiles Industry

The textile industry has warned the government that if the goods and services tax (GST) is levied on the maximum retail price (MRP) it will have a multiplier effect on the sector. The industry has recommended to the government the levy of the tax on the exfactory price, which is much lower than the MRP, to leave some room for periodic discounts.

The textile industry offers heavy discounts on the MRP of branded garments.

Considering the expenses incurred on branding, transportation and a host of other aspects, it was important to have the GST levied on the exfactory, the industry said in its representation to Finance Minister Arun Jaitley. The exfactory price could easily be arrived through the central sales tax, it added. The industry has also urged the government to keep textiles in the lowest GST slab.

“Levying the GST on the MRP of garments would have an ill effect on the textile sector.

Entire value chains of the industry will be hit,” said Shanti L Shah, chairman and managing director of Hiralal Gulabchand, a city-based garment manufacturer. “The MRP is deceptive and cannot be seen as the final price of the product. If the GST is implemented on the MRP, it will sink the textile industry,” an industry source said.

Speaking on the sidelines of the 62nd garments fair here on Wednesday, Textile Commissioner Kavita Gupta said, “The government has not taken any view on the demand of the industry. But we are committed to supporting the textile industry. The industry should start preparing for the GST.” India’s textile exports are set to decline to \$ 40 billion in 2015-16 from \$ 41.4 billion a year ago. Gupta attributed this to a slowdown in the global economy. “We have 60-65 per cent market share in summer clothes. We need to expand into winter and children’s clothes to increase our market share,” said Rahul Mehta, president, Clothing Manufacturers’ Association of India.

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