

Deferred the decision to change the rates in textiles from 5% to 12% w.e.f. January 01, 2022

The Ministry of Finance vide Press Release dated December 31, 2021 stated that the GST Council's 46th meeting held on December 31, 2021 under the chairmanship of the Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman. The GST Council has recommended to defer the decision to change the rates in textiles recommended in the 45th GST Council meeting. Consequently, the existing rates in textile sector would continue beyond January 01, 2022.

Our comments:

The GST Council has taken a laudable decision to defer hike in GST rate on textiles from 5% to 12% w.e.f January 1, 2022 as it will give much needed impetus and support to textile sector wherein large number of small & medium scale taxpayers were worried with the recent hike in GST rates and this decision of GST Council is in right direction and advisable for the Government to build confidence and consensus among traders before hiking GST rates in future. Further, the Government should brought down the GST rates of raw materials to 5% from 12%/18% if at all, the Government wanted to done away with inverted duty structure for textile sector.

However, there is no deferment on GST rate from 5% to 12% on footwear w.e.f. January 1, 2022, which is also one of unorganized sector with small/ medium scale traders and generates lots employment opportunities. This sector also needed support and sustainability but now, this hike in GST rates will make footwear expensive for the common man. And, to ensure sustainability of footwear sector as it creates lots of employment opportunities and also fighting with pricing and costing, etc., the Government should have deferred hike in GST rate from 5% to 12% for this sector as well.

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