

TEXPROCIL

Chairman, TEXPROCIL welcomes reduction in GST rate for Job work in textile sector

The Goods and Services Tax (GST) Council in its 20th meeting on Saturday decided to cut the tax rate for job work for the entire value chain of textiles sector to 5 per cent. Earlier, the GST for job works related to textile yarns, other than manmade fibres and textile fabrics, was 5 per cent, while for manmade fibres yarns and made ups / garments, it was 18 per cent. "The reduction in the GST rate for job work in the made ups and garment sectors is welcome and a positive measure which will bring down the costs for the textiles sector across the value chain", said Shri Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL). Majority of the manufacturing activities in the textiles sector take place through job work and the reduction in the GST rate for job work has come as a huge relief for the sector", pointed out Shri Lahoti. The Chairman TEXPROCIL thanked Shri Arun Jaitley, Hon'ble Union Finance Minister and Smt Smriti Zubin Irani, Hon'ble Union Textile Minister for reducing the GST rate for job work in the textile sector.

With regard to exports, Shri Lahoti said "merchant exporters cannot benefit from the facility of exports under Bond/ LUT". There is no enabling document prescribed so far by the Government under which goods can be cleared by a manufacturer without charging IGST meant for exports by a merchant exporter against Bond/LUT, pointed out Shri Lahoti. In the absence of such a provision, the manufacturer charge IGST on the goods supplied by him to the merchant exporter meant for exports under Bond/LUT. In the erstwhile Central Excise regime, there was a facility under which a merchant exporter who has executed a Bond (B-1 Bond) was provided with C.T.1 certificates. The manufacturers supplied the goods without charging Central Excise duty to the merchant exporters against the C.T.1 certificates. The Chairman, TEXPROCIL urged the Government to introduce similar facility at the earliest so that the merchant exporters exporting under Bond/LUT can get IGST free goods from the manufacturers. The Foreign Trade Policy allows fulfillment of export obligations under various schemes though "third party exports". Such a provision of getting exports goods without payment of IGST from the textiles manufacturers will lead to ease of doing business and also seamless flow of credits, according to Shri Lahoti.

Further, to operate under the facility of Bond/ LUT, a Bank Guarantee is required to be furnished by the exporters. Shri Ujwal Lahoti urged the Government to exempt those exporters holding a valid membership with an Export Promotion Council from furnishing Bank Guarantees as it increases costs for the exporters. In the Central Excise regime, merchant exporters who were members of an EPC were exempted from furnishing Bank Guarantees while executing B-1 Bond, pointed out Shri Lahoti.