

# IMPACT OF DEMONETISATION AND GST ON TEXTILE INDUSTRY

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Ministry of Textiles

## Impact of Demonetisation and GST on Textile Industry

Posted On: 18 JUL 2019 4:34PM by PIB Delhi

Ministry of Textiles has not conducted a study on the impact of demonetization and GST on textile sector as no negative impact of demonetisation was observed by the Ministry during its implementation of schemes/field visits.

GST rates for garments and made up articles is 5% of sale value not exceeding Rs. 1000 per piece and 12% for articles of sale value exceeding Rs. 1000 per piece. The GST rates are lesser than the pre-GST incidence of taxes on these goods. To reduce the cost of garment industry, GST rate on manmade fibre yarns has been reduced from 18% to 12%. Further, the refund of accumulated input tax credit on fabrics has also been allowed to reduce cost of fabrics which is a major input for garments. Further, under the Interest Subvention Scheme, it was announced in the budget speech that 350 crore allocated for 2 per cent interest subvention for all GST-registered MSMEs on fresh or incremental loans.

Government has taken a number of steps for promotion of investment, production exports and for creation of new job opportunities in the textile sector which inter-alia include the following:

(i) To increase competitiveness of textile industry, Government announced a Special Package for garments and made-ups sectors of Rs.6000 crore which was launched in 2016 to promote investment, boost exports and employment generation of around 1.11 crore jobs. The package offers Rebate of State Levies (RoSL), labour law reforms, additional incentives under Amended Technology Upgradation Fund Scheme ATUFS and relaxation of Section 80JJAA of Income Tax Act. The RoSL scheme has been replaced by the new RoSCTL (Rebate of State and Central Taxes and Levies) scheme w.e.f 7th March 2019 and shall remain in force up to 31.03.2020. The rates under Merchandise Exports from India Scheme (MEIS) have been enhanced from 2% to 4% for garment and made-ups, 5% to 7% for handloom and handicrafts w.e.f. 1st November 2017. Products such as fibre, yarn and fabric in the textile value chain are being strengthened and made competitive through various schemes, inter alia, Powertex for fabric segment, ATUFS for all segments except spinning, Scheme for Integrated Textile Parks (SITP) for all segments, etc. Assistance is also provided to exporters under Market Access Initiative (MAI) Scheme. Government has enhanced interest equalization rate for pre and post shipment credit for exports done by MSMEs of textile sector from 3% to 5% w.e.f. 02.11.2018. Benefits of Interest Equalization Scheme has been extended to merchant exporters from 02.01.2019

which was earlier limited to only manufacturer exporters.

(ii) Amended Technology Upgradation Fund Scheme is being implemented to upgrade technology/machinery of textile industry with an outlay of Rs. 17,822 crore during 2016-2022 which will attract investment of Rs.1 lakh crore and generate 35.62 lakh employment in the textile sector by 2022.

(iii) Under the Scheme of Integrated Textile Park (SITP), Government provides 40% subsidy with a ceiling of Rs.40 crore to set up Textile Parks for creation of textile infrastructure and employment generation.

(iv) A separate scheme for development of knitting and knitwear has been launched recently to boost production in knitting and knitwear clusters which provide employment to nearly 24 lakh persons.

(v) Government has approved a new scheme viz., 'Samarth – Scheme for Capacity Building', to train 10 lakh youth for a period of three years from 2017-18 to 2019-20, at an estimated cost of Rs.1300 crore. The scheme aimed at providing demand driven, placement oriented National Skills Qualifications Framework (NSQF) compliant skilling programmes to incentivize and supplement the efforts of the industry in creating jobs in the organised and related sector including skilling and skill-upgradation in the traditional sector.

(vi) Apart from the above, Government has been implementing various schemes for promoting investment, production, employment generation and for boosting exports in the textile sector. These include PowerTex India Scheme - for Powerloom Sector Development; Silk Samagra- the integrated silk development scheme; Integrated Processing Development Scheme (IPDS), North Eastern Region Textile Promotion Scheme (NERTPS), Incentive Scheme for Acquisition of Plants and Machinery (ISAPM) for Jute Industry and Jute Diversified Products Manufacturing Units, innovation and expansion under Technology Mission on Technical Textiles- for Promoting Usage of Agro textiles, Focus Incubation Centre, etc. Furthermore, Government has been encouraging and supporting the traditional handloom and handicraft sectors including silk, wool and jute sectors for enhancing production and employment generation in these segments.

This information was given by the Union Minister of Textiles, Smriti Zubin Irani, in written reply in the Rajya Sabha today.

MM/ SB

(Release ID: 1579349) Visitor Counter : 111

**END**

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com

CrackIAS.com