Apply GST on factory price of textiles: Industry

The textile industry in India has warned the government that if goods and services tax (GST) is levied on maximum retail price (MRP) as proposed then it would have multiple ill effects on the entire sector.

The textile industry has recommended the government to levy GST on ex-factory price, which is always much lower than the MRP, as it would leave some leg room for periodic discount offers. The textile industry offers heavy discounts on MRP of branded garments not only in their factory outlets but also in organised retails to attract business. Especially in the lean season, even branded garments are available at affordable prices, which otherwise remain un-affordable for the average middle class.

Considering expenses incurred on branding, transportation and a host of other aspects, it is important to have GST levy on ex-factory, which would be determined on the basis of actual manufacturing cost. The ex-factory price can easily be arrived at on the basis of the current system of Central Sales Tax (CST) paid to the government, industry represented to the Finance minister Arun Jaitley.

"The MRP is just an indicative price, which cannot be determined for any tax collection. Levying GST on MRP of garments would have multiple ill effects on the entire textile sector. Not only the frontline textile sector but also entire value chains of the textiles industry would be hit badly," said Shanti L Shah, chairman and managing director of Hiralal Gulabchand Pvt Ltd, a city based garments manufacturer.

When asked, an industry veteran, said, "MRP is deceptive and hence, cannot be seen as the final price of the product. If GST is implemented on MRP, it would sink the entire textile industry into deep water."

The textile industry has, in fact, has also urged the government to keep this employment intensive industry in the lowest slab of GST. Trade sources believe that 12.5 per cent of GST would be a logical level without any ill-effect on the industry.

Speaking on the sidelines of the 62nd Garments Fair here on Wednesday, Dr Kavita Gupta, Textile Commissioner, said, "The government has not taken any view on the demand of the industry. But, we are committed to support the textiles industry to the maximum possible extent. The industry, meanwhile, should start preparations for the GST."

India's textiles exports are set to record a marginal decline at $40 billion in the financial year 2015-16 as compared to $41.4 billion reported in the previous financial year. Dr Gupta attributed a marginal decline in textiles exports to a slowdown in global economy but, definitely saw the slowdown in Chinese economy as an opportunity for India to grab larger market share in global textile trade.

"India's textiles exports remained static for several years. But, to see a sustained growth in exports, India needs to focus on value addition, portfolio diversification and market innovation. We have already achieved 60-65 per cent of market share in the Summerware segment and therefore, have attained saturation. We need to expand product portfolio like winterware, kidsware etc. to grab more market share. Otherwise, growth in textile exports looks difficult," said Rahul Mehta, President, Clothing Manufacturers Association of India (CMAI).

(Source : www.business-standard.com)