

# Rationalise duties on inputs to man-made textiles: House panel

## 'Differential tariff rates, inverted duty structure hindering apparel industry'

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The Committee on Labour, Textiles and Skill Development has endorsed the need to rationalise duties on raw material inputs to man-made textiles to correct the inverted duty structure, a year after a similar decision was reversed by the Goods and Services Tax (GST) Council.

In its report on the development of man-made fibre (MMF), the committee noted that the differential GST structure currently in place at var-

ious stages of MMF production is hindering the Indian textile and apparel industry.

“The committee is of the firm view that there is a need to rationalise duties on raw material inputs to man-made textiles. Further, since the differential tariff rates and inverted duty structure are hin-

dering the Indian textile and apparel industry to compete with global counterparts, the

committee urges the ministry to follow up on the matter at the appropriate fora,” it observed in its report.

At the 45th meeting of the GST Council in September last year, the Council had decided for GST rate changes to rectify the inverted duty structure in the

textile sector. Subsequently, the rate for textiles of any value was raised to 12 per cent, effec-

tive from January 1 this year. Earlier the GST rate was 5 per cent for sale value up to ₹1,000 per piece in the case of apparel. However, the decision was deferred by the GST Council at its 46th meeting in December last year as traders and a few states demanded roll-back.

The problem of inverted duty structure arises when the finished product is at a lower tax bracket, compared to raw material input. This usually leads to a rise in the rate of the finished product. There has not been much opposition to the rate hike in footwear, compared to textiles.

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