Abstract

GST instead of indirect taxes has a significant impact on the textile industry. In this article we have tried to explain the impact of GST. The Indian textile industry employs a large number of skilled and unskilled workers. The tax on the textile sector will be strongly resumed with the introduction of the goods and services tax (GST). GST replaces a number of existing central and national taxes. The GST tax rate is higher than the current tax rate in the textile industry. Tax exempt natural fibers (cotton, wool) are taxed under GST. Nevertheless, the entire textile industry will benefit from the introduction of GST.

Introduction

The goods and services tax (GST) is an indirect tax that was introduced in India on 1 July 2017 and covers all of India and replaces various cascading taxes imposed by central and provincial governments. The Goods and Services Tax (GST) is a proposal for an indirect tax regime in India whereby the existing 17 taxes are merged into a single tax system. GST is governed by the GST Council, whose Chairman is Arun Jaitley, Indian Minister of Finance, and thirteen Board meetings were held until March 31, 2017. For the proper execution of the GST in India

The Indian textile industry has been one of the oldest industries in the Indian economy for centuries. The textile sector is still one of the largest contributors to Indian exports, representing about 11% of total exports. The textile industry is also one of the largest industries for job creation, including the labor market. The textile industry is divided into two main categories. Firstly, the unorganized sector consists of small crafts, crafts and silk. The second is an organizational division of the spinning, clothing and clothing sectors that use technologies such as the latest machines and economies of scale. The Indian textile industry, currently estimated at about $108 billion, is expected to reach $232 billion by 2021. Industry is the second largest employer after agriculture, employs more than 40 million people directly and employs 60 million skilled workers indirectly by skilled staff, Indian industry contributes about 5% to GDP and 14% to the industrial production index.

The effect of GST on the textile industry

The Indian textile industry employs a large number of skilled and unskilled workers. It accounts for about 10% of total annual exports, and this value will increase with GST. GST influences the cotton chain of the textile industry, including men's clothing for women, such as shirts, pants, sari, clothing, footwear and other clothing currently selected by SMEs. Optional path). According to the Indian government of GST (the Government of India) total textile exports
amounted to $ 33,161.74 in 2011-12, and the total value of the textile machines produced during the same period was Rs. 5280 crore.

A large part of the Indian textile industry is active in non-organized sectors. It creates a gap in the tax credits system. Registered taxpayers receive no tax benefits if they purchase opinions from unorganized sectors. GST on textiles will make a significant difference in the system of tax credits, which will create an important balance between the unorganized and non-organized sectors of waste. GST will even contribute to the entire textile industry entering an organized sector.

- **Low production costs**
  As an integrated tax system, GST will include a number of additional taxes, such as import duties, premium taxes and ettro. This will help to reduce the manufacturing costs of the industry, and as a result, textile manufacturers will contribute more and achieve higher profits.

- **Tax reduction for investment goods**
  At present, Indian textile producers have to pay a high consumption tax on imports of capital goods. This consumption tax liability is expensive because the input tax is not available according to the current tax legislation. With the launch of GST, however, the excise duty is taxed and the total amount of capital goods imports decreases.

- **Strengthen the competitiveness of the textile industry**
  ITF Secretary (Indian Texpreneurs Federation) Prabhu Dhamodharan Party, GST will reconfigure the application procedure for tax returns. It will make the entire textile industry more aggressive on the export market. In addition, the input tax will be an important step in the promotion of the export of textile products. We also encourage manufacturers to use state-of-the-art production systems to develop existing products.

- **GST will encourage farmers.**
  Cotton yarns and fabrics are 5% GST tax sheets and will encourage farmers to produce more cotton than before. Farmers can get the right price if they work hard. Experts expect GST for textiles to evolve from the entire value chain.

- **Ready-made clothing is more expensive.**
  GST for ready-made clothing makes a big difference in power consumption. Tax plate is 12% based on GST, current plate is 4-5% VAT and consumption tax is 2%. This high tax burden will certainly increase the price of ready-made clothing for consumers.

- **GST for clothing**
  The Indian government has decided to maintain a 5% GST for clothing under the INR 1000 and for clothing that exceeds this price, the GST rate is 12%. In India, the mass consumption of clothing is generally less than 1000 rupees. As the purchasing power increases, the tax system has no influence on consumer purchasing patterns.

- **Development direction**
GST will certainly make a huge difference for the Indian textile industry. Artificial or synthetic yarns will be 18%, ready-made clothing will be 12%, cotton yarn and fabrics will be 5% GST tax sheet. Silk and jute do not have an indirect tax due to GST. GST streamlines the current process by converging a variety of complex indirect taxes onto a unified platform, but will improve India's export scenarios for textiles.

- **Exports to promote the export of textile products**
  GST simplifies the process for applying for tax credits, allowing the textile industry to remain competitive on the export market. Manufacturers / traders did not prefer export because of the general procedural costs and the delays in the implementation shortcomings. Under the GST, the obligatory adverse system will lose its importance. Instead of the current system for tax refund, a pre-tax deduction is provided as a refund under GST. This will be very useful in promoting the export of textile products. Elimination of financial barriers for transboundary movements, Reduce transport and logistics costs, storage costs and shipping costs.

- **Facilitate capital investment**
  If the textile sector is exported under GST, textile companies targeting the domestic market may compensate GST payments to domestic capital goods (but no import duties) because they are sold under GST standards. That is why capital investment costs are reduced, which has a positive impact on players in the domestic market. Cen vat credits can be charged for capital goods and the taxes paid for the purchase and installation of the equipment. This will lead to the upgrading and expansion of the textile industry with the latest improvement technology.

- **Transparent taxation**
  With current taxes, the input tax is added to the costs because the end product is exempt from tax. In GST tax returns are imposed on textile production and in the case of export or domestic use, the input tax is refundable, irrespective of whether the tax collection is transparent.

**Negative impact of GST on the textile industry**

- **Transfer to goods transfer:** if the goods are moved to another location, GST is liable if the transfer takes place between countries. If the dealer's dealer is different and each supplier has a separate GST registration number, delivery between the dealers is the responsibility of the GST. Although there is no CST / TA for the transfer of shares
- **Early booking discount:** when you pay a certain amount with a token fee, you must reserve goods in advance to meet the market demand. GST VAT has to be paid in advance to be reserved, but VAT is not paid with the same amount of money paid at the time of sale of such goods.
- **Road Tax / Environmental Tax:** GST must also include road tax in GST systems. The GST model requires that all taxes except CGST, SGST and IGST be exempted. On the other hand, the service tax or VAT is not paid from the three elements of the road.
• **Discounts after delivery**: merchants generally receive a variety of discounts from manufacturers based on goals, release of goods, and so on. If the GST is not linked to an invoice, the discount will not be accepted as a value reduction return after payment.

• **Transactions with related parties**: the transaction value may be rejected if the transaction concerns a relevant party or a transaction with another entity with a separate GST number. In such cases the value is calculated according to the valuation rule.

**Conclusion**

There may be a number of disadvantages for the textile industry due to higher tax revenues and the removal of the benefits of the cotton value chain. However, it is difficult to say that the GST will manage more registered taxpayers in the longer term and help the industry. GST also hopes that the textile industry will be competitive on the global and domestic markets, and will help to create sustainable and long-term growth opportunities.

The final costs will rise slightly. However, GST does help exporters. Cash transactions will be significantly reduced. Unorganized industries will not benefit from this. If you stick to this rule, you can find competitive products and this protection sector will continue to contribute to your tax contributions in addition to your taxes. Stocking pre GST will decrease in this industry. Smaller companies, such as textile processors, employees, textile manufacturers or clothing companies have to withdraw their discipline in relation to registered purchases and appropriate accounting that was not strong in the past. The employee, the textile manufacturer or the clothing department must keep a good book with accounts.

**References:**