



A study on post GST implementation problem of textile industry in Surat

Mrs. Chintal Modh

Assistant Professor, grawal college of Commerce and Management (Navsari), Affiliated to V.N.S.G.U Surat,

Email:chintalmodh86@gmail.com Mobile No : 99791 84838

Abstract: GST is one type of indirect tax which is levied on sale of goods and services in India. The Goods and Services Tax was launched on 1 July 2017 and was relevant throughout India which textiles and cloth industry is connected to the total growth of the Indian and the world economy. Surat is well known for its synthetic products market. Surat is a main market of textile industry in India and other countries. Around 90% of polyester used in India comes from Surat. This industry mainly engaged in the activities of yarn production, weaving, processing. The study is about problems facing by textile industry in Surat (i.e SMEs weavers, fabric merchant etc.) after GST implementation. The data is collected using questionnaire from 30 respondents. It was observed that both Composition tax payer and normal tax payer found some problem after GST implementation.

Key words: GST, composition scheme, input credit, output credit

Introduction

The textile industry is as old as the human civilization. Cloth is one of the basic needs of human being. In ancient ages, the cloth was made only from cotton. At present, cloth is made from silk, rayon, nylon, filament yarn, man-made fibre, viscose, staple and polyester etc. Besides this, cloth is prepared by hand process. But in this modern era highly modernized technique and computerised looms are used for the production of cloth. The entire process is being done by high technique machines. Earlier, textile industry comprised of only cloth weaving, but today it includes ginning, reeling, spinning, weaving, processing, sizing, printing and garment manufacturing also. The textile industry plays a vital and significant role in the economy of our country.

Objectives

- To know about composition tax scheme of GST.
- To know normal GST scheme of GST.
- To know the problem facing by textile units after GST implementation.
- To know which kinds of awareness is needed to overcome of such problem.

Methodology The study is based on both primary and

secondary data. Sources of Data

Primary Data

- The primary data was collected using questionnaire from 30 selected customers who are facing problem after GST implementation in Surat.

Secondary Data

- Secondary data of the study was collected from websites, journals and news paper.

GST in Textile and Apparel Sector

The textile and apparel sector has important contribution to Indian economy. Its contribution to the country's GDP and exports is 6% and 13% respectively. The new GST structure will replace the existing indirect taxes with a fixed tax structure for each product category which will vary from 5% to 28%.

On the retail front, non-premium brands will be benefited who generate 80-90% of the sales from products worth less than Rs. 1000. But the premium brands might take a hit. Having said that, the loyalty of the customers to the brands will be a defining factor for both premium and non-premium brands alike. How brands engage their customer's post-GST will turn out to be one of the most important factors affecting their businesses.

Table 1: GST lavvy on textile and apparel

Particulars	Rate	Upto RS 1000	Exceeding RS 1000
Apparel	5%	5%	12%
Silk and jute	0%	5%	12%
Cotton and natural fiber	5%	5%	12%
Manmade fiber	18%	5%	12%
All categories of yarn	5%	5%	12%
Manmade yarn	18%	5%	12%
Dyeing and printing units	18%	5%	12%
Embroidery and other job work services	18%	5%	12%
Fabric irrespective of fiber	5%	5%	12%

GST Composition Scheme

Composition Scheme is a simple and easy scheme under GST for taxpayers. Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover. This scheme can be opted by any taxpayer whose turnover is less than Rs. 1.5 crore.

Conditions for availing Composition Scheme:

- No Input Tax Credit can be claimed by a dealer opting for composition scheme
- The taxpayer cannot make any inter-state supply of goods.
- The dealer cannot supply GST exempted goods

- Taxpayer has to pay tax at normal rates for transactions under Reverse Charge Mechanism

Advantages of Composition Scheme

- Lesser compliance (returns, maintaining books of record, issuance of invoices)
- Limited tax liability
- High liquidity as taxes are at a lower rate

Disadvantages of Composition Scheme

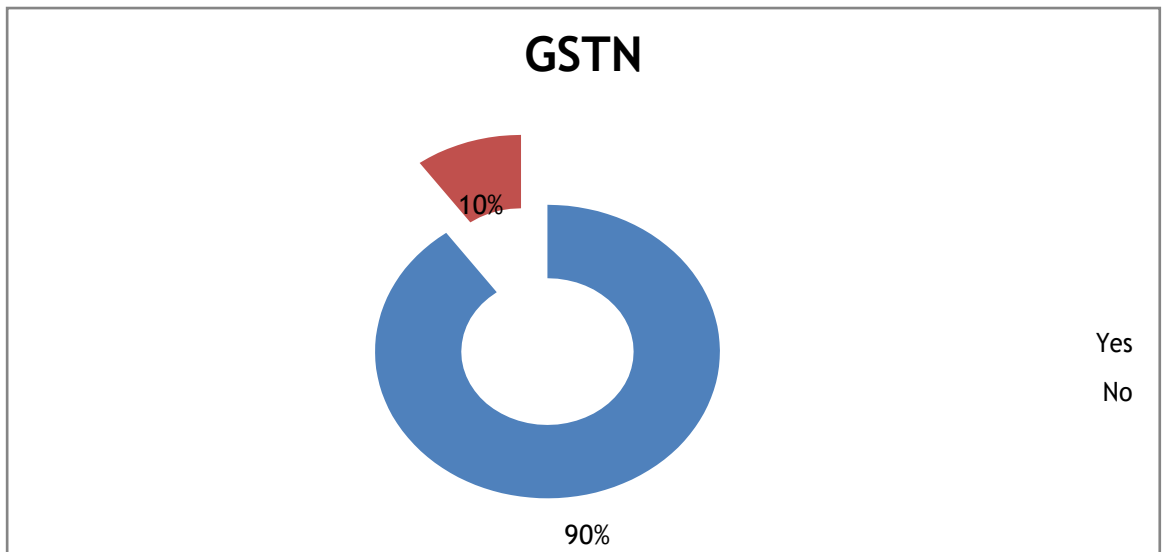
- A limited territory of business. The dealer is barred from carrying out inter-state transactions
- No Input Tax Credit available to composition dealers

Particulars	Description	Registered as Normal Tax Payer	Description	Registered as Taxpayer under composition scheme
A	Total Sales Value	118000	Total Sales Value	118000
B	Sales Value exclusive of taxes	100000	Sales Value exclusive of taxes	115686
C	GST @ 18% on sales value	18000	GST @ 2% on sales value	2314*
D	Input Purchases	65000	Input Purchases	65000
E	GST @ 18%	11700	GST @ 18%	11700
F	Total Purchase Value (D+E)	76700	Total Purchase Value (D+E)	76700
G	Net GST Liability (C-E)	6300	Net GST Liability (C-E)	2314
H	Net Profit {A-(F+G)}	35000	Net Profit {A-(F+G)}	38986

In composition scheme, supplier is ineligible to collect tax separately from the buyer in an invoice. The above illustration is for the basic understanding of the Composition scheme.

Empirical result and discussion

1. Do you have GSTN Number? Yes () No ()

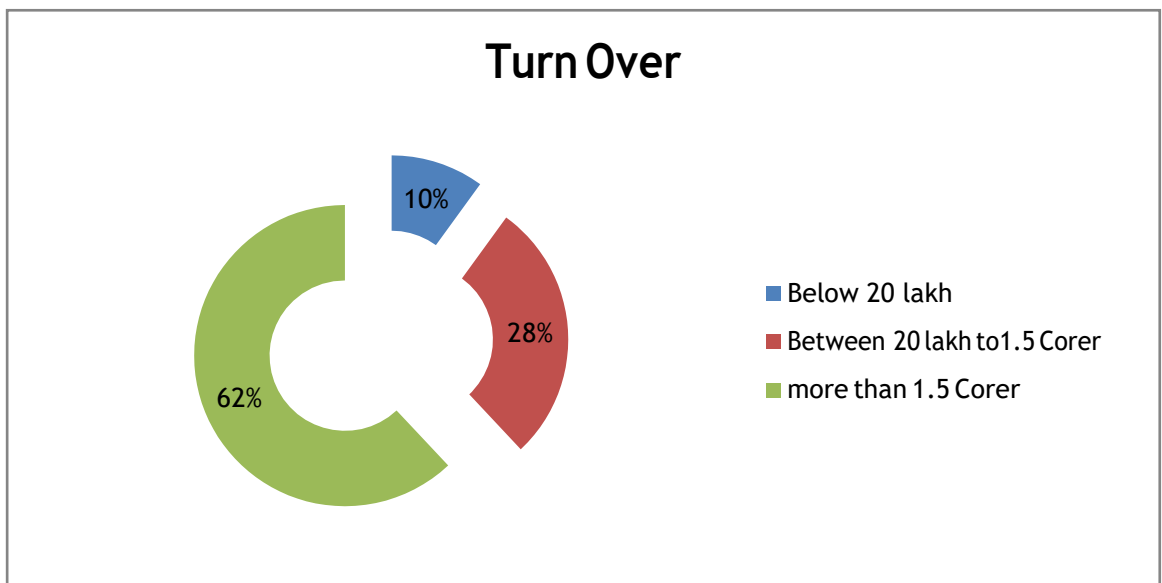


Interpretation:

According to survey 90% people are having their GSTN number and 10% people are not having their GSTN number because their annual turnover is less than 20 lakhs.

2. Annual Turnover

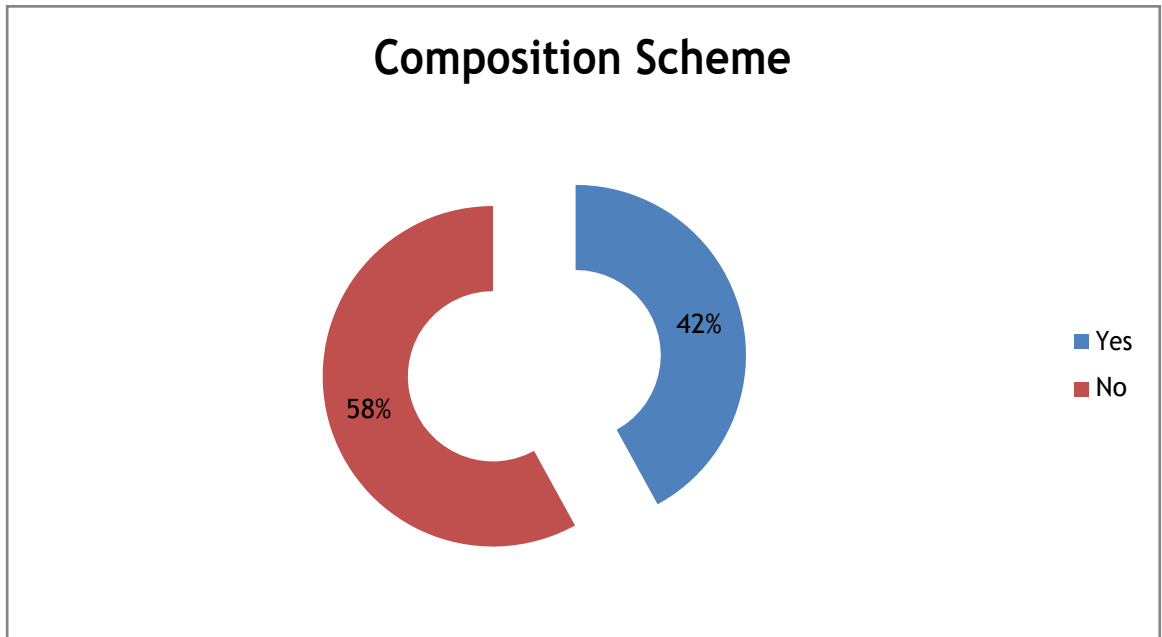
- 1) Below 20 lakhs
- 2) Between 20 lakh to 1.5 Crore
- 3) More than 1.5 Crore



Interpretation:

According to survey 10% people are having annual turnover less than 20 lakhs, 28% people are having annual turnover between 20 lakhs to 1.5 crore and remaining 62% are having annual turnover of more than 1.5 Crore

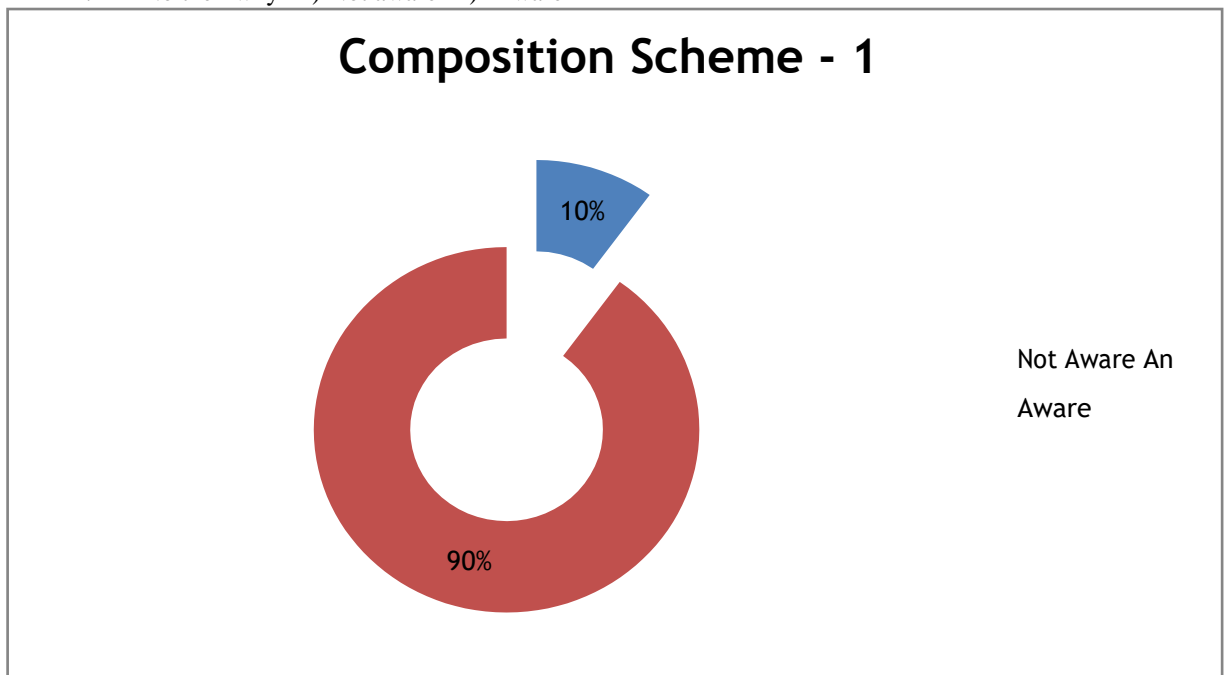
3. Have you availed composition Scheme? Yes () No ()



Interpretation:

Above chart represent that 42% units availed Composition scheme. And 58% units have not availed Composition scheme.

4. If No then why A) Not aware B) Aware



Interpretation:

Above chart represents that 10% units have not availed composition scheme because they are not aware about this scheme. And remaining 90% people are aware but they don't want to take Composition scheme.

5. If Aware then why did not accept Composition scheme?

According to survey following are the reasons for not accepting Composition scheme.

- 1) Under Composition scheme they cannot avail the benefit of input tax credit
- 2) Supplier cannot issue tax invoice but they have to pay 1% GST which they cannot collect from the purchaser. In normal GST scheme supplier who pays tax to government collects the same amount from the purchaser to whom they supplied goods and issue them a tax invoice.
- 3) As the supplier can not issue a tax invoice to the purchaser, sometimes buyers who desire to avail input tax credit do not purchase goods from suppliers who are under Composition scheme.

6. What problem are you facing under normal GST Scheme?

In my survey I found that many textile units face the problem that their suppliers have collected tax from them, even issued tax invoice but did not pay the collected tax or made some mistake in filling of return so because of the reason responded cannot availed input tax credit. Supplier has to file GSTR1 on or before the 10th of the immediately succeeding month. The amount and tax mentioned in GSTR1 of supplier has to be reflected in GSTR-2A of the purchaser from whom supplier had collected tax. If supplier knowingly /unknowingly makes any mistake in payment of tax / filling of return the same amount will not reflect in the GSTR-2A return of purchaser based on which purchaser can take the benefit of input tax credit, in such cases purchaser cannot availed input credit.

Annexure

Name : Business name : Questioner

- 1) Do you have GSTN Number?
 Yes () No ()
- 2) Annual Turnover
 a) Below 20 lakh b) Between 20 lakh to 1.5 Corer c) more than 1.5 Corer
- 3) Have you availed Composition Scheme?
 Yes () No ()
- 4) If No then why
 i. Not aware
 ii. An aware
 b. If Aware then why not accept Composition scheme?
 c. What problem are you facing under normal GST Scheme?

On my survey of weaving units, Weavers who manufacture gray by purchasing yarn as a raw material are facing major problem of input tax credit. GST rate applicable on their final product that is gray is 5 % whereas GST rate on their raw material that is yarn is 12%. They are paying higher input tax credit than output tax credit. So they have huge amount of input tax credit even after utilising it from output tax credit in their account. Such input tax credit will remain ideal/unutilised. Such huge input tax credit will lapse if refund is not granted them. Weavers have demand from government for refund of such amount. It is a big problem weavers are facing as government has not still short out any solution of this problem.

Conclusion: I conclude that major textile units such as weavers, small retailers, fabric manufacture are facing a major problem that is availing input tax credit under normal GST scheme and a Composition tax payer can not avail the benefit of input tax credit.

I conclude that all assesses who want to come out from such problems will have to be regular and up-to-date in payment of tax, filling of return, collection of invoices, payment of invoices, etc. They even regularly and immediately take follow up regarding status of filling of return/ payment of tax of supplier from whom they have purchased goods as they will have to intimate the supplier about the transaction if any not included in the return within short time of five days.

Bibliography

- 1) <https://www.textileexcellence.com/news/trade-policy/india-gst-rates-for-textile-products/>
- 2) <https://cleartax.in/s/gst-rate-for-textile-industry-will-have-positive-impact-says-government>
- 3) <https://www.financialexpress.com/industry/why-surat-textile-industry-is-unhappy-with-gst-rate/798194/>
- 4) <http://texmin.nic.in/sites/default/files/GST%20Guidelines%20Textiles.pdf>
- 5) <https://www.caclubindia.com/experts/gst-composition-scheme-for-cloth-dealer-2541769.asp>