



# GARV & Affiliates



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## Sector Impact: Textile Sector

Presently, in India, the textile sector is enjoying a host of exemptions and relief under the existing indirect taxation regime.

Exporters – traders and manufacturers – both, have been awarded plethora of benefits. The industry is relieved from payment of excise duty and sales tax (or VAT) at a number of stages, thereby requiring almost no registration under excise/VAT laws for the manufacturers/ traders in the textile sector.

The exporters do not usually bear any indirect tax liability on the inputs/ capital goods also as the entire chain falls outside the indirect tax regime.

However, there is proposed a significant change in this mechanism under the GST regime. This newsletter aims to highlight the changes expected in the textile sector under the new GST regime to assist the effected organizations to prepare well in advance.

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## FOR MORE INFORMATION

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Website: [www.garvca.com](http://www.garvca.com)

## Registration

- A huge area of the textile sector is still not registered under either VAT or Excise as the product chain was entirely exempt
- Registration will have to be obtained by all dealers/manufacturers whose turnover is beyond the threshold limit even though they were not registered under the present indirect tax regime

### FAST FACTS

Composite Mills having relatively large scale integrated facilities account for only **3 per cent** of the output in the textile sector in India

Under the Weaving and Knitting Process, organized sector contributes only **5 per cent** of the total production

## GST on Imports

- Presently, importers in the textile sector are not required to pay VAT on the imports.
- This blanket exemption to textile sector will probably be discontinued
- Therefore, **imports will also be subject to GST** in addition to the Customs duty
- The system of obtaining exemption on imports by registered exporter will probably be discontinued
- Hence, importers will have to obtain registration



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## Exporters of Textile

- Presently, exporters of textile are not required to obtain any registration as they are entitled to duty drawback and refund of service tax at a fixed rate of turnover
- Exporters not yet registered under service tax and VAT will **now probably have to obtain registration** to avail the ITC and claim refund of the same
- **Blanket Rate of refund of service tax** on Export turnover will probably be **removed**
- The above is in line with seamless flow of credit concept under GST



### Fast Facts

Textiles sector is one of the largest contributors to India's exports with approximately **11 per cent** of total exports

#### FAST FACTS

The unorganized textile sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods

The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector

## Small and Medium Enterprises

- There is no concept of Small Scale Industries
- Registration is required for aggregate annual turnover exceeding **Rs. 20 lakhs**
- Composition Scheme is available for dealers with annual turnover of **Rs. 50 lakhs** and not having inter-state supplies – (tax rate – 4%)
- **No other benefit** available apart from the above
- Therefore, it seems all handloom, embroidery and cottage industries hitherto excluded from the indirect tax net will now have to register under GST

## Job Workers

- The registered taxable person may send taxable goods to job worker after prior permission from commissioner and may bring back such finished goods without payment of duty.
- The responsibility for accountability of the goods including payment of tax thereon shall lie with the “principal”.
- This provision will be a boon for the textile sector, as **material may be sent for embroidery, stitching, weaving etc. to small job workers and brought back without payment of tax.**



### Compliance Impact

Presently 29 returns are being filed annually even if registration is obtained under all indirect tax laws.

Under the GST Regime, **49 returns** will be required to be filed!

## Logistics

- Abolition of CST and inter-state transfer forms will remove the necessity of having a separate warehouse in each state.
- IGST is available to be set-off against CGST and SGST – therefore, interstate sales will become more beneficial as stock transfer would also be taxable.
- The unregistered and unorganized sector will now be liable to pay GST – registration and organization of the same will be a challenge
- Special permission will be required for removal of material for job-work. Same would be a bottleneck for smooth transfer of materials to and from job worker.
- Exporters will have to pay GST on input goods/ services and then claim refund of the credit. This will lead to blockage of working capital.
- Sudden removal of all subsidies and incentives in the hugely subsidized textile sector would call for a complete overhaul and change in the working style of the industry.

# Contact Us

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# About Us

**Garv & Affiliates** is one of the most professional and dynamic network firms of Chartered Accountants in India. We at Garv & Affiliates are always committed to deliver ideal solutions to our clients based on thorough understanding of their needs. The interests and requirements of our clients and value addition to their business are always our first priority and our expertise and professionalism ensures client satisfaction and complete confidentiality at all times.

## Our Vision

Our three-fold vision has always been:

**Knowledge Sharing – Professional Commitment – Shaping the Future Together**

## Our Mentors

**CA Ramanand Rustagi, B.com, FCA:** Possessing rich experience of 36 years in practice having wide ranging knowledge of audit procedures and practices. Served as Chairman of the Eastern Region of the Institute of Chartered Accountants of India and President of various study circles like the Direct Taxes Professional Association, Association of Corporate Advisors etc. An expert in Income Tax Laws and Practices.

**Adv. Ashok Kumar Parakh, B.Com (Hons), L.L.B:** An Advocate practicing since 1979 in the areas of Income Tax and other allied laws and has acquired professional experience of more than three decades. Currently he is the President of Jain Swetambar Terapanthi Vidyalaya (Girls) and is also associated with several social and professional organizations such as Terapanth Professional Forum, All India Marwari Sammelan, and Tollygunge Sabha.

## Our Team

### CA Ajay Mitruka, B.Com (H), FCA, DISA, Grad CWA

Having a post qualification experience of over two decades in the area of Audit, Law, Taxation & Finance, providing services in the area of Direct Taxation including Representation before Income Tax authorities, Business analysis, Financing, Management and Investment Consultancy. Looking after Direct Tax matters including compliance with RBI and FEMA for overseas Investments. Associated with several professional associations such as DTPA, ACAE, Views Exchange, VittaSalahkar, Central Kolkata CA study circle. Also associated with several Social Organisations viz Paribartan, NavaPrayas, Kankurgachi LokSanskritietc

### CA Ashish Rustagi, FCA, CIFRS

A dynamic and sincere Chartered Accountant possessing updated knowledge about latest audit practices and standards as well as income tax laws. Has the vision and foresight in the direction of promoting the firm towards best and modern audit practices. Regularly appears at various forums and is associated with various professional associations such as Direct Taxes Professionals' Association, Association of Corporate Advisors & Executives. An expert in Income Tax Laws and Practices.

### CA Vikash Parakh, FCA, DISA (ICAI), DIRM (ICAI)

Graduate from St. Xavier's College, Calcutta and a fellow member of the Institute of Chartered Accountants of India with post-qualification experience of over a decade in the thrust areas of GST, Internal Audit, ERP implementation & Business process consultancy. He is also associated with several other professional associations such as Direct Taxes Professionals' Association, Association of Corporate Advisors & Executives and Terapanth Professional Forum. Currently he is member of Kolkata Study Group for GST constituted under ICAI and is also an empanelled faculty on GST.

**CA Abhishek Kedia, ACA** having 4 years post qualification experience in charge of our branch at Katihar, Bihar. He specializes in Bank Audits and Statutory Audits.

### CA Anshuma Rustagi, B.Com (Hons), ACA, DISA (ICAI)

All-India Rank holder throughout the academic career she has been Selected and Invited to present Papers in Regional and National Student Conferences on various issues. Co-Author of "Value Added Tax in West Bengal – A Ready Reckoner", she is an erudite writer and is currently practicing as a Chartered Accountant, Service Tax, Value Added Tax and GST having served in Hindustan Lever Limited as a management trainee for 6 months.

### CA Rachana Mitruka, FCA

Having experience of almost 18 years, efficiently handles the drafting of legal opinions / Agreements / MOU etc besides Audit and Company Law compliances

### CA Gaurav Kapoor, FCA

Graduate from St. Xavier's College, Calcutta and a fellow member of the Institute of Chartered Accountants of India. He has been efficiently handling audit and assurance services and compliance management since a decade.

**CA Anurag Sharma, FCA** holding 25 years of experience in income tax and company law matters

**CA Gaurav Agarwal, ACA** having 4 years experience in direct and indirect taxes

**CA Itisha Ghorawat, ACA, ACS** having 4 years post qualification experience in company law and audit

**CA Narayan Sharma, ACA, ACMA**

**CA Naina Mittal, ACA**

**Adv. Sumit Saurav, B.A. LL.B. (Taxation Law Hons.)**