

# SGCO & Co.LLP

Chartered Accountants



**56th GST Council Meeting | Impact on Textile Sector**

The 56th GST Council Meeting has introduced long awaited reforms aimed at streamlining the GST framework and resolving the long pending issue of the inverted duty structure affecting the manmade textile sector.

Previously, finished apparel products classified under Chapter Headings 61, 62, and 63 and priced below Rs. 1,000 were taxed at a GST rate of 5%. However, the inputs used in their manufacture attracted significantly higher GST rates, resulting in an inverted duty structure that strained the industry's cash flows and operational efficiency.

**In its 56th meeting, the GST Council took decisive steps to address this inverted duty structure by reducing the GST rates on key inputs as follows:**

Input	Chapter / Heading / Sub-heading / Tariff item	Old GST rate (%)	New GST rate (%)
Sewing thread of manmade filaments, Synthetic or artificial filament yarns, Sewing thread of manmade staple fibres, Yarn of manmade staple fibres, Wadding, Felt and Non-Wovens; Special Yarns; Twine, Cordage, Ropes and Cables and Articles Thereof; Terry Towelling and similar woven terry fabrics, gauze, labels, braids, Impregnated, Coated, Covered Or Laminated Textile Fabrics, Textile Caps, Hats (knitted/crocheted) or made up from lace or other textile fabrics, Products wholly made of quilted textile material not exceeding Rs. 2500 per piece	54, 55, 56, 57, 58, 59, 6501, 6505, 9404	12%	5%
All goods other than synthetic and artificial filament yarn	5402, 5403, 5404, 5405, 5406	18%	5%
Waste of man made fibres, Synthetic or artificial filament tow, Synthetic or artificial staple fibres,	5501, 5502, 5503, 5504, 5505, 5506, 5507	18%	5%

In addition to these input tax rate reductions, the value threshold for finished apparel products to be taxed at 12% GST has been raised from Rs. 1,000 to Rs. 2,500. This adjustment extends relief to a broader segment of budget apparel manufacturers and retailers.

Furthermore, to maintain continuity in the input tax credit chain, reduce the tax burden on agriculturists, and ensure that GST paid on raw cotton remains eligible as input tax credit for the textile industry, raw cotton will continue to attract GST on a reverse charge basis.

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