

## Impact of GST on Silk Sector

### (i) Issues related to impact of GST

The GST rates on different items of silk are as follows:

#	Item	Tax rates* duringpre -GST (%)	GST rate (%)
1	Silkworm egg	0	0
2	Cocoon	0	0
3	Raw Silk	0	0
4	Silk waste	0	0
5	Silk yarn	0	5
6	Silk fabric	0	5
7	silk reeling and twisting machines	VAT: 5.5%. Central Excise Duty of 12.5% is collected, if turnover is above Rs. 1.5 crores/ annum**	18

**Note:** \*- Central Excise duty and VAT in Karnataka, AP and TN

\*\* - The machinery manufacturers do not pay central excise duty of 12.5%, as their turnover is less than Rs. 1.5 crores.

- Silkworm eggs, silkworm cocoon, raw silk and silk waste are exempted from GST, which is a welcome measure for the growth of the silk industry.
- 5% GST is imposed on the twisted, noil and dupion silk yarns. Most of the silk reelers own twisting operations. While there is no tax for the raw silk produced by them, 5% tax has to be paid on twisted silk. Besides, weavers, who purchase raw silk, get it twisted on job work basis through the twisters, who own 360 – 440 spindles. The silk twisting is a tiny and unorganized sector. The tax revenue generated from the twisted silk may be negligible. **Therefore, as per requests made by the reelers, twisters and weavers, the twisted silk may be exempted from the tax net under GST.**
- 5% GST has been imposed on silk fabrics. About 90% of the silk produced in the country is utilized for domestic consumption, mainly for the production of silk sarees. Silk weaving in India is done on both handlooms and power looms. About 70% of raw silk is consumed by the handloom sector and only 30% of silk is utilized by power loom sector. There is no demarcation on the silk fabrics produced by the handloom weavers and power loom weavers in the GST rate schedule. **Silk**

**fabrics/sarees produced by the handloom weavers may be fully exempted from the GST, as they are small and tiny operators.**

- In the 14<sup>th</sup> GST Council meeting conducted at Srinagar on 18.5.2017, GST rate for silk machineries (HS code 8445) has been kept at 18%. Silk machinery manufacturers are operating in tiny and small scale. As the raw silk is exempted from paying GST, the tax input credit on the machineries used for silk cannot be passed down to the value chain by the silk reelers, who purchase the machineries. Therefore, the entire tax burden of machineries is required to be borne by them. The silk reelers mostly do not have financial capability to invest on silk machineries promoted by CSB. Increase in the cost of silk machineries would affect the profitability of silk reelers and silk machinery manufacturers due to decline in sales. Considering the above and keeping the views of stakeholders during the awareness camps conducted on GST, **it is opined that the silk reeling and twisting machineries may be fully exempted or kept in the 5% tax band.**

**(ii) Movements in prices and quantities produced post implementation of GST in comparison with the pre GST period:**

It can be inferred from the below table that there is no significant change in cocoon and raw silk prices after implementation of GST

Date	Cocoon (Ramanaram Cocoon Market)				Filature Raw Silk price (Rs./kg) (Karnataka Silk Exchange)
	Crossbreed		Bivoltine		
	Qty (MT)	Avg price (Rs./kg)	Qty (MT)	Avg price (Rs./kg)	
<b>Pre-GST</b>					
24-Jun-17	26.79	346	17.08	447	3200
25-Jun-17	23.16	330	12.81	447	Holiday
26-Jun-17	9.78	339	3.89	441	Holiday
27-Jun-17	15.99	367	15.14	454	3269
28-Jun-17	20.97	361	21.37	460	3377
29-Jun-17	27.98	338	16.20	452	3267
30-Jun-17	27.95	336	6.14	465	3145
<b>Post-GST</b>					
1-Jul-17	24.13	341	7.18	469	3126
2-Jul-17	18.72	348	6.38	449	Holiday
3-Jul-17	20.72	352	8.87	452	3450
4-Jul-17	23.22	342	16.13	424	NA

**(iii) Information/ news items on strikes etc if any on GST in Textiles**

There is no agitation or strike related to GST reported so far. However, the silk reelers, twistors and handloom weavers have expressed their concern through representations requesting the Government to exempt the silk yarn and silk fabrics from GST and silk machineries under 5% tax band. A news item appeared in the Hindu dated 1.7.2017 is enclosed here with.