

**Speech of Hon'ble Minister for Finance and Human Resources Management, Government of Tamil Nadu, Dr.Palanivel Thiaga Rajan**

**Hon'ble Union Finance Minister and Chairperson of the GST Council, Hon'ble Members of the GST Council, Other distinguished invitees.**

At the outset, I wish to thank the Hon'ble Chairperson for arranging the GST council meeting at a short notice to discuss the important agenda item on putting on hold the proposed hike in GST on textile from 5% to 12%

**Respected Chairperson Madam,**

Before coming to the single agenda for today's meeting, I would like to place on record that the present sharing of powers of direct taxation and indirect taxation is unfair in the context of limiting the direct taxation powers of States, and this has been exacerbated, after the implementation of GST, when even the bulk of indirect taxation powers have been curtailed.

As the Chairperson is aware Tamil Nadu is one of the major states producing handloom, power loom textiles and hosiery goods in the Country and this

sector is next only to the Agriculture in terms of employment generation. Clothing is the basic necessity immediately after food.

While analyzing the textile industry, there is a huge difference between man-made fibre-based industry and natural fibre based industry. Man-made fibres are produced from chemicals through automated process involving low labour with high capital, mostly by the corporates. However, the process of natural fibres is more labour intensive and has downstream impact on farmers. It is also run with lower capital, mostly by the MSME sectors. The hike on the fabrics including handloom manufactured from the natural fibre will dampen demand and thereby the farmers and MSMEs will be indirectly affected.

Before the introduction of GST, under the VAT regime of Tamil Nadu textiles were given full exemption throughout, and the readymade garments were subjected to tax at 5%.

The proposed hike in GST on textile could not have come at a more inopportune time when the

industry is limping back to normalcy from the onslaught of Covid-19 pandemic.

Textile industry in Tamil Nadu is a forerunner in providing employment in the State. The handloom sector which is barely surviving on the subsidies granted by the State Government will not be able to absorb this blow due to the increase in GST. The representation of the associations that the increase in GST would cause large scale unemployment in the weaving industry due to non-availability of additional loans and working capital has great merit and therefore, I request the Hon'ble Chairperson of the GST Council to kindly consider reversing the hike in GST. Alternatively, it may be considered that readymade garments having sale value of above Rs. 3,000/- or Rs. 5,000/- be taxed at the higher rate of 12% and allow the present rate of 5% on textiles below this level.

Nandri, Vanakkam.

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