

## **Correcting inverted duty structure big relief for apparel industry: AEPC Chairman**

**DELHI NCR, 18 Sep 2021: Apparel Export Promotion Council (AEPC) Chairman Dr A Sakthivel** welcomed the government's decision to correct the inverted duty structure in the apparel industry from next year saying it will be a big breather to the industry.

"I am extremely thankful to Hon'ble Finance Minister Smt Nirmala Sitharaman and the GST Council for granting our request and agreeing to correct the inverted duty structure from 1 January 2022. The revision will be a big breather for the industry as it will lessen the tax burden on manmade fibre (MMF) fabrics and garments," **Dr Sakthivel** said.

He said that the inverted duty structure has been an issue with the apparel industry and that the **Council** had made recommendations to the government for the elimination of this anomaly that has been resulting in input tax credit accumulation blocking crucial working capital for businesses.

"Inputs into the MMF fabric segment (fibre and yarn) attract a GST rate of 18% and 12% whereas the GST rate on the MMF fabric is 5% and that for the finished goods apparel is 5% and 12%. It creates a tax structure where the rate on inputs is higher than that on the outputs. This increases the effective rate of taxation of MMF fabrics and garments and violates the principle of fiber neutrality," **Dr Sakthivel** said.

The **Chairman** also welcomed the GST Council's decision to extend the validity of GST exemption on transport of goods by vessel and air from India to outside India till 30 September 2022. It will partially help soften the impact of the current exorbitant freight costs, he said.

**Dr Sakthivel** further thanked the **Hon'ble Finance Minister** and the **GST Council** for taking measures to streamline various compliances in GST including mandatory Aadhaar authentication of registration for claiming refunds and for revoking cancellation of registration.

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