L&S UPDATE

An e-update to clients from Lakshmikumaran & Sridharan

3 JANUARY 2022

INDIRECT TAX

GST Update : Recent Developments for Textiles and Footwear Sectors

UPDATE NO. 1 OF 2022

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exceeding expectations
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A. SUPERSESSION OF NOTIFICATION NO. 14/2021-CENTRAL TAX (RATE) DATED 18 NOVEMBER 2021 *[NOTIFICATION NO. 21/2021-CENTRAL TAX (RATE) DATED 31 DECEMBER 2021]*

- *Vide* Notification No. 14/2021-Central Tax (Rate) dated 18 November 2021, primarily all goods covered under Section XI - Textile & Textile Articles (i.e. Chapters 50 to 63) of the Custom Tariff Act, 1975 were made subject to tax at the rate of 12% with effect from 1 January 2022, except few goods such as silk yarn, yarn of wool or of animal hair, cotton and cotton waste, cotton yarn (other than khadi yarn), etc.

  Further, GST Rate on footwear of sale value not exceeding INR 1000 per pair was increased from 5% to 12%. *(Please refer 'L&S Indirect Tax Update No. 38 of 2021' for detailed discussion).*

- Now, Notification No. 14/2021-Central Tax (Rate) has been superceded to defer the decision to change the rates in textiles as recommended in the 45th GST Council meeting. This has been done as per recommendation of 46th GST Council meeting. Consequently, the existing GST rates in textile sector would continue beyond 1 January 2022.

  However, the amended GST Rate of 12% on footwear of sale value not exceeding INR 1000 per pair is applicable from 1 January 2022.

B. SUPERSESSION OF NOTIFICATION NO. 15/2021-CENTRAL TAX (RATE) DATED 18 NOVEMBER 2021 *[NOTIFICATION NO. 22/2021-CENTRAL TAX (RATE) DATED 31 DECEMBER 2021]*

- *Vide* Notification No. 15/2021-Central Tax (Rate), Services by way of dyeing or printing of the textile and textile products were excluded, with effect from 1 January 2022, from the Entry No. 26(i)(b) of Notification No. 11/2017-Central Tax (Rate), which read as services by way of job work in relation to textiles and textile products falling under Chapters 50 to 63 in the First Schedule to the Customs Tariff Act, 1975, attracting 5% GST rate.

  Further, with effect from 1 January 2022, the concessional rate of 12% / 5% on construction services falling under S. No. 3 (iii), (vi), (vii), (ix) and (x) of Notification No. 11/2017-Central Tax (Rate) was made available only when the recipients are Central Government, State Government, Union territory or a local authority. Governmental Authority and Government Entity were removed from the list of specified recipients.
  (Please refer 'L&S Indirect Tax Update No. 36 of 2021' for detailed discussion)

- Now, Notification No. 15/2021-Central Tax (Rate) has been superceded so to continue the existing rate of 5% on services by way of dyeing or printing of the textile and textile products under the job work entry.

  However, with effect from 1 January 2022, the concessional rate of 12% / 5% on construction services falling under S. No. 3 (iii), (vi), (vii), (ix) and (x) of Notification No. 11/2017-Central Tax (Rate) shall be available only when the recipients are Central Government, State Government, Union territory or a local authority. Services supplied to Governmental Authority and Government Entity shall not be eligible for concessional rate under specified entries.

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