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IMPORTANT

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AEPC Circular No. -55

AEPC/HO/SG/R&PA/2021
November 19, 2021

Sub: Revision of GST rates on Textile and Apparel

Dear Members,

Based on the decision taken by the GST Council, CBIC has issued Notification No. 14/2021 - Central Tax (Rate) dated 18.11.2021 to increase the GST rates on Cotton Fabrics (both Woven and Knitted), Fabrics Made of MMF / Filament Yarn, Garments and Made ups upto a value of Rs.1000 per pc from 5% to 12%. The revised rates will be applicable from January 1, 2022.

2. Based on the GST Council's decision, Govt. had made an announcement earlier that the anomaly of the inverted duty structure in the textile sector shall be removed w.e.f. 1st January, 2022. Accordingly, vide the above stated notification, Govt. has carried out changes in the GST rates in the Textile Sector. Earlier, the Raw material Inputs of the fabric segment (fibre and yarn) attracted a GST rate of 18% and 12% whereas the GST rate on the fabric was 5% and that GST rate for the finished goods apparel was 5% and 12%. **It created a tax structure where the rate on inputs was higher than that on the outputs.** Now, this anomaly which was resulting in input tax credit accumulation has been removed.

3. **Revised GST Rate on goods related to textile sector is as follows:**

- i) **Man-made fibre - 12%**
- ii) **Man-made yarn - 12%**
- iii) **All type of Fabric - 12%**
- iv) **Cotton and Cotton waste- 5%**
- v) **Cotton yarn (Other than Khadi Yarn)- 5%**
- vi) **All types of garments-12%**

4. After the omission of serial no. 223 and consequent amendment in serial no 169 of the principal Notification No 01/2017, **now “Articles of apparel and clothing accessories, knitted or crocheted” shall be taxable @ 12% irrespective of its value.**

5. At present, there is no change in the refund mechanism and both the options of refund i.e. With Payment of Duty and without payment of Duty (Under LUT) continues to be available.

6. **All these amendments will be effective from 01.01.2022.**

7. For detailed notification [Click here](#)

8. This is for your information please.

With warm regards,

Yours sincerely,

Dr. L.B. Singhal

Secretary General