

GST Alert 06/2021-22

Date 22.11.2021

### GST Rate Changes – A Synopsis

In furtherance of some decisions taken in the GST Council meetings, Government has issued notifications making far reaching changes in GST rates in 3 major sectors, Textiles, Footwear and Infrastructure Construction Sector, following is a gist of all the notifications:

**All these notifications are effective from 1<sup>st</sup> January 2022**

#### I. Changes in GST Rate applicable on Services [Noti 15/2021-CTR]

Sr no	Description of Goods/Services	Chapter/Heading	Rate UPTO 31.12.2021	Rate FROM 01.01.2022	Remarks
1	Supply of Works contract services to Government corporations and Government companies	9973	12%	18%	Words 'Governmental Authority and Governmental Entity' are deleted from 11/2017-CTR notification
	Above change will impact many running government contracts, following works will see a GST rate increase: <ul style="list-style-type: none"> <li>a. Historical Monument or archaeological site</li> <li>b. Canal, dam, or other irrigation works</li> <li>c. Water treatment or sewerage treatment works</li> <li>d. Works meant predominantly for use other than for commerce, industry, business or profession</li> <li>e. Educational, hospital or any art and cultural establishment</li> <li>f. Residential complex meant for self-use of govt employees</li> </ul>				
2	Supply of Works contract services to Government corporations and Government companies where earthwork is constituting more than 75% of the value of the contract	9973	5%	18%	Words 'Governmental Authority and Governmental Entity' are deleted from 11/2017-CTR notification
3	Supply of Works contract services by a Sub contractor to the main contractor who is further supplying WCS services to Government corporations and Government companies	9973	12%	18%	Words 'Governmental Authority and Governmental Entity' are deleted from 11/2017-CTR notification
4	Supply of Works contract services by a Sub contractor to the main	9973	5%	18%	Words 'Governmental Authority and



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	contractor who is further supplying WCS services to Government corporations and Government companies where earthwork is constituting more than 75% of the value of the contract				Governmental Entity' are deleted from 11/2017-CTR notification
5	Services by way of job-work in relation to dyeing or printing of the textile and textile products	9988	5%	12%	This change is relevant only for B2B transactions, B2C transactions is taxable @ 18% as earlier

### II. Changes in Exemption/Condition from GST on Certain Services [Noti 16/2021-CTR]

- Pure services rendered to Government Companies and corporations will henceforth be taxable as exemption has been withdrawn.
- Supply of goods and services (where value of goods is below 25%) to a Government companies where the service is in relation to any function entrusted to a Panchayat under article 243G or to a Municipality under article 243W of the Constitution.
- Following 3 services were exempt from levy of GST, however w.e.f. 1.01.2022, said services will now be taxed if the same are supplied through an e-commerce operator. The e-commerce operator would be liable to pay tax:
  - Non-airconditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire
  - Non-Air-Conditioned Stage Carriage
  - metered cabs or auto rickshaws (including e-rickshaws).

### III. Services on which tax will be payable by E-commerce operator [Noti 17/2017 & 17/2021-CTR]

E-commerce operator would be liable to pay tax on following services if the same are supplied through them:



Sr. No.	Description of Service	Date from which Tax payable by E-Com Operator
1.	Transportation of passengers by a radio-taxi, motorcab, maxicab	1.07.2017
2.	Services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under GST law.	1.07.2017
3.	Services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under GST Law	22.08.2017
4.	<b>Supply of Restaurant Service</b>  <b>RCM is not applicable to Restaurants located in a hotel having declared tariff of any room above Rs. 7500 per day</b>	<b>1.01.2022</b>
5.	<b>Services by way of transportation of passengers by a motor-cycle, omnibus or any other motor vehicle</b>	<b>1.01.2022</b>

#### IV. Changes in GST Rate applicable on Goods [Noti 14/2021-CTR]

Sr no	Description of Goods/Services	Chapter / Heading	Rate <b>UPTO</b> 31.12.2021	Rate <b>FROM</b> 01.01.2022
1.	Woven fabrics of silk or of silk waste	5007	5%	12%
2.	Woven fabrics of carded wool or of carded fine animal hair	5111	5%	12%
3.	Woven fabrics of combed wool or of combed fine animal hair.	5112	5%	12%
4.	Woven fabrics of coarse animal hair or of horse hair.	5113	5%	12%
5.	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/m2	5208	5%	12%
6.	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/m2	5209	5%	12%
7.	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/m2	5210	5%	12%



Sr no	Description of Goods/Services	Chapter / Heading	Rate <b>UPTO</b> 31.12.2021	Rate <b>FROM</b> 01.01.2022
8.	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/m <sup>2</sup>	5211	5%	12%
9.	Other woven fabrics of cotton.	5212	5%	12%
10.	Woven fabrics of flax.	5309	5%	12%
11.	Woven fabrics of jute or of other textile bast fibres of heading 5303.	5310	5%	12%
12.	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn	5311	5%	12%
13.	Sewing thread of man-made filaments, whether or not put up for retail sale.	5401	5%	12%
14.	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.	5402	12%/18%	12%
15.	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.	5403	12%/18%	12%
16.	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.	5404	12%/18%	12%
17.	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.	5405	12%/18%	12%
18.	Man-made filament yarn (other than sewing thread), put up for retail sale.	5406	12%/18%	12%
19.	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 5404.	5407	5%	12%
20.	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading 5405.”;	5408	5%	12%
21.	Synthetic filament tow.	5501	18%	12%
22.	Artificial filament tow	5502	18%	12%
23.	Synthetic staple fibres, not carded, combed or otherwise processed for spinning	5503	18%	12%
24.	Artificial staple fibres, not carded, combed or otherwise processed for spinning	5504	18%	12%
25.	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.	5505	18%	12%



Sr no	Description of Goods/Services	Chapter / Heading	Rate <b>UPTO</b> 31.12.2021	Rate <b>FROM</b> 01.01.2022
26.	Synthetic staple fibres, carded, combed or otherwise processed for spinning.	5506	18%	12%
27.	Artificial staple fibres, carded, combed or otherwise processed for spinning	5507	18%	12%
28.	Sewing thread of man-made staple fibres, whether or not put up for retail sale	5508	12%	12%
29.	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale.	5509	12%	12%
30.	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale.	5510	12%	12%
31.	Yarn (other than sewing thread) of man-made staple fibres, put up for retail sale.	5511	12%	12%
32.	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres.	5512	5%	12%
33.	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2.	5513	5%	12%
34.	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m2.	5514	5%	12%
35.	Other woven fabrics of synthetic staple fibres.	5515	5%	12%
36.	Woven fabrics of artificial staple fibres.”;	5516	5%	12%
37.	Yarn of manmade staple fibres.]”	5509, 5510, 5511	12%	Deleted
38.	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated or sheathed with rubber or plastics	5607	5%	12%
39.	Knotted netting of twine, cordage or rope; made up of fishing nets and other made up nets, of textile materials	5608	5%	12%
40.	Woven pile fabrics and chenille fabrics, other than fabrics of heading 5802 or 5806.	5801	5%	12%
41.	Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)	5806	5%	12%
42.	Braids in the piece; ornamental trimmings in the piece, without embroidery, other than knitted or crocheted; tassels, pompons and similar articles	5808	5%	12%
43.	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading 5605, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.	5809	5%	12%
44.	Embroidery in the piece, in strips or in motifs	5810	5%	12%





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45.	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted	6001	5%	12%
46.	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 6001	6002	5%	12%
47.	Knitted or crocheted fabrics of a width not exceeding 30 cm, other than those of heading 6001 or 6002.	6003	5%	12%
48.	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 6001.	6004	5%	12%
49.	Warp knit fabrics (including made on galloon knitting machines), other than those of headings 6001 to 6004.	6005	5%	12%
50.	Other knitted or crocheted fabrics.	6006	5%	12%
51.	Articles of apparel and clothing accessories, knitted or crocheted having sale value less than 1000 per piece	61	5%	12%
52.	Articles of apparel and clothing accessories, not knitted or crocheted, having sale value less ₹ 1000 per piece	62	5%	12%
53.	Blankets and travelling rugs.	6301	5%	12%
54.	Bed linen, table linen, toilet linen and kitchen linen.	6302	5%	12%
55.	Curtains (including drapes) and interior blinds; curtain or bed valances.	6303	5%	12%
56.	Other furnishing articles, excluding of heading 9404.	6304	5%	12%
57.	Sacks and bags, of a kind used for the packing of goods.	6305	5%	12%
58.	Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods.	6306	5%	12%
59.	Other made up articles, including dress patterns.	6307	5%	12%
60.	Sets, consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale	6308	5%	12%
61.	Worn clothing and other worn articles.	6309	5%	12%
62.	Used or new rags, scrap, twine, cordage, rope and cables and worn-out articles of twine, cordage, rope or cables, of textile materials	6310	5%	12%
63.	Footwear of sale value not exceeding ₹ 1000 per pair"	64	5%	12%

**Note 1 :-**

Earlier all articles of apparel and clothing accessories, whether or not knitted or crocheted whose sale value was less than Rs. 1,000 were taxed at 5% and whose value was above Rs. 1,000 were taxed at 12%, this differentiation now stands removed. All clothing items will be taxed at 12% from 1.01.2022



### V. Conclusion

In our earlier alert issued in October 2021 we had said that “era of subsidisation of the economy through GST rates is past us”, changes discussed above are in line with this new thought process of the GST Council. One may argue this thought process to be right or wrong, but as first 2 years of GST saw summary rate cuts across sectors, next 1 year will see summary rate increases cutting across sectors. In the name of revenue augmentation hope the council doesn’t overdo it and kill the very goose which is currently laying the proverbial golden egg.

Textiles Sector has been hit with a severe rate hike, which will be welcomed for sure by the manufacturers as they were reeling with accumulated ITC balances and refunds, but the wholesalers and retailers will take a hit because this chain is largely unorganised. Textile Industry has one of the highest credit periods, increasing GST rates will stretch working capital requirements through the roof, hope the industry works to reduce the credit period and banks work in tandem to fill this financial gaps.

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