Quote by Kanishk Maheshwari, Co-Founder & Managing Director, Primus Partners

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GST 2.0: Reforms to propel MMF textile industry; sub-Rs 2,500 retail segment poised for growth

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Synopsis

The reforms are expected to correct anomalies at the fibre stage, reduce costs at the yarn and fabric stages, improve garment affordability, revive demand at the retail stage, and enhance export competitiveness.

The textile industry has welcomed the recommendations of the 56th GST Council meeting, held in New Delhi on September 3, describing them as a timely boost for MSMEs and exporters, particularly in the face of a challenging global environment. The revised rates and exemptions, set to take effect from September 22, are expected to give a leg-up to the sector, which has been reeling under severe cost pressures and global uncertainty.

According to the textile ministry, the GST (Goods and Services Tax) rationalisation in textiles will remove distortions, lower production costs, boost demand, support exports, and enhance India's global competitiveness. "This will stimulate domestic consumption and catalyse India's textile and apparel market towards the $350 billion target by 2030," the ministry stated in a release on Thursday.

The reforms are also expected to correct anomalies at the fibre stage, reduce costs at the yarn and fabric stages, improve garment affordability, revive demand at retail stage, and enhance export competitiveness. "These measures give a strong impetus to India's fibre-neutral policy, ensuring balanced growth across cotton and man-made segments," the ministry said.

Kumar Duraiswamy, General Secretary, Tiruppur Exporters' Association (TEA), said that the GST reforms open up a new window of opportunities for the industry. "MMF (man-made fibres also known as synthetic fibres) production can now take new heights because [the GST rate on] polyester yarn, fibres and fabric has reduced from the 18% and 12% slab to 5% now. There are 54 changes for the textile sector, and another one is that any apparel above Rs 2,500 will see an 18% GST; earlier the threshold of Rs 1,000 attracted a 12% GST. Now that has been removed. So, till Rs 2,499, it will be 5%, and that will make domestic retail pick up. It will see good volume business and scaling up due to GST being lower," he said.

For man-made fibres and yarns, the government has reduced the GST rate from 18% to 5% on fibres and 12% to 5% on yarns. This, according to the textile ministry, corrects the inverted duty structure (IDS), aligns fibre-yarn-fabric rates, and removes long-standing working capital burdens on manufacturers.

Duraiswamy noted that the measures to strengthen GST refund infrastructure, as announced by Union Finance Minister Nirmala Sitharaman, are expected to reduce delays in the near future. "Quick refunds will come by, so our capital will not be blocked. When the industry is in crisis, capital blockage removal becomes hugely important," he said.

Affirming his views, Paresh Parekh, Partner and National Leader for Tax–Consumer Products and Retail Sector, EY India, said the lowering of GST to 5% on garment items up to Rs 2,500 should directly reduce retail prices, potentially boosting demand in consumer segments hit by inflation. "Additionally, measures such as faster three-day GST registrations for non-risky businesses and a 7-day refund window for export-oriented sectors, including textiles, are expected to significantly ease compliance and cash flow issues," he added.

According to experts, such (GST) reforms could not have come at a more critical time, in the aftermath of the steep 50% tariffs imposed by US President Donald Trump, which sharply raised the landing cost of Indian textiles and slowed down orders. "Lower GST on inputs will reduce production costs, allowing exporters some room to absorb part of the tariff shock and stay competitive. Quicker refunds add another layer of relief, unlocking liquidity when it is most needed. Together, these steps help stabilise operations, cut costs, and soften the blow of external headwinds," Kanishk Maheshwari, Co-founder & Managing Director, Primus Partners, said.

He further stated that a uniform 5% GST across the entire textile value chain, from fibre to garment, would permanently remove the inverted duty risk and keep the sector competitive in the long run. "Priority refund processing for MSMEs could protect their fragile liquidity, while temporary relief measures such as GST holidays for exporters could help cushion the tariff impact," he said.