

Impacts of GST on handmade goods

What is the issue?

\n\n

GST along with earlier government policies has profound and unbearable impact on the handloom.

\n\n

How government policies had crushed the interest of artisans?

\n\n

\n

- Right after independence, there was no protection for the handloom sector in an India industrialising itself in the manner of the West.

\n

- Handloom was glorified in every government policy and report on the textile sector, any concession towards it remained only on paper.

\n

- In 1985 there was a promulgation of the New Textile Policy, the policy emphasised productivity in sharp contrast to employment.

\n

- Specific needs of the handloom sector were ignored, existing restrictions on mills and power looms were removed.

\n

- The measures in this policy supposedly intended to protect handlooms worked to the advantage of the illegal proliferation of power looms.

\n

- The Handlooms (Reservation of Articles for Production) Act of 1985 reserved 22 varieties of cloth products exclusively for weaving on handlooms.

\n

- But due to lobbying in 1996, the number of articles reserved for weaving on handlooms was reduced to 11.

\n

- The export-oriented textile policy promulgated in the year 2000 liberalised controls and regulations while paying less attention to the handloom sector.

\n

- In 2012, the government attempted to change the definition of a handloom itself to enable the power loom industry to poach on the benefits intended for the handloom weaver.

\n

\n\n

What are the issues with GST on handmade goods?

\n\n

\n

- Handmade products are now being taxed for the first time since independence, and the inputs cost more.
- The cost of raw materials sold by large retailers has gone up due to GST, indirectly hiking the price of the handmade goods.
- GST is being levied on handmade goods marketed by rural cooperatives.
- By this individual artisans who come together as a co-operative to better organise themselves as sellers, would subject to tax.
- Government has exempted those manufacturing handmade products with a turnover of less than 2 million from GST.
- Such a taxation system discriminates against rural cooperatives marketing these products and eventually burdens the artisan.

\n

\n\n

What are the impacts of government's moves?

\n\n

\n

- The phenomenal growth of power looms fully supported by the government edged the handloom sector out.
- Handloom weavers are unable to compete with power loom workers churning out cheap imitations of handloom products.
- Handmade goods have become even more expensive and the struggling industries have been severely impacted.

\n

- The government had only provided marginal support for handloom weavers by way of a few protectionist measures.

\n

\n\n

\n

- The imposition of GST on handmade goods is bound to have a severe impact on the livelihood and survival of rural artisans.

\n

- GST as also weakened the bargaining power of the handmade sector.

\n

\n\n

\n\n

Source: Business Standard

\n\n

\n

