Impacts of GST on handmade goods

What is the issue?

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

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How government policies had crushed the interest of artisans?

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- Right after independence, there was no protection for the handloom sector in an India industrialising itself in the manner of the West.
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- Handloom was glorified in every government policy and report on the textile sector, any concession towards it remained only on paper.
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- In 1985 there was a promulgation of the New Textile Policy, the policy emphasised productivity in sharp contrast to employment.
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- Specific needs of the handloom sector were ignored, existing restrictions on mills and power looms were removed.
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- The measures in this policy supposedly intended to protect handlooms worked to the advantage of the illegal proliferation of power looms.
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- The Handlooms (Reservation of Articles for Production) Act of 1985 reserved 22 varieties of cloth products exclusively for weaving on handlooms.
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- But due to lobbying in 1996, the number of articles reserved for weaving on handlooms was reduced to 11.
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- The export-oriented textile policy promulgated in the year 2000 liberalised controls and regulations while paying less attention to the handloom sector.

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- 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.
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What are the issues with GST on handmade goods?

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

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- The phenomenal growth of power looms fully supported by the government edged the handloom sector out.
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- Handloom weavers are unable to compete with power loom workers churning out cheap imitations of handloom products.
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- Handmade goods have become even more expensive and the struggling industries have been severely impacted.
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- The government had only provided marginal support for handloom weavers by way of a few protectionist measures.
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- The imposition of GST on handmade goods is bound to have a severe impact on the livelihood and survival of rural artisans.
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- GST as also weakened the bargaining power of the handmade sector.
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Source: Business Standard

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