

# GST may be cut on handicrafts such as carpets, shawls, bamboo furniture

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Kolhapuri and jute chappals, hand-embroidered shawls, bamboo furniture, hand-woven carpets and tapestries are among the 40 items identified as handicrafts and will attract lower goods and services tax.

The proposal was cleared by the GST Council at its meeting on Thursday, after a committee of officials sifted through a list of over 500 handicrafts items that were sent by States.

## Nil or 5 per cent levy

Sources indicated that these are also likely to be taxed at nil or 5 per cent, like most other handicraft items. Further, the prevailing concessional rate of 5 per cent for job work on handicraft items will also be available.

However, hand-woven sarees and dresses, leather bags and wooden furniture have not been classified as handicrafts.

Officials said that it was felt that sarees are already taxed at a concessional rate of 5 per cent under GST, while leather handbags and wooden furniture were seen as items of mass consumption.

However, handbags, pouches and purses made of textiles, as well as kitchen and tableware made of clay and



Kolhapuri and jute chappals among the 40 items for which the GST Council recommended a rate cut

terracotta, will be considered handicrafts.

The list also includes embroidery strips, silver filigree work, handmade imitation jewellery, hand-drawn paintings such as those from Mysuru, Rajasthan and Thanjavur, toys and dolls and even *gamochas* or traditional stoles as handicrafts.

## Rates to be decided

The Fitment Committee of officers is now expected to finalise the rates on these items, and the matter will be taken up by the GST Council at its next meeting.

The Committee has also proposed a definition of handicraft items as those that

have a visual appeal, ornamentation, and possess distinctive features of artistic and cultural value.

While these goods mostly enjoyed exemption from central excise and value-added tax, many of them are now taxed at higher rates, of 12 per cent to 18 per cent.

Over the last few months, States had repeatedly flagged the issue before the GST Council as the higher tax rates were hurting small industries and also impacting employment.

Finance Minister Arun Jaitley, who chairs the GST Council, also said that the decision to lower rates will have a marginal fiscal cost but will protect and boost jobs.

## Coming, more amendments to ease GST compliance

The GST Council has begun discussions on amendments to the Central, State and Integrated GST Act as well as the GST (Compensation to States) Act, 2017 to not only ease the compliance burden but also act as a deterrent to tax evaders.

A new enabling provision under the Compensation cess has been proposed to levy the cess at the manufacturing stage for items prone to evasion, such as pan masala. The cess in such cases will not be levied at later stages, said an official.

Other amendments include those proposed by the Law Review Committee for changes to registration, the composition scheme and input tax credit.

Finance Minister Arun Jaitley had said on Thursday that more discussions are required on these, adding that amendments would be circulated to the Council in the next meeting.