



7<sup>th</sup> April, 2021 / 3571

To,

Chairman,  
**State Level Approval Committee**  
Gandhinagar

**Natubhai Patel**  
President

**Hemant N. Shah**  
Sr. Vice President

**K. I. Patel**  
Vice President

**Pathik S. Patwari**  
Hon. Secretary

**V. P. Vaishnav**  
Hon. Secretary (R)

**Sachin K. Patel**  
Hon. Treasurer

## **Cotton Processing (Job Work) Consideration for SGST Reimbursement under Textile Policy-2012 (Farm to Fashion).**

### **Matter of the Fact:-**

The claim of SGST reimbursement for Cotton Processing (Job work) is disallowed by the office of Industries Commissioner on the basis of the Modalities for reimbursement of SGST in place of VAT under Gujarat textile Policy-2012, dated 07.07.2018. This notification states that SGST reimbursement is only on Goods Sold by Eligible manufacturing unit.

Here, eligible manufacturing unit means units which received Eligibility certificate under Textile Policy-2012 for doing eligible activities like Cotton and Technical textiles. However, the Industries Office has interpreted the word "Good Sold by manufacturing" in different way and considering Cotton Processing (Job Work) as non-manufacturing activity.

**Our Explanation for considering Cotton Processing (Job Work) is as under: -**

**1. The main conditions for availing benefit of VAT/SGST reimbursement are as under: -**

| <b>Sr. No</b> | <b>Conditions</b>                                 | <b>Applicability to Cotton Processing</b>  |
|---------------|---|--|
| <b>1</b>      | <b>Value Addition in Cotton (Farm to Fashion)</b> | <p>Cotton processing is the main activity in the whole textile value chain. It shifts the nature of the product. The Grey Fabric is converted in to Cloth. The item become salable.</p> <p>Cotton processing change the color, feel, and design of the grey fabric and make it</p> |



|   |                               |   |
|---|-------------------------------|---|
|   |                               | <p>saleable. There is huge difference in the price of grey fabric and Processed Fabric.</p> <p>The main intention of the policy is Farm to Fashion and then Foreign / Exports. This included Farm, Fiber, Fabric, Fashion (Garment) and Foreign (Export).</p> <p>Fashion / Garmenting is done on Processed Fabric and not on Grey Fabric. Hence, Cotton Processing is essential and important link of the Farm to Fashion.</p>  |
| 2 | <b>New Investment</b>         | This condition is already satisfied. Process houses have made huge investment in new technology and installed latest machine, which gives more output with higher efficiency.   |
| 3 | <b>Employment Generation</b>  | Cotton processing is the highest employment generating activity. Approx., one process house generate minimum 500 labor.   |
| 4 | <b>Manufacturing Activity</b> | <p>Manufacturing activity is different aspect then accounting treatment. Manufacturing can be defined by the New Investment, Power Consumption, Employment Generation, quantum of value addition, etc.</p> <p>Cotton processing is job work activity from the purpose of accounting. Otherwise all norms of manufacturing is satisfied by the Process House.</p> <p>If it is not considered as Manufacturing then all other incentives like Capital Subsidy under ATUFs, Interest and power subsidy were also not eligible. We are receiving all these incentives and the authority is considering our activity as Manufacturing.</p> |

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2. Apart from the above, GST rate of Cotton Processing Job work is at par with the GST rate of Fabric. This shows the GST council is also not treating separate and considering the same.
3. Further, SGST subsidy on account of Job work will be lower as compared by doing owned sale/purchase. State Government has already issued Eligibility letter and fixed their maximum liability. Now, by doing Job work, government's actual outflow will be lesser. This can be seen from following example:-

|  | <b>Owned Sale / Purchase</b> | <b>Job Work</b> |
|--|------------------------------|-----------------|
| Purchase of Grey Fabric  | 100.00                       | 0.00            |
| SGST on Input @2.50%   | 2.50                         | 0.00            |
| Value Addition<br>(Cost of Color/dyes +<br>Power Cost+ Wages +<br>Other Cost+ Profit Margin) | 50.00                        | 50.00           |
| Selling Prize  | 150.00                       | 50.00           |
| SGST on Sales @2.50%   | 3.75                         | 1.25            |
| SGST Subsidy   | 3.75                         | 1.25            |

Hence, we request you to kindly consider cotton processing job work eligible for VAT/SGST reimbursement under the Textile Policy.

With Warm Regards,

  
Natubhai Patel  
President

Saurin Parikh  
Chairman - Textile Taskforce