

Sixteenth Loksabha

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Title: Need to reduce GST rate on fire crackers.

SHRI T. RADHAKRISHNAN (VIRUDHUNAGAR): Fireworks industry was started in Sivakasi in the year 1930. Since then it has grown day by day and supporting the livelihood of 8 lakh people in the Virudhunagar District alone by direct employment and another 100 lakh people across the country who earn their living by transporting and selling fireworks.

GST Council in its meeting has decided to impose GST at 28% on fireworks, If the government starts charging 28% GST, the prices of crackers will increase by a minimum of 30% which will affect the sale of crackers which leads to reduction in sales ultimately affecting the employment opportunities of 8 lakh people. Further, the fireworks industry is already facing stiff competition from cheap illegal Chinese fireworks. Therefore, Fireworks industry, if taxed on higher scale, cannot compete against the tax free illegal Chinese fireworks.

The fireworks factories will now vanish under the GST regime with the steep 28% GST rate. This upper most rate of 28% will lead to huge evasions and overall corruption and act as a sure killer of the industry. Since the prevailing “value based exemption” will be scrapped under GST, all the 1220 factories will be brought into GST coverage. Therefore, even a lower rate of tax like 5% or 12% will ensure total compliance from all the 1220 factories, thereby generating enormous and multifold increase in revenue.

Globally, India ranks second in the world next to China in terms of its annual production of fireworks. The fireworks industry can surge forward to meet the global challenges, provided the industry is allowed to survive by charging affordable GST rates like 5% or 12%.

As a member of Lok Sabha from Virudhunagar Constituency, I call upon the government to reduce the GST rate for fireworks from 28% to 5% or 12% thereby saving the industry and livelihood of several lakh people dependent on it.

