

COBI/2025-26/045

Date: 15.09.20205

To

The Additional Commissioner
Central Goods & Services Tax
Rohtak

Subject: Representation on Positive Changes under GST 2.0 and Suggestions for Further Rationalisation

Respected Sir,

On behalf of the Confederation of Bahadurgarh Industries (COBI), representing more than 5,000 MSMEs, exporters, and manufacturers of Jhajjar District, we extend our sincere gratitude to you and the Hon'ble GST Council for the landmark reforms announced under GST 2.0, effective from 22nd September 2025.

The industries of our region wholeheartedly welcome these changes, which have simplified the indirect tax system, reduced disputes, and strengthened the vision of *Ease of Doing Business*.

We sincerely appreciate the following major positive reforms:

- 1. Simplified Rate Structure** – The move to two major slabs (5% and 18%) will greatly reduce classification disputes.



2. **Direct Relief to Consumers** – Reduction of GST on essential items has lowered the tax burden, enabling consumers to buy goods at more affordable prices.
3. **Support to Organised Sector** – Rationalised rates will encourage unorganised players to join the formal system, broadening the tax base and ensuring fair competition.
4. **Relief to MSME-dominated sectors** – Reduction of GST on items such as new batteries (28% → 18%), footwear and garments (12% → 5%), and automotive spare parts (28% → 18%) has provided much-needed relief to small manufacturers and vendors.
5. **Lower Cost of Production & Export Competitiveness** – With reduced GST on raw materials and machinery, industries will face lower input costs. Exporters will also become more competitive globally by being able to offer products at better prices.
6. **Liquidity Support** – Faster 90% provisional refunds for exporters and inverted duty cases will ease working capital stress, giving MSMEs more breathing space.
7. **Ease of Registration & Compliance** – Simplified registration for small sellers and e-commerce vendors, along with easier rules for post-sale discounts, will make compliance simpler, especially for small traders and startups.
8. **Investment Promotion** – A simpler tax structure and rationalised rates will attract more investment into industries, encouraging expansion and growth.



9. **Strengthening of the Economy** – With reduced production costs, higher consumption, and increased competitiveness, overall economic activity will grow, strengthening India's economy.
10. **Benefit to Honest Taxpayers** – As opportunities for tax evasion reduce, honest taxpayers will face a fairer environment and greater relief in doing business.
11. **GSTAT Formation** – Operationalising the Appellate Tribunal will help resolve long-pending disputes and ensure uniformity across the country.
12. **Relief for E-commerce Sellers** – Earlier, sellers had to take GST registration in every state from where they sold through e-commerce platforms. Under GST 2.0, small sellers can now sell across India with just one GST registration. This is a very progressive step that will ease compliance for startups and micro sellers. We request that clear guidelines be issued quickly so that industry can avail this benefit smoothly.
13. **Ease of Doing Business** – Overall, the new GST reforms will make it easier to conduct business in India, reducing compliance complexities, lowering costs, and supporting both small and large industries in the long run.

We thank the Government for these far-reaching reforms. At the same time, we humbly present certain practical concerns and suggestions from MSMEs and small manufacturers, which if addressed, will further strengthen GST 2.0.



Key Concerns & Suggestions from Industry

1. Tractor Parts – Rationalisation Needed

- Tractor parts are proposed at 5%, but raw materials like steel and castings attract 18%.
- For MSME manufacturers, this creates heavy accumulation of ITC, refund delays, and working capital blockage.
- Large tractor OEMs can easily manage refunds, but small vendors cannot.
- **Suggestion:** Keep tractor parts at **18%**, in line with other auto components. This will ease compliance for MSMEs, improve liquidity, reduce refund disputes, and create a balanced supply chain.

2. Packaging, Corrugated Boxes & Wooden Pallets

- Raw material (kraft paper/paperboard) is taxed at 18%, but finished corrugated boxes are at 5%, leading to inverted duty and refund burden.
- Similarly, **wood purchased under HSN 4407 attracts 18% GST, while wooden pallets (used for packaging) are taxed at 5%**, again causing ITC accumulation and working capital blockage.
- With very thin margins, MSME packaging units struggle with blocked ITC and liquidity stress.

Suggestion: Place all paper, paper-based products, and wooden packaging materials under a uniform 5% slab.

- This will protect over 2.5 lakh small units, safeguard nearly 25 lakh jobs, reduce education costs (books, notebooks), and strengthen FMCG and export packaging sectors.

3. Sanitary Pads Vs Baby Diapers – Exempted Vs Taxable

Sanitary pads, napkins, and baby/clinical diapers are essentially products of the same category, using very similar raw materials such as non-woven fabrics, polymers, adhesives, and pulp. However, there is a disparity in GST treatment. Under the present GST system, sanitary pads are **exempted (0%)**, and no change has been made under GST 2.0. At the same time, the GST rate on napkins and liners for babies and clinical diapers has been **reduced from 12% to 5%**.

This anomaly is creating multiple problems. First, **cheap imports at 0% GST are entering the Indian market**, making them more competitive than domestic sanitary pad manufacturers. Second, Indian manufacturers cannot avail **Input Tax Credit (ITC)** on raw materials like polymers, adhesives, and fabrics, which are taxed at **12–18%**. This leads to higher production costs for domestic players compared to importers. Third, a very big compliance issue arises because many of the same raw materials are common for both taxable and exempted products, and maintaining separate records for them is extremely difficult for MSME manufacturers.

The end result is that, even though sanitary pads are exempted at 0% GST, their **sale price in India is actually higher**, because manufacturer cannot set off the tax paid on inputs. This defeats the very purpose of the exemption. On the other



hand, if the government imposes **5% GST with ITC** on sanitary pads, it will allow manufacturers to claim credit on inputs, thereby **reducing their overall cost of production**. The benefit of this ITC will be passed on, and **the final consumer price will actually come down**, while also protecting Indian MSMEs from unfair 0% imports and reducing unnecessary compliance hurdles.

Therefore, it is strongly recommended that sanitary pads be shifted from **0% GST to 5% GST slab with ITC facility**. This will bring parity with baby diapers, protect domestic manufacturers, simplify compliance, promote **Ease of Doing Business**, and ultimately benefit the end consumer through lower prices.

4. Skill Development Training (NSDC Franchisees)

- Training by NSDC-approved partners is exempt, but training delivered through their franchise centres is often treated as taxable.
- This creates confusion, litigation, and extra burden for small training centres and students.
- **Suggestion:** Clarify that training through authorised franchisees of NSDC-approved partners is also exempt.
 - This will protect micro training centres, support “Skill India,” and prevent unnecessary disputes.

5. Refund of Input Services in Footwear Industry – Urgent Rationalisation Needed



The footwear industry is **dominated by MSMEs** and operates largely on a **job-work model**, where cutting, stitching, finishing, and assembly are carried out by small ancillary units. Under the present GST framework, **refund of Input Services is not allowed in cases of inverted duty structure**, which creates a significant disadvantage for footwear manufacturers. Since a large portion of the industry's value chain is through job work, denial of refund on input services results in heavy **working capital blockage** and distortion of credit flow.

Suggestion: Allow refund of Input Services (including job work) for the footwear sector under inverted duty refunds, at par with refund benefits available in imports. This will provide fair treatment, reduce capital blockage, encourage local value addition, and ensure a level playing field for Indian footwear manufacturers.

6. GST on School Bags – Need for Reduction to 5%

- At present, school bags attract **18% GST**, which makes an essential educational supply more expensive for parents and students.
- This higher rate directly affects the affordability of education for millions of families, particularly those in rural and semi-urban areas where expenditure on schooling already forms a significant portion of household budgets.
- Reducing GST to **5%** on school bags will ease the financial burden, promote inclusivity, and align with the Government's objective of



ensuring **affordable and equitable education** for every child. Such a measure would not only provide relief to families but also support MSME manufacturers of school bags, who are struggling with thin margins and stiff competition from imported products.

Suggestion: Reduce GST on school bags from 18% to **5%** so that educational essentials remain accessible, affordable, and **supportive of the constitutional vision of the *Right to Education*.**

Conclusion

We once again thank the Hon'ble GST Council and your good office for the progressive GST 2.0 reforms. The above suggestions are practical, ground-level issues of MSMEs that, if resolved, will:

- Reduce litigation,
- Ease compliance,
- Protect Indian manufacturers, and
- Strengthen *Make in India* and *Ease of Doing Business*.

We look forward to your kind consideration and remain available for any further clarification.

With warm regards,

Yours sincerely,

For Confederation of Bahadurgarh Industries (COBI)

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