

## GST 2.0 Brings Cheaper Clothes Under ₹2K, Boosts Textile Industry

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Furthermore, India's textile sector sees dramatic changes thanks to GST reforms effective 22 September 2025. Moreover, GST on garments up to ₹2,500 falls from 12% to 5%, enabling cheaper clothing purchases. [The Times of India](#)

Meanwhile, clothes priced above ₹2,500 face a rate increase to 18%, targeting premium segment.

### Repairing the Inverted Duty Structure

Previously, synthetic inputs faced high taxes while final garments had lower GST rates, squeezing manufacturers. Now, reducing taxes on synthetic materials addresses input burden and corrects distortions.

Consequently, MSMEs involved with textiles and synthetic fibres gain breathing space for profit and growth.

### Benefits for MSMEs and Domestic Demand

Because input costs drop sharply, many small and medium enterprises can improve cash flows.

Therefore, brands may offer better design, stronger fabric, and improved quality under the ₹2,500 threshold.

Furthermore, consumers will likely shift to more everyday garments thanks to lowered prices

### Trade-Offs and Premium Segment Pressure

Nevertheless, premium fashion could feel squeezed due to the tax hike above ₹2,500.

Brands in premium or luxury space must now justify costs via exclusive design, sustainability, or craftsmanship.

Also, correctly classifying items and updating billing systems will challenge some manufacturers and retailers.

### Fashion Industry Implications

Meanwhile, synthetic garments and blended fabrics may rise in popularity, since costs fall dramatically. Consequently, brands may align more collections just under ₹2,500 to capture value-conscious buyers.

Moreover, premium segments will need stronger brand stories to persuade higher spending consumers.

### India vs. Global Competition

Similarly, India narrows the cost gap with textile powerhouses like China and Southeast Asian nations. Because raw materials are available, labour skilled, and heritage strong, reforms amplify India's advantages. Therefore, India could capture larger global share in mid-market fashion and affordable ready-to-wear.

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