

Special procedure to plug leakage in pan masala, gutkha to be operational from April 1

Manufacturers of tobacco products should take registration of each machine and should be required to disclose the make, year of production, number of tracks and capacity of machine

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To plug the revenue leakage, the Central Board of Indirect Taxes and Customs (CBIC) has reworked the special procedure for registration to ensure capacity-based taxation



from manufacturers of pan masala, gutakha and similar items. The new mechanism will replace the system notified last year and will come into effect from April 1.

The procedure is based on recommendation by GST Council. In its meeting, dated July 11. It recommended issuance of notification prescribing a special

procedure to be followed by the manufacturers of tobacco, pan masala & other similar items for registration of machines and for filing of special monthly returns. Now, it is expected that a new section (122A) will be inserted in CGST Act providing for special penalty for non-registration of machines by such manufacturers.

The new procedure will be applicable for manufacturers of pan-masala, unmanufactured tobacco (without lime tube) with or without brand name, 'Hookah' or 'gudaku' tobacco bearing or not bearing a brand name, smoking mixtures for pipes and cigarettes, chewing tobacco (without lime tube), filter khaini, jarda scented tobacco, snuff and branded or unbranded 'Gutkha', etc.

All the registered persons engaged in manufacturing mentioned goods will be required to furnish the details of packing machines being used for filling and packing of packages in FORM GST SRM-I, electronically on the common portal within 30 days of coming into effect of this notification i.e., April 1, 2024.

Any person intending to manufacture pan masala etc. and has been granted registration after the issuance of this notification, will be required to furnish the details of packing machines being used for filling and packing of packages in FORM GST SRM-I within 15 days of grant of such registration. The details of any additional filling and packing machine being installed at the registered place of business will need to be given within 24 hours of 24 hours of such installation. Once details are furnished, a unique registration number will be generated for each machine. The taxpayer will also be required to upload.

The registered person shall submit a special statement for each month in FORM GST SRM-II, electronically on the common portal, on or before the tenth day of the month succeeding such month. For example, returns for the month of April to be filed by May 10. The notification clarified that the here “brand name” means brand name or trade name, whether registered or not. It includes a name or a mark, such as symbol, monogram, label, signature or invented word or writing which is used in relation to such specified goods.

The special procedure is based on suggestions given by a Group of Ministers (GoM). The group said that tax evasion in tobacco products is an internationally common practice and emphasised that alternate systematic enforcement and administrative mechanisms need to be devised to curb evasion and enhance compliance. Accordingly, it was suggested that a track and trace method need to be applied. It is an internationally accepted practice used to curb illicit trade in the tobacco sector with the help of electronic means. Besides this, it was also suggested that manufacturers of tobacco products should take registration of each machine and should be required to disclose the make, year of production, number of tracks and capacity of machine.

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