

After parota, paan masala may attract more tax

Annappurna Singh, DHNS, New Delhi, Jun 14 2020

It's not just munching on your parota that's going to cost you. You may have to pay more for chewing paan masala, too, as both the Centre and state governments are planning levies to raise new resources to fund the post-COVID-19 reconstruction of the economy.

The 'demerit and sin' goods, already attracting the highest goods and services tax of 28%, is also subjected to a 60% levy of cess. This could go up to 100% in the next GST Council meeting. Paan masala containing gutkha attracts a cess at the rate of 204%. There is a possibility that taxes and cess could be even higher on this.



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Not only that, the government is also mulling to tax the raw produce — the non-virginia tobacco used in making paan masala and gutka. It is sold by farmers directly to manufacturers and does not attract any tax.

The domestic paan masala and gutkha industry is currently pegged at over Rs 42,000 crore growing annually at close to 10%. Cigarettes and paan masala, which draw 'sin tax' under the GST levy are not only the milch cows of the revenue department but also one of the largest employers.

An industry study last year had said the tobacco sector contributes nearly Rs 12 lakh crore to the economy and employs over 4.6 crore people.

However, the finance ministry on Saturday made it clear parotas, when served in a restaurant or sold as ready to eat, without the need to heat or cook, will attract GST at a rate of only 5% and not 18%. The preserved and branded will attract 18% GST.

The Authority for Advance Ruling in Karnataka has held that frozen and preserved wheat parota and Malabar parota will attract 18% GST.

But petrol and diesel will not see themselves in the GST list in the foreseeable future as neither the Centre nor states are in favour of that.

Source: <https://www.deccanherald.com/business/after-parota-paan-masala-may-attract-more-tax-849289.html>