

Govt lost ₹58,521 crore in taxes due to illicit goods in 5 industries

ARSHAD KHAN @ New Delhi

THE estimated tax loss to the government due to illicit goods in five industries -- mobile phones, FMCG-household and personal goods, FMCG-packaged foods, tobacco products and alcoholic beverages -- stood at ₹58,521 crore in the financial year (FY) 2019-20, according to a report.

According to FICCI Committee Against Smuggling and Counterfeiting Activities Destroying the Economy (CASCADE) report released on Thursday, two highly regulated and taxed industries, tobacco products and alcoholic beverages, account for nearly 49 % of the overall tax loss to the government even as their total size in illicit trade was much lower than the FMCG industry.

The tax loss across these sectors stood at ₹17,074 crore (FMCG packaged foods), ₹15,262 crore (alcoholic beverages), ₹13,331 crore (tobacco products), ₹9,995 crore (FMCG household and personal goods), and ₹2,859 crore (mobile phones).

Government levies a tax of 58.14% on tobacco products (excluding bidi), while tax on alcoholic beverages, based on the analysis of 14 liquor companies and excise duty paid by them, is in the range of 64-65%.

Hence, tax loss due to illicit trade in these sectors is much more than other sectors which attract taxes between 12-18%.

FICCI has estimated that the size of illicit markets in five industries was ₹2,60,094 crore for the year 2019-20, with the FMCG industry — household and personal goods, and packaged foods — together accounting for three-fourth of the total illicit value.

The FMCG packaged foods

industry held the highest share of illicit market at ₹1,42,284 crore, and was followed by FMCG household and personal goods at ₹55,530 crore, alcoholic beverages at ₹23,466 crores, tobacco products at ₹22,930 crore, and mobile phone at ₹15,884 crore

The report further estimates legitimate employment loss of 15.96 lakh due to illicit trade. The maximum number of jobs (7.94 lakh) were lost in the labour-intensive FMCG packaged foods industry, followed by tobacco (3.7 lakh), FMCG household and personal goods (2.989 lakh), alcoholic beverages (0.979 lakh), and mobile phone industry (0.35 lakh).

Anil Rajput, Chairman of FICCI CASCADE, said, "Smuggling is the deadliest form of Illicit trade. Besides causing severe damage to the exchequer, in the form of revenue loss, proliferating terrorism by allowing terror groups to get funds and impacting consumer health and safety, it leads to unemployment by exporting jobs out of the country."

