

Budget Expectations: Retailers seek tax cuts to fight cheap smuggled items

Synopsis

"The high taxes are creating a huge demand for smuggled and counterfeit products across the country and are forcing millions of small and impoverished shopkeepers to deal with criminals and be part of this illegal activity," the Federation said in a statement.

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The Federation of Retailer Association of India (FRAI) Tuesday sought tax cuts on daily use consumer goods to counter the high demand for smuggled and counterfeit products, which currently have a price advantage. The FRAI, a representative body of about 80 lakh micro, small and medium retailers in 42 member retail associations, raised its concern against high taxes on daily consumption items, which it felt leads to illicit trade in the country.



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Prior to the Union Budget for 2023-24, FRAI is seeking reduction in taxes on daily consumer products, it said.

"FRAI has made a representation to the Finance Minister appealing to protect the interests of its 80 lakh retailers. These retailers sustain their livelihood by selling goods of daily needs like biscuits, soft drinks, mineral water, confectioneries, cigarettes etc," the statement highlighted.

It said the small retailers' pre-lockdown earnings were about Rs 6,000 - Rs 12,000 a month, while the slightly bigger shops or the medium retailers earn Rs 400 - Rs 500 per day. The micro retailers earn as little as Rs 200 a day.

FRAI President Ram Asre Mishra said, "For quite some time now there has been an alarming rise IN smuggled and counterfeit products - particularly in daily consumption products that are sold by our members. Such illegal products are easily available across the country, including in rural markets, and their share is around 25-30 per cent of the total market."

The FRAI members are mostly uneducated and belong to the low economic strata. Many of them borrowed money to run their shops instead of depending on the government for employment, he said.

"Smugglers and criminals involved in counterfeiting activities cause financial, mental and physical harassment to millions of our members to sell their illegal products. Being poor, their small businesses are the only source of livelihood for their entire family. So it becomes impossible for them to resist or stop trading in such illegal products." Mishra said.

FRAI asserted that the primary reason for the alarming growth of smuggled and counterfeit products is the extremely high taxes on 'Made in India' items for daily consumption.

"Since smuggled and counterfeit products completely evade taxes, they can easily outsell legally produced goods by selling at half price or even at one-third. This is causing the loss of thousands of crores of rupees in revenue for the Government of India," it added.

Giving the example of cigarettes, the FRAI said that the price of a legal packet of 20 cigarettes 84 mm long is typically more than Rs 300, while a consumer can buy a similar smuggled pack for Rs 80 - Rs 150 depending on the brand, demand and supply prevalent in the illegal market.

FRAI secretary Vinay Kumar said, "These shopkeepers also have to face constant harassment from government agencies like FDA, the health ministry, Tobacco Control Cell and others for stocking illegal and inferior quality goods. Caught between law enforcers, demanding customers and smugglers, life has become intolerable for our members."

The Association advises its members not to engage in selling counterfeit or smuggled products. But as business for legal products is shrinking, they have no choice but to fall prey to meet the minimum earnings needed to sustain their livelihoods.

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