GST evasion on sanitisers being probed

FE BUREAU
New Delhi, July 9

The investigation wing of the GST administration has asked its zonal units to probe potential tax evasion in supply of alcohol-based disinfectants known as hand sanitisers, especially those manufactured by sugar factories and distilleries. Some of the businesses are believed to be using an incorrect harmonised system of nomenclature (HSN) for the product, in what led to a loss of at least ₹50 crore to the exchequer since the launch of GST.

The initial intelligence developed by the Central Economic Intelligence Bureau (CEIB) pointed out the fraud, saying that many sugar mills and distilleries are mis-classifying hand sanitisers under the HSN code 3004 instead of the 3808. The GST rate is 12% for items under the former code and 18% for the latter.

"Thus, the mis-classification of hand sanitisers (alcohol-based) appears to have resulted in a substantial evasion of GST," the directorate general of GST investigation (DGIGI) said in its communication to zonal units. It added that the department has developed further on the intelligence received from CEIB by analysing 62 manufactures and suppliers of hand sanitisers through online shopping platforms like Amazon, Flipkart, Snapdeal and PayTM, among others.

Experts said that while the mis-classification of products to avail lower rate is used by unscrupulous businesses often, the surge in sale of hand sanitisers since March due to the Covid19 pandemic attracted profiteers in large numbers.

"After India banned export of disinfectant, including hand sanitisers, in March, some exporters had also started using HSN code 3004 to sell these products outside the country. Seeing this pattern, the DGFT banned export of all alcohol-based hand sanitisers even under HSN code 3004 in May," Rajat Mohan, senior partner at AMRG & Associates, said.

However, some suppliers continue to sell the product domestically at a lower rate. Items under HSN code 3004 attract 12% and are called 'medicaments' consisting of products for therapeutic or prophylactic uses to be administered in dosage. But HSN code 3808 covers items like insecticide, fungicide and disinfectants like hand sanitisers, and attract an 18% GST.