Cola Body Seeks Exemption from ‘Sin Tax’ ahead of GST Council Meet

Calls tax categorisation ‘discriminatory,’ says other sugar-based items taxed at lower rates

*Ratna.Bhushan@timesgroup.com*

New Delhi: The Indian Beverage Association, which represents the country’s biggest soft drinks makers including Coca-Cola, PepsiCo, Parle Agro and Red Bull, has written to the GST Council and finance minister Nirmala Sitharaman, asking to be removed from the ‘sin tax’ category.

The ₹70,000 crore non-alcoholic beverages sector, which includes soft drinks, packaged drinking water and fruit juices, is expected to contract by 34% in 2020 from last year, and suffered a loss of ₹1,200 crore on account of products and ingredients expiring due to limited shelf life, the association said in the letter, which ET reviewed.

Aerated drinks are levied with a goods and services tax of 28% and a compensation cess of 12%. “Aerated beverages were placed in the highest GST levy of 40%; it is the only product category within foods that has to pay compensation cess,” the association said.

Calling the categorisation ‘discriminatory treatment,’ IBA said other sugar-based products such as ice-cream and chocolate are taxed at lower rates. It said aerated beverages are neither a luxury nor a sir product, adding that the bulk are sold at ₹10-30.

The letter, signed by IBA secretary general Arvind Varma, comes ahead of the GST Council meeting on August 27. The IBA asked for levies on juice-based drinks to be lowered to 5% from 12% GST currently, and the tax on packaged drinking water to be reduced to 12% from the existing level of 18%.

The IBA said the peak period from March to June, which contributes to over 50% of the sector’s annual sales volumes, was lost this year due to Covid-19 lockdowns and predicted that the industry would suffer in the near future as well because of diminished out-of-home consumption, which contributes significantly to beverage sales.

Officials from Coca-Cola and PepsiCo have said that while in-home consumption has been picking up over the past two months, localised lockdowns have made demand in the larger out-of-home channels uncertain.

On an average, three-fourths of soft drinks sales come from out-of-home channels such as restaurants, hotels, cinema theatres, malls and live events. While the easing of India’s lockdown curbs started in May, consumers have largely stayed indoors. Localised lockdowns across states including Haryana, UP, West Bengal and Karnataka have further disrupted businesses.