

Milk products should have lower tax rate, says GCMMF's Sodhi

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The much-awaited Constitution Amendment Bill paving the way for the Goods and Services Tax (GST) may have been cleared by the Rajya Sabha on Wednesday, but India's largest milk products retailer, Gujarat Cooperative Milk Marketing Federation Limited (GCMMF) is apprehensive about the minimum tax rate its products will face under the new regime.

Value-added products

While milk, curd (*dahi*) and buttermilk (*chhas*) continue to be exempted from tax coverage, some value-added products may end up incurring a higher tax rate — almost double — under GST as against the current average tax rate.

“Today average tax on value-added products such as ghee (butter oil), butter and Tetra-packed milk ranges between 5 and 7 per cent. If these items start attracting GST at 12 per cent — indicated as the lowest slab under the new tax regime, then it would be a dampener on both consumers and producers,” said Rs. Sodhi, Managing Director, GCMMF, which sells the Amul brand of milk products.

Some positives

A panel headed by Chief Economic Advisor Arvind Subramanian has put the GST rate structure into three slabs, with the lowest slab of 12 per cent for goods for the poor.

However, other value-added products such as flavoured milk and ice-creams currently attract up to 5 per cent excise duty.

With the rollout of GST, excise duty will be subsumed into GST. The single tax is seen as a 'positive' for the dairy sector.

Sodhi also noted that milk products such as milk powder, baby food and ice-cream currently attract average tax of 10-12 per cent.

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Hence, a slightly higher rate under GST will not affect consumers much.

“We wish the minimum slab under GST be 6 per cent so that goods and commodities like ghee, butter, etc do not suddenly attract almost double the current average tax,” Sodhi said.

Worry for farmers

The overall market size of the products — butter, tetrapack milk and butter oil is estimated to be around ₹25,000 crore, he added.

“The ultimate impact will be on the farmers. As with higher tax and costlier products it would ultimately discourage the producer,” Sodhi said.

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