

No GST on food items when sold loose, clarifies FM Nirmala Sitharaman

The clarification came amid protests and widespread criticism by Opposition Members of Parliament over foisting GST on daily-use essentials and subsequent price rise

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FM Nirmala Sitharaman

Union Finance Minister Nirmala Sitharaman on Tuesday said the mass consumption items such as pulses, wheat, rice, flour, and curd will not attract the 5 per cent goods and services tax (GST) when sold loose, and not pre-packed or pre-labelled. The clarification came amid protests and widespread criticism by Opposition Members of Parliament over foisting GST on daily-use essentials and subsequent price rise.

The all-powerful GST Council, chaired by the Union minister, had last month decided to impose GST on some mass consumption items to simplify the rate structure, which came into effect on Monday.

In a series of tweets, Sitharaman said this decision was much needed to plug tax leaks. It was considered at various levels by officers, group of ministers (GoM), and finally recommended by the GST Council.

The decision, she said, was taken by the Council, where all states are represented, through a consensus.

Explaining the rationale behind the move, she said that when the GST regime, which subsumed 17 central and state taxes, including central excise and state value-added tax, was rolled out in July 2017, a 5 per cent tax was levied on 'branded' cereals, pulses, and flour.

"Later, this was amended to tax only such items which were sold under a registered brand or brand on which enforceable right was not foregone by the supplier," said Sitharaman.

reputed manufacturers and brand owners and gradually the GST revenue from these items fell significantly," she pointed out.

The minister further highlighted that such a practice was resented by suppliers and industry associations that were paying taxes on branded goods and asked the government to impose GST uniformly on all packaged commodities to stop further misuse.

"This rampant evasion in tax was also observed by states," she observed.

"It is in this context that the GST Council at its 47th meeting took the decision. With effect from July 18, only the modalities of imposition of GST on these goods was changed, with no change to the coverage of GST, barring two/three items," she clarified.

"For example, items like pulses, cereals like rice, wheat, and flour, etc, earlier attracted GST at 5 per cent when branded and packed in unit containers. From July 18, these items attract GST when 'pre-packaged' and 'labelled'," she cleared up.

However, pulses, wheat, rye, oats, maize, rice, flour, sooji, besan, puffed rice, and curd/lassi, when sold loose (and not pre-packed or pre-labelled), will not attract any GST.

Non-Bharatiya Janata Party-ruled states of Punjab, Chhattisgarh, Rajasthan, Tamil Nadu, West Bengal, Andhra Pradesh, Telangana, and Kerala had agreed to impose the 5 per cent levy, she said.

"Is this the first time such food articles are being taxed? No. States were collecting significant revenue from foodgrain in the pre-GST regime. Punjab alone collected more Rs 2,000 crore on foodgrain by way of purchase tax. Uttar Pradesh collected Rs 700 crore," she defended.

The changes were recommended by the GoM and were "carefully considered, taking into account the tax leakage", she added.