

Covid tax cuts should reach consumers: NAA to officials

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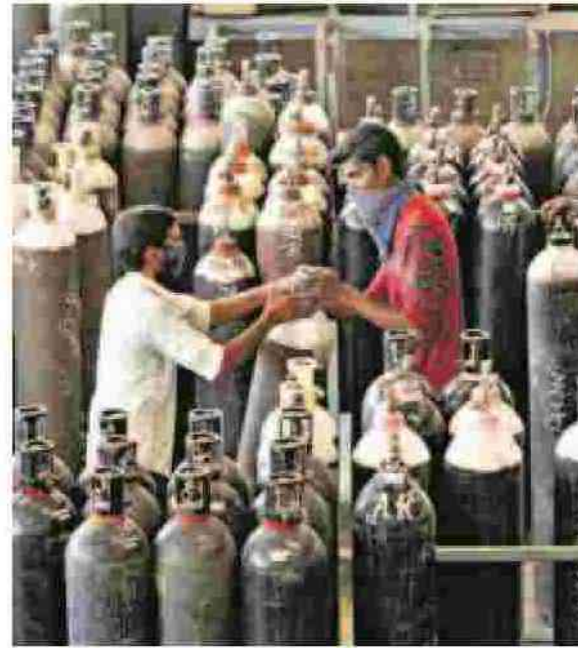
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NEW DELHI

The National Anti-profiteering Authority (NAA) has instructed the top officials of the goods and services tax (GST) administration to ensure that producers and suppliers of medical devices and drugs lower prices of covid-related supplies to pass on the benefit of recent tax rate cuts to consumers.

The profiteering watchdog also asked senior officials of the administration to ensure that complaints about medical device makers, pharmaceutical companies and suppliers not passing on the benefit of tax cuts to consumers are taken up with the anti-profiteering authorities on priority, according to an order placed on the NAA website.

The move comes after the central government notified tax rate cuts on covid-related medical supplies with effect from 14 June, as cleared by the GST Council. Concessional tax rates on 18 classes of items will remain in force from 14 June till the end of September.



The move comes after the Centre notified tax rate cuts on covid supplies. REUTERS

The NAA instructions to officials are meant to ensure that manufacturers and suppliers do not pocket the benefit of tax rate cuts by increasing the base price of the product. Businesses have to pass on the benefit of tax relief to consumers immediately after the tax cut, but there is no lock-in period for the lower price to the consumer, according to GST law.

The government reduced the tax rate on Tocilizumab, used to treat inflammatory and autoimmune conditions, and anti-fungal drug Amphotericin B, to zero from 5%, in view of the pandemic. Also, tax on anti-viral injection Remdesivir and

blood thinner Heparin were lowered from 12% to 5%. The tax rate on several other medical supplies, including oxygen, hand sanitizers, and diagnostic kits were also reduced to 5%, while that on ambulances was lowered from 28% to 12%.

“Suppliers are, therefore, required to commensurately reduce the prices of each of the supplies of goods and services made by them so that the benefit of the reduction in tax rates and/or input tax credits is passed on to the recipients/consumers,” NAA said.

It urged senior officials to ensure that powers are used to collect evidence needed to take action against “errant suppliers of various goods and services”.

“This is a positive move for the consumers in general as the supply chain in pharma sector would be pushed to lower the prices with immediate effect,” explained Rajat Mohan, senior partner at chartered accountants firm AMRG & Associates.

If any supplier is found to have increased the base price to pocket the tax benefit meant for consumers, the authorities could order the overcharged amount to be returned.