

# **De-Registering to Dodge GST**

## Why in news?

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Many food traders in India are giving up their registered trademarks to avoid the 5% GST on branded foods.

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### What is the crux of the issue?

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 GST specifies that various "barley, cereal, corn, flour, oat, pulse, rice, rye, seed and wheat" products that are sold bearing a "registered brand name" will be charged a 5% GST.

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• Traders feel that the 5% GST makes a huge difference in the highly competitive market.

 Additionally, along with GST, the costs incurred in maintaining product quality as per government norms for branded products could be upwards of 15%.

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The act defines brands as those registered under the Trade Marks Act,
 1999, which has made the traders consider de-registering their products.

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#### What are the fallouts?

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- There migh be a fall in quality & increased adultration due to temptations of the industry & public to go unbranded to reduce costs.
- As only products registered under the Trademarks Act are taxed, this
  creates an anomaly, which makes it possible for some form of brand

retention without tax compliance by de-registeration.  $\ensuremath{^{\backslash n}}$ 

• Copy cats migh be sprout up if established brands de-register.

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#### What can be done?

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- As registration deters copying and provides for better quality control, the government sould take up corrective policy measures to encourage registration with the Trademarks Act.
- Local agents need to reach out to affected traders and make them aware of the positives that registered trademarks bring to their business.
- GST Council should hold regular meetings and outreach programmes with brand owners and other stakeholders to formulate effective policies.
- For the betterment of the society at large & to eliminate anomalies, the government could also consider eliminating differential taxation for similar products.

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**Source: World Trade Review** 

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