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.
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- 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.
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- 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.
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- 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.
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- Local agents need to reach out to affected traders and make them aware of the positives that registered trademarks bring to their business.
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- GST Council should hold regular meetings and outreach programmes with brand owners and other stakeholders to formulate effective policies.
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- 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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