

## **Tax Cosmetic and Medicine**

### **Why in news?**

\n\n

A question of whether a product is cosmetic or medicine for tax purposes arose over the products of Johnson & Johnson.

\n\n

### **What is the issue?**

\n\n

\n

- The revenue authorities of Rajasthan imposed 12.5% VAT on two products of Johnson & Johnson, 'Shower to Shower', Savlon and 'Listerine' mouthwash.

\n

- They maintained that these were not medicines which are entitled for a lower tax which is generally 4 or 5 %.

\n

- The Tax Board upheld the view, against which the company appealed to the high court.

\n

\n\n

### **What is the company's defence?**

\n\n

\n

- It argued they have medicinal value as shown in the licence granted to it and are special products for specific purposes.

\n

- It further submitted that similar products like Nycil, Vicks and others have been granted tax benefits by other courts.

\n

\n\n

### **What was the revenue authority's rationale?**

\n\n

- \n
- The revenue authorities stated that the presence of a small percentage of chemicals does not make the products medicine.
- \n
- These products are available in ordinary shops and are not commonly understood as medicines.
- \n
- The court agreed with this view and dismissed the appeal of the company.
- \n
- It also dismissed the appeal of the authorities that Savlon was also a cosmetic.
- \n
- The judgment said that Savlon is an anti-septic formulation with curing properties and hence a medicine.
- \n
- This issue, as it deals with the tax matters of products sold over the counter, it cannot be decided under the central excise law.
- \n
- Ultimately it is the state law which decides the issue.
- \n

\n\n

\n\n

**Category: Mains | GS-III | Economy**

\n\n

**Source: The Hindu**

\n

