

Punit Prajapati
& Co.

GST RATE REDUCTION ON MEDICINES

IMPORTANT ISSUES

CA Raksha Prajapati

CA Mahima Shah

CA Prakash Prajapati

CA Viral Patel

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ANTI PROFITEERING APPLICABLE

Benefit of reduction in rate shall be passed on to recipients under Section 171. Further, prices of certain products, like hand sanitizers are already fixed by the Government. There may be dispute in future, whether prices for such products are also required to be reduced or not.

SEEMS ERROR IN HSN FOR HAND SANITIZER

Rate of 5% is fixed for Hand Sanitizers against HSN 3804 94 through Notification 05/2021-CTR. However, no such HSN exist in Tariff and it seems that it is referring to "3808 94 Disinfectant". Corrigendum/clarification is expected.

ACCUMULATION OF ITC

Rates are reduced only for finished goods/medicines and inputs for such goods are still at 18% mostly. This will result in accumulation of ITC for a manufacturer. They can utilise such accumulated ITC for other products or have to wait till higher rates are restored. Alternatively, they can go for refund under Inverted Duty Structure.

GOODS SUPPLIED ON 14/06/21

Notifications were made available on CBIC website after 5:00 pm on 14/06/21 and there may be instances where invoices have been issued under old rates. In such case Credit Notes may be issued for differential tax.

APPLICABLE ONLY TILL 30/09/21

Reduction of rates are applicable only till 30/09/21.