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GST on popcorn: Varying rates may be difficult to implement, lead to classification disputes, say experts

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The humble popcorn is in the eye of a storm with the recent clarification by the Goods and Services Council that different kinds of popcorns will attract different rates of tax. The move has not only raised the hackles of consumers and economists and unleashed a series of memes on social media, but could also be difficult to implement and lead to classification disputes according to tax experts.

The GST Council in its meeting on December 21 clarified that popcorn will attract three kinds of GST rates based on its spice mix. Accordingly, ready-to-eat popcorn that is mixed with salt and spices attracts 5% GST if supplied as other than pre-packaged and labelled and 12% GST if supplied as pre-packaged and labelled. However, when popcorn is mixed with sugar thereby changing its character to sugar confectionary, such as caramel popcorn, it would attract 18% GST.

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“It has been decided to regularise the issues for the past on ‘as is where is’ basis. There is no new imposition of any tax in this regard and is merely a clarification as certain field units were demanding different tax rates on the same. Therefore, it is a clarification being recommended by the GST Council to settle the disputes arising out of interpretation,” said an official statement after the meeting.

Experts, however, believe that this clarification will create more confusion and may be difficult to implement in cases where both salted and sweet popcorn is sold together in places such as theatres.

“The classification under GST must be as straightforward as possible to ensure clarity and minimize disputes,” said Abhishek Rastogi, Founder of Rastogi Chambers, who has been at the forefront of litigating numerous classification issues under GST. According to Rastogi, having multiple rates for the same supply based on variables such as price, characteristics, or other subjective factors creates room for interpretational disputes and operational challenges.

He emphasised that a fragmented classification structure undermines the fundamental objectives of GST—simplification and uniformity in the tax regime. “Differentiating tax rates for identical supplies solely on parameters like price thresholds or product characteristics leads to unnecessary

litigation and compliance burdens," Rastogi added. Such distinctions often result in ambiguities, where taxpayers are forced to navigate conflicting interpretations, thereby increasing the cost of compliance and eroding the ease of doing business.

Bimal Jain, Founder of A2Z Taxcorp LLP also underlined that classification for GST purpose should provide ease of business and usage to customers rather than being based on tight legal definitions. "There are several such items where disputes happen under GST. It will create great confusion and it is not easing classification dispute and can lead to more evasion," he pointed out.

Shravan Shetty, Managing Director, Primus Partners also said the staggered approach to taxing popcorn consumption would be difficult to implement. "We believe having different rates for variations of the same product increases both the cost of compliance and the complexity of reporting. The focus should be on a simplified rate structure with uniform rates for similar product categories," he said.

The clarification by the GST Council has raised eyebrows especially when it is expected that the Council will rationalise GST rates and simplify the indirect tax structure. Questions are also being raised on how much additional revenue will be generated through such a tax distinction on an item such as popcorn.

Former chief economic advisor Krishnamurthy Subramanian has also questioned the 18% GST on caramelised popcorn. "Complexity is a bureaucrat's delight and citizens' nightmare," he said in a post on X.

He pointed out that the estimated popcorn sales in 2025 (estimated from GlobalData) is Rs 1,700 crore. Assuming that the entire 18% GST collection from popcorn is Rs 300 crore, it would amount to just 0.013% of the total estimated GST collection in 2025 of Rs 22 lakh crore. "0.013%! What is the rationale for a decision that can max contribute 0.013% to revenue but inconvenience citizens?" he said in another post on X.

Another former CEA Arvind Subramanian also criticised the move, and called it a "national tragedy". "This is a national tragedy, violating the spirit of the Good and Simple Tax the GST was meant to be," he said in a tweet. "The folly is compounded because instead of at least moving in the direction of simplicity we are veering to greater complexity, difficulty of enforcement, and just irrationality. Sad."