

Liquor body urges Andhra Govt to reduce corona cess

PIONEER NEWS SERVICE ■
NEW DELHI

Pointing out that the imposition of 75 per cent corona cess on alcohol has badly hit sales, the Confederation of Indian Alcoholic Beverage Companies (CIABC) has urged the Andhra Pradesh Government to reduce the cess on alcoholic beverages to a "realistic and sustainable level" which will help save the industry and also lead to more revenues for the State Government.

In its letter to the AP Government, CIABC, which is the apex body of the Indian Alcoholic Beverage Industry, has stated that on May 5, 2020 the state government imposed Additional Retail Excise Tax (ARET) on all types of alcoholic beverages "which has increased consumer prices by 75% and even up to 100% in certain cases". As per data of the State Government excise department, there was 50 per-



cent decline in the liquor sale in May. In other words, the state government has collected revenue 50 percent less in May due to higher prices.

"We humbly request you to reduce the ARET on alcoholic beverages to a realistic and sustainable level. Such a move will lead to higher tax revenues for the Government besides benefiting all other lawful stakeholders, i.e., companies, trade, and consumers," CIABC added.

According to CIABC Director General Vinod Giri: "There is sufficient evidence that such steep price increases lead to drastic fall in sales and hence in the Government tax collection, thus defeating the very purpose of tax increase...From the data available, it appears that these apprehensions are indeed true in case of Andhra Pradesh also. Post ARET the sale of liquor has fallen drastically in Andhra Pradesh, which means lower total tax collection for the government. Further, it is an established fact that with such increase in prices, consumers start down trading to cheaper products. That means that not only do total sales come down; the Government's tax collection per bottle sold also falls. So, the loss to the state exchequer is compounded."

Giri further said AP government should take a cue from Delhi government which recently reduced additional tax on liquor from 70% to 5% as

increased prices had led to sharp fall in sales and massive revenue loss to the government. "We presented data to the Delhi government to prove this after which it decided to withdraw the 75% Cess and replaced it with a reasonable 5% increase in VAT. Early signs indicate that this is leading to higher sales and increase in tax collection in Delhi, besides plugging unlawful trade in liquor or illicit alcohol."

He also said that the borders of Andhra Pradesh are porous and if the price difference between the state and neighbouring states is too high, it is an incentive for anti-social elements to smuggle liquor into the state, or worst, produce illicit and harmful liquor. The Andhra Pradesh government should consider all these points and immediately reduce additional tax on liquor to a reasonable level so that process to be a win-win situation for the state government as well as the industry.