

DUE TO HIGH CORONA CESS LEVIED BY STATES

Alcohol sales fall up to 60% in May-June

NEW DELHI: States which imposed more than 50 per cent COVID-cess on liquor after the resumption of retail trade post lockdown witnessed an average 59 per cent decline in sales in May and June due to higher tariffs, a report by trade association CIABC claimed.

States as Delhi, Andhra Pradesh, Odisha, J&K and Puducherry, which had imposed a COVID-cess of 50 per cent and above reported a decline of 66 per cent in May and 51 per cent in June compared to the year-ago period, the report by Confederation of Indian Alcoholic Beverage Companies (CIABC) said.

While, states as Arunachal Pradesh, Meghalaya, Rajasthan, West Bengal, Kerala and Jharkhand, which had imposed a COVID-cess between 15-50 per cent reported an average decline of 34 per cent in sales, the report stated.

However, states where up to 15 per cent additional cess was imposed, witnessed only 16 per cent decline in May and June, which includes Uttarakhand, UP, Telangana, Karnataka, Chhattisgarh, Haryana, Tamil Nadu, Maharashtra, Assam, Chandigarh, Madhya Pradesh, Goa and Punjab.

While pan India, there was a decline of 25 per cent and 15 per cent respectively in May and June this year, totalling to 4.37 crore cases. It was 5.87 crore cases in 2019 in the same month. After the retail sales of liquor were resumed after six



weeks of closure in May, several state governments facing shortage of financial resources imposed a higher tax on alcoholic beverages.

"However, it has repeatedly pointed out that taxation, beyond a point, becomes counterproductive, said CIABC.

States, which were lower-taxed, have a stronger sales recovery in the month of June.

"The idea of various state governments to quickly make up for revenue deficit due to lockdown through heavy taxation on sale of liquor has backfired. Latest data shows that states which imposed heavy Corona cess on liquor saw sale of booze going down by more than half during relaxation in lockdown," it added.

According to CIABC Director General Vinod Giri: Liquor industry contributes around Rs 2.5 lakh crore in tax revenues to state governments, but this fiscal this collection is

likely to see a fall and sales are going to see a downfall of 25-30 per cent.

High taxation in some states has led to steep fall in sale of liquor, while the delay by the government in opening bars and restaurants, which account for up to 10 per cent of liquor sales, will further aggravate the situation, he added.

This in effect conveys that tax increases most likely did not lead to an increase in tax collection in absolute terms. This clearly indicates that levying of hefty Corona tax did not lead to an increase in total tax collection.

In fact, the trend in sales recovery in June, when unlocking began, was stronger in states that imposed lower tax increases, he said.

He also pointed out that the liquor industry was subjected to a longer lockdown compared to most other consumer products.