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New tax regime may push up IMFL prices, fears liquor sector

TIMES NEWS NETWORK

Kolkata: There is growing apprehension in the liquor industry that several popular IMFL brand prices may go up after the proposed tax-structure revision though there is also a buzz about light beer prices coming down. Excise department officials, however, refused to comment on "industry speculation".

"We are yet to complete the process of calculations and negotiations. Things will become clear only after we finalize the tax structure," a senior official told TOI on Friday.

Incidentally, the state has decided to abolish the 30% additional sales tax on liquor introduced on April 9 and change the entire excise structure by introducing a slab-based tax based on product value. The new tax structure will be based on ex-distillery price (EDP) and ex-brewery price (EBP). There will be 16 slabs based on declared EBP of beer while for IMFL, there will be 22 slabs based on declared EDP.

"The declared EDP and EBP should not be more than that of other states and, if it is higher, then the company has to justify that according to the new structure," said a source in the liquor industry.

Sources said the price of some IMFL brands may go even higher than the post-April 9 level when the 30% additional tax was imposed. The price increase could be 9% from current level for rum while

TOI | AUG 20, 2020

After flagging sales, Bengal to do away with 'Covid tax' on liquor

REPLACED BY SLAB-BASED LEVY

- To do away with 'Covid tax' - an additional 30% addition on April 9
- New tax regime based on ex-distillery price (EDP) for beer and ex-brewery price (EBP) for IMFL
- May cause a price drop in majority of brands
- Liberty from September 1

Bengal is a leader of 12 states that have opted for IMFL. The average fall in sales has been around 30% in April, May, June and July.

THE 16 SLABS

By TOI Staff | Bengal | August 19, 2020 | <https://www.timesofindia.com>

for some whiskey brands it would be 20% more than the current level. In the new structure, tax on various IMFL will range from Rs 330 to Rs 4,500, taking excise duty and additional excise duty together. The tax will range from Rs 132 and Rs 690 for strong beer while for mild beer it could range from Rs 106 to Rs 552.

"Lager beer duty would be 25% less than strong beer, so there is a possibility of a price drop for lager beer. There is also a possibility of a price drop for wine," a liquor industry source said.

Incidentally, in the new policy, distribution margin would be 2.5% while retail margin would be 5.9%.

IMFL and beer industry in the state were facing a major crisis following the Covid-induced lockdown and steep increase in sales tax. For the beer market, there has been an average fall in sales of over 85% while for IMFL, the average fall in sales is around 30% in the months April, May, June and July.

'Social distancing may be a problem'

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CRC secretary Chandan Roychowdhury felt maintaining social distance would be an issue. "Restaurants can restrict entry, but we can't say no to members," he said. "Another issue could be overhead expenses and whether serving liquor would be a viable proposition considering the club is now closed... If we open and can't get enough members to visit, it would be a problem," he added.

Clubs like CRC, DI and Lake Club have not opened, while Calcutta Club has not yet started dining facilities. Jayajit Biswas, president of DI, said, "We need to go through the official order vis-a-vis government norms with regard to Covid-19 in terms of social distancing and hygiene before arriving at a decision."

Pramit Ray, committee member of Calcutta Club, said the club would evaluate the situation once the notification comes. "Without the notification, we should not comment. For us, the safety of members is top priority," he said. Calcutta Club has started off-shops, beauty parlour and some sports. The secretary of Lake Club, Subrata Guha, said it was premature to comment without the order, but added that clubs which have started food pavilions were still not profitable. "Our club is completely closed apart from accounting and other official activities," he said.