

Statement from Indian Beverage Association on hike in Excise Duty

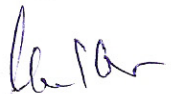
“We are extremely shocked by the retrograde budget proposal of a 5% hike in excise duty on aerated drinks with added sugar. The soft drinks industry is already one of the highest taxed categories in the country. The combined impact of CENVAT and State VAT rates reaches 34 % in eight states in the country. Coming on top of the current 12 per cent rate, the additional 5% duty increase will be tantamount to a 40 per cent increase in the central excise duty which would hit the industry hard and cause a major slowdown at a time when demand growth for the industry has been sluggish.

“The carbonated soft drinks industry is a key segment of the food processing sector in India. It is a significant user of agri products and, with its high labour intensity, contributes significantly to agricultural growth and employment. With a ratio of direct to indirect employment of 1:4, similar to that of the software industry, the industry’s developmental impact is not adequately appreciated. Currently, the industry employs over 300,000 people, and if there is a conducive environment for growth the industry has the potential to grow at double digit rates and can contribute more than a million additional jobs over the next decade.

“It must also be understood that in a country where options of safe, convenient and hygienic beverages are rather limited, carbonated soft drinks play a very important role in meeting the hydration needs of people. With this hike in excise duty, the industry will have no option but to increase the price of its products. An increase in price will also fuel the growth of beverage options from the spurious and unorganised sector which, on the one hand, poses significant risk to public health and on the other, will take away tax revenue from the Government.

“IBA urges the government to reverse this hike as it will retard the progress of an industry which can have a significant positive impact on India’s development, particularly in the changed governance scenario in the country.”

July 10, 2014


(Arvind Varma)
Secretary General