

GST UPDATE

**Classification of
Hand-Sanitizers under GST**



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There has been confusion regarding the GST rate to be charged on alcohol based hand sanitizers. There was a doubt whether Alcohol based hand sanitizers are to be classified as “Medicinal Preparation” being manufactured under drug license obtained under the Drug and Cosmetics Act 1940, under the heading 3004 of HSN or under 3808 of HSN as “disinfectant”?

The major concern herein is regarding whether the Hand Sanitizers should be classified as a medication under Chapter 30 (levy 12%) or as Disinfectant under Chapter 38 (levy 18%)?

The Ministry of Finance via clarification dated 15th July 2020 has clarified that hand sanitizers attract a rate of 18%.

Chapter 30 covers the medicaments that are either Therapeutic or Prophylactic i.e. to be used as a cure or as a preventive measure. Chapter 34 covers soap and other than soap based cleaning preparations. Chapter 38 covers disinfectants and other similar products.

Alcohol based hand sanitizers are used to disinfect hands and research has shown that they also prevent spread of contact-based virus. Further, they also have cleaning attributes.

In the recent days, the department has even initiated raids and visits to industries who charge 12% GST as per the license obtained.

The AAR Goa in case of Springfields (India) Distilleries, has said that this hygiene product will attract GST rate of 18 percent. And regarding the query for classifying these sanitizers as exempt goods, it has been stated that there is already a separate notification under GST law for exempt goods, therefore mere classification of any goods as essential commodity will not be a criteria for exempting such goods from GST.

In the clarification issued on Jul 15, the ministry has further clarified that inputs for manufacture of hand sanitizers are chemicals packing material, input services, which also attract a GST rate of 18%. Reducing the GST rate on sanitizers and other similar items would lead to an inverted duty structure and put the domestic manufacturers at disadvantage vis-a-vis importers. Lower GST rates help imports by making them cheaper. This is against the nation’s policy on Atma nirbhar Bharat.

Consumers would also eventually not benefit from the lower GST rate if domestic manufacturing suffers on account of inverted duty structure.

The clarification reiterated that Sanitizers are disinfectants like soaps, anti-bacterial liquids, Dettol etc. which all attract standard rate of 18% under the GST regime.

For more details, Read the clarification from the Link below:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1638769>

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