Companies urge Arun Jaitley for zero GST on fortified staples

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Companies selling fortified staples like wheat flour have urged finance minister Arun Jaitley to reduce the GST from 5% to zero percent on all fortified staples bearing a registered trademark.

New Delhi: Companies selling fortified staples like wheat flour (atta) have urged finance minister Arun Jaitley to reduce the goods and services tax (GST) from 5% to zero percent on all fortified staples bearing a registered trademark.

The companies have sent their representation through industry associations such as the Confederation of Indian Industry (CII).

Before the GST, the applicable tax on branded atta, including the fortified ones, was around two percent.

“On one hand, the government has been pushing for fortification to fight malnutrition in the country. On the other hand, tax on fortified staples has increased. In any case, fortification has a cost which the companies are absorbing. A lower tax will encourage companies to fortify staples, a move which has just started,” said a top executive of one of the largest companies, declining to be named.

Fortification, which is a process of adding essential micronutrients like vitamins and iron to food grains or commodities, came into focus after the country’s food regulator Food Safety and Standards Authority of India (FSSAI), in January, set standards for fortified rice, wheat flour, milk, edible oil and salt asking companies to fortify food staples.
Later, in February, FSSAI and the ministry of women and child development jointly drafted a plan to make supply of fortified food mandatory for government-supported schemes like Mid-day meal at schools by December 2019, Integrated Child Development Services (ICDS) by December 2018 and Public Distribution System (PDS) by January 2020 to fight malnutrition in India where about 70% pre-school children suffer from malnutrition.

“A lower tax on fortified staples would encourage companies in general to go for fortification which is very limited now. The decision to impose five percent GST on fortified staples will hamper the government plan to take fortification at mass level to fight malnutrition,” said an executive of a home-grown packaged food company. This person did not want to be named either.

According to the representation of the companies, fortification is a cost-effective way to improve public health. To encourage fortification, the government needs to revisit the tax slab proposed under the GST regime and ensure revenue neutrality, it added.

However, cost of fortification, or adding micronutrients to food staples is not very high. According to FSSAI estimates, fortification of wheat flour or atta will incur an additional cost of 20-25 paisa per kg, while for edible oil is as low as 10 paisa a litre and fortification of salt would cost Rs2-3 per kg.

ITC Ltd, which sells wheat flour (atta) under Aashirvaad, had, earlier this month, launched the fortified version of the staple in Delhi market and plans to take the product national. Some of the other branded wheat flour makers including members of Gujarat Roller Flour Millers’ Association that has 88 millers have also announced plans for fortification.