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Will HUL's GST provision set a precedent?

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MUMBAI

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The company has offered to release the money to the Consumer Welfare Fund, run by the department of consumer affairs.

HUL received a notice for alleged profiteering this week, *PTI* reported on Tuesday. The government has set up an anti-profiteering authority to ensure that tax cuts are passed on to consumers and the benefits are not quietly pocketed by companies.

HUL's offer is before the anti-profiteering authority, which will accept the amount provisionally until a final decision is made, finance minister Arun Jaitley said after the 25th GST Council meeting.

INDRANIL BHOUMIK/MINT

Other consumer goods firms plan to make similar provisions as they were unable to cut prices immediately after GST rollout, say tax experts.

Other large companies are now considering making similar provisions as HUL because they were unable to cut prices immediately following the GST reductions, tax experts say.

"What HUL made as a provision is more from an audit perspective to make sure they do not show this money as profit but as payment to be made to the government," said Anita Rastogi, partner at auditor PwC India.

Under GST rules, the central government notified in June last year that any excess profit a manufacturer makes by charging a higher price should be credited to the Consumer Welfare Fund. But there is little clarity on how this transfer should happen and under what circumstances.

"If money is collected (by a company as profit) without passing on the tax benefits, then it will go to the consumer, and if not possible, then the Consumer Welfare Fund," Sachin Menon, partner and head, indirect tax, at auditor KPMG, said in an interview.

Hardcastle Restaurants Pvt. Ltd, which runs McDonald's restaurants in west and south India, department store chain Lifestyle International Pvt. Ltd and a Jaipur-based trading company are among firms issued notices under the anti-profiteering provision so far, *Mint* reported on 30 December.

"Actions were initiated immediately but it takes time," Srinivas Phatak, chief financial officer at HUL, said on Wednesday at a briefing on the company's December quarter earnings. "There are always pipeline stocks. We advised modern trade retailers to pass on the rate reductions, and these were passed very quickly. Our distributors reached out to more than a million retailers, asking them to pass on the benefits."

HUL is now waiting for instructions from the centre on what to do with the money it has set aside.

Given the ambiguity in anti-profiteering definitions and rules, HUL said it decided to be proactive and voluntarily declared to the Central Board of Excise and Customs that it estimated Rs119 crore worth of benefits should have gone to consumers. Other firms may do the same.

"HUL has said that it was not able to pass on all benefits immediately, so other companies would have faced the same issue," Rastogi said.

Most large packaged consumer goods makers and other companies as well "have started to hold board meetings to figure out how to deal with this situation before the DGS (Directorate General of Safeguards) issues them a notice", she said.

This could mark the beginning of a large influx of money in the Consumer Welfare Fund that was set up in 1992 to create consumer law chairs at universities, set up Grahak Suvidha Kendras, run projects for consumer awareness, and contribute to state governments' consumer welfare funds.

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