

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

LOK SABHA

UNSTARRED QUESTION NO.519

TO BE ANSWERED ON MONDAY, JULY 24, 2023/SRAVANA 2,1945(SAKA)

COMPENSATION CESS ON PAAN MASALA AND GUTKHA

†519. SHRI RAMDAS C. TADAS:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is proposing to fix the compensation cess on paan masala and gutkha at 51 per cent;
- (b) if so, the details thereof;
- (c) whether the new system of specific tax in place of ad valorem tax on paan masala keeps the new tax rate neutral; and
- (d) if so, the reasons therefor?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b): GST rates and Compensation Cess rates are prescribed on the recommendation of the GST Council, which is a constitutional body comprising of representatives of States/UTs and Centre. Accordingly, on the recommendation of the GST Council in its 49th Meeting, the rate of Compensation Cess levied on pan masala and gutkha products has been converted to specific rate linked to retail sale price, i.e. 32% of retail sale price per unit and 61% of retail sale price per unit respectively, with effect from the 1st April, 2023. Further, the GST Council in its 50th Meeting, has recommended that the earlier ad valorem levy rate would be applicable to such goods in relation to which it is legally not required to declare on the package thereof the retail sale price.

(c) and (d): The specific tax has been approximated to the same level as is applicable in the transaction value-based levy on subject goods. The conversion of the rate of Compensation Cess levied on pan masala and gutkha from transaction value based levy to a levy linked to retail sale price has been made to avoid possibility of tax evasion.
