RETAILERS ASSOCIATION OF INDIA

28.10.2024

Smt. Nirmala Sitharaman
The Union Finance Minister and Chairperson
GST Council,
Government of India

Subject: Appeal to reconsider the proposal of GST rate revision on premium products

Honourable Finance Minister,
Greetings from Retailers Association of India

RAI is the unified voice of Indian retailers working with all the stakeholders for creating the right environment for the growth of the modern retail industry in India. It encourages, develops, facilitates and supports retailers to modernise and adopt best practices that will delight customers. RAI is the premier body of Retailers in India, having around 13667-member establishments, including large and small retailers in the country, having approximately 600,000 retail stores.

We are writing this letter to express concern of our member retailers, dealing in branded premium products. There is a recent announcement, as per media, from the GST Council indicating a revision in the GST on premium watches, Apparels, handbags, sunglasses priced above Rs 25000/Rs 10000 (hereinafter called premium products) from the current level of 18% to 28%. The objective of the Government is to boost GST collections from the sale of such premium products to compensate for the reduction of GST on other items of mass consumption.

Increase in the GST rate on premium products will eventually decrease the Government's revenue

Increasing the GST rates by 10% will mean that the price of the premium products will increase proportionately. Due to higher prices, the quantum of sales will go down. Also, many of these products are competitive items available globally. The stark differences in pricing will shift sale of these products from India to other countries. Consumers will buy these premium products from other parts of the world and bring such products into the country through personal baggage or other means.

Growth potential will get impaired resulting into loss of revenue for retailers and lack of GST for the government

Even though India is the 5th largest economy in the world and the fastest growing population country, premium categories are yet to showcase its true growth potential. e.g. Swiss watches exports to India is just over 1% of the world and India ranks 22nd for Swiss watch export. Most international brands have already confirmed that a large section of purchase of Swiss watches is still happening outside India. The move contemplated by the Council is likely to risk *Make in India* initiative of the Government of India.

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In medium-term, the prices of these products in India will become uncompetitive with the international markets. Hence, the growth will revert to the same levels as it existed prior to 2018 i.e. around 5-6% per year. So, the total collection of revenue will ideally be significantly lower with the higher GST rate than the current rate.

The move does not showcase India's thoughts of ease of doing business

Multiple GST rates for individual products with same GSTN codes does not support ease of doing business.

RAI's Appeal

With the above background, RAI's appeal is to reconsider this proposal by considering the facts stated and maintain the current status quo.

We would be very thankful for your favourable action.

For and on behalf of Retailers Association of India



Gautam Jain,
Director – Finance & Advocacy

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