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GST rate for Sanitary Napkins

There are some remarks made by various column writers on GST rate on sanitary napkins. It may be mentioned that the tax incidence on this item before and after GST is the same or less.

Sanitary napkins are classifiable under heading 9619. In pre-GST, they attracted **concessional excise duty of 6%** and 5% VAT and, the pre-GST estimated total tax incidence on sanitary napkins was 13.68%. Therefore, 12% GST rate had been provided for sanitary napkin.

Major raw materials for manufacture of sanitary napkins and applicable GST rates on them are as under:

- a) 18% GST rate**
 - o Super Absorbent Polymer
 - o Poly Ethylene Film
 - o Glue
 - o LLDPE– Packing Cover
- b) 12% GST rate**
 - o Thermo Bonded Non-woven
 - o Release Paper
 - o Wood Pulp

As raw materials for manufacture of sanitary napkins attract GST of 18% of 12%, even with 12% GST on sanitary napkins, there is an inversion in the GST structure. Though, within the existing GST law such accumulated ITC will be refunded, it will have associated financial costs [interest burden] and administrative cost, putting them at a disadvantage vis-à-vis imports, which will also attract 12% IGST on their imports, with no additional financial costs on account of fund blockage and associated administrative cost of refunds.

If the GST rate on sanitary napkins were to be reduced from 12% to 5%, it will further accentuate the tax inversion and result in even higher accumulated ITC, with correspondingly higher financial costs on account of fund blockage and associated administrative cost of refunds, putting domestic manufacturers at even greater disadvantage vis-à-vis imports.

Reducing the GST rate on sanitary napkins to Nil, will however, result in complete denial of ITC to domestic manufacturers of sanitary napkins and zero rating imports. This will make domestically manufactured sanitary napkins at a huge disadvantage vis-à-vis imports, which will be zero rated.

DSM/SS/KA