

L&S UPDATE

An e-update to clients from Lakshmikumaran & Sridharan

2 FEBRUARY 2022

INDIRECT TAX

Budget 2022 - Update for Liquor Industry

UPDATE NO. 4 OF 2022



Lakshmikumaran
& Sridharan
attorneys

exceeding expectations
SINCE 1985



NO GST ON GRANT OF ALCOHOLIC LIQUOR LICENCE RETROSPECTIVELY- CLAUSE 117 OF THE FINANCE BILL 2022

1. The Finance Bill, 2022 seeks to give **retrospective effect** from 01.07.2017 to Notifications No. 25/2019- Central Tax (R) dated 30.09.2019 which provided that the following activities or transactions undertaken by the State Governments in which they are engaged as public authorities, shall be treated neither as a supply of goods nor a supply of service, namely:

"Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called"

2. Therefore, no GST would be payable on supply of service by way of grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name it is called by the State Governments.
3. The Finance Bill also provides that no refund shall be made of the GST which has already been collected in respect of the aforesaid transaction.



L&S COMMENTS

- There were doubts regarding retrospective operation of the Notifications No. 25/2019. The above amendment has settled this issue.
 - Similarly, the Finance Act, 2019 had provided for non-levy of service tax on such transactions retrospectively for the period from 01.04.2016 to 30.06.2017. Notably, the said amendment had specifically provided for refund of service tax already collected if the application for refund claim was made within a period of six months from 1.08.2019.
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