



Tax Cosmetic and Medicine

Why in news?

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A question of whether a product is cosmetic or medicine for tax purposes arose over the products of Johnson & Johnson.

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What is the issue?

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- The revenue authorities of Rajasthan imposed 12.5% VAT on two products of Johnson & Johnson, 'Shower to Shower', Savlon and 'Listerine' mouthwash.

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- They maintained that these were not medicines which are entitled for a lower tax which is generally 4 or 5 %.

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- The Tax Board upheld the view, against which the company appealed to the high court.

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What is the company's defence?

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- It argued they have medicinal value as shown in the licence granted to it and are special products for specific purposes.

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- It further submitted that similar products like Nycil, Vicks and others have been granted tax benefits by other courts.

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What was the revenue authority's rationale?

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- The revenue authorities stated that the presence of a small percentage of chemicals does not make the products medicine.

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- These products are available in ordinary shops and are not commonly understood as medicines.

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- The court agreed with this view and dismissed the appeal of the company.

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- It also dismissed the appeal of the authorities that Savlon was also a cosmetic.

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- The judgment said that Savlon is an anti-septic formulation with curing properties and hence a medicine.

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- This issue, as it deals with the tax matters of products sold over the counter, it cannot be decided under the central excise law.

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- Ultimately it is the state law which decides the issue.

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Source: The Hindu

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