

18% GST applicable on Hand Sanitizer: AAR

Fact of the Case

- The applicant, M/s Wipro Enterprises Private Limited, is engaged in the manufacture of toilet soaps, LED bulbs and fittings, other toiletries, and other consumer products at their various factories. In relation to the said business, the Applicant has obtained registration under various laws and is in strict compliance of all such laws. The applicant herein is manufacturing and marketing Hand Sanitizer at a large scale primarily to combat the situation arising on account of pandemic COVID-19.
- Section 16 of the Drugs and Cosmetics Act, 1940 provides that 'standard quality' of drug would mean a drug which complies with standard set forth in Schedule II and the said schedule provides for Drugs included in the 'Indian Pharmacopoeia'. The Hand Sanitizer manufactured by the Applicant contains 95% v/v of ethyl alcohol, which is within the standard prescribed by the Indian Pharmacopoeia, the Applicant has rightfully obtained a drug license under the provisions of the Drugs and Cosmetics Act, 1940.

The applicant has sought advance ruling on the issue in respect of the appropriate classification of Hand Sanitizer for the purpose of GST and applicable rate of GST.

Decision of the Case

- The Coram clarified that the alcohol-based hand sanitizers, as the name itself suggests, are to sanitize the hands and disinfect them and hence cannot be covered under Medicaments.
- Therefore, the AAR concluded that the impugned goods are covered under heading 3808, which in turn is covered under entry no. 87 of Schedule III of Notification No. 11/2017-Central Tax (Rate) dated June 28, 2017 and hence are taxable at the rate of 9% under the CGST Act. Similarly, the goods are taxable at the rate of 9% under the KGST Act.

The Karnataka Authority of Advance Ruling (AAR) ruled that 18% GST is applicable on Hand Sanitizer.