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5 POSSIBLE SOLUTIONS TO REDUCE THE BURDEN OF GST ON COVID-19 VACCINES

Taxability as per current law

Currently, the rate notified for Covid-19 vaccine is 5% as these vaccines are categorized under HSN code 3002/3006 relating to 'Animal and Human Blood Vaccines'. Since output tax is applicable on Covid vaccines, Input Tax Credit (ITC) is allowed for inputs, input services or capital goods used for its manufacture and distribution.

If in any case, ITC is greater than the output tax, this will lead to an inverted duty structure and refund of excess input taxes on goods is allowed under section 54 of CGST Act, 2017. However, refund of excess input tax on services is not allowed.

Controversy

Controversy came to light when CM of West Bengal wrote to Union Finance Minister Nirmala Sitharaman requesting for exemption on Covid-19 vaccine under GST. Several other politicians and social activist raised similar request.

But there is a problem in exempting vaccines from GST! As per section 17(2) read with Rule 42 and 43, if any goods/services are exempted, then ITC on inputs, input services and capital goods will also get restricted. If this is done, vaccines manufacturer won't be able to avail ITC and eventually such manufacturer will add such unavailed ITC into the price due to the prevalence of Cost Accounting Standard (CAS) 4.

Possible Solution 1: Notifying supply of vaccines as Zero-Rated supply

In case of Zero-Rated supplies, there is no tax on outward supplies and ITC on inward supplies is also allowed as refund leading to double benefit. As of now, only 2 types of supplies are notified as Zero-Rated supplies-

- Export of Goods and Services
- Supply made to a Special Economic Zone (SEZ)

If supply of vaccine is notified as Zero-rated supply under section 16 of IGST Act, 2017 manufacturer of such vaccines will not be required to pay GST on outward supplies and they will also be eligible to claim refund of input tax paid.

Possible Solution 2: Creating exception to Section 17

As mentioned earlier, Section 17 when read with Rule 42 and 43 restricts ITC in case of exempt supplies.

However, ITC is not denied for following 2 exempt supplies-

- Interest and discount income earned by any person other than banks
- Transportation of goods outside India

Hence, possible solution is to exempt Covid-19 vaccines and at the same time, create an exception for vaccines under Rule 42 and 43 so that ITC is not denied.

Possible Solution 3: Notifying supply of vaccines as Deemed Export

Section 147 of CGST Act, 2017 contains concept of 'Deemed export' under which certain supplies although not actually exported, can be notified as deemed exports. In such case, the supplies/ recipient is allowed to get refund of tax paid on such transaction.

Currently, certain supplies notified as deemed exports are-

- Supply of goods against Advance authorization
- Supply of capital goods against Export Promotion Capital Goods authorization (EPCG)

Supplies received as well as made by Covid-19 vaccine manufacturer can be notified as deemed export.

Possible Solution 4: Reducing GST rate on vaccines to 0.5%

GST rate on Covid-19 vaccines may be reduced to 0.5%. Such rate already exists for merchant exporters. ITC of all inputs, inputs service and capital goods used for manufacture and sale of such vaccines will be allowed as restrictions of section 17 won't be applicable here as it is not an exempt supply.

Inverted duty structure created due to accumulation of unutilized ITC can be claimed as refund under section 54 can be claimed in this case.

Possible Solution 5: Deemed Valuation

Usually, GST rate are applicable on transaction value as per section 15(1). However, section 15(5) contains provision where certain value notified by central government can be deemed as 'Value of Supply' for the purpose of charging GST.

As of now, special procedure for finding value of supply under GST is notified on following business:

- Life Insurance business
- Air Ticketing business
- Lottery business

Using the power under section 15(5) of CGST Act, 2017 value of supply for Covid-19 vaccine can be notified as 'NIL' for GST purpose irrespective of the price at which it is sold. Hence, tax on vaccines will also become NIL.

Also, there will not be denial of ITC under section 17(2) as legally, sale of vaccines in this case will not be 'exempt supply'.

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THE TRIPLE BOTTOM LINE

25 Years Ago I Coined the Phrase “Triple Bottom Line.” Here’s Why It’s Time to Rethink It.

-John Elkington

About 25 years ago, John Elkington coined the term “triple bottom line” as a challenge for business leaders to rethink capitalism. It was supposed to offer a radical new way forward, as businesses learned to stop focusing solely on profits and expand their focus to include improving the lives people and the health of the planet. But 25 years later, this radical goal has been largely forgotten, and “triple bottom line” thinking has been reduced to a mere accounting tool, a way of balancing tradeoffs instead of actually doing things differently. Today, we continue to outstrip our planetary boundaries with no sign of slowing down. And so Elkington offers a management concept “recall.” Because when it comes to sustainability, the time has come to either step up, or to get out of the way.

The world is full of uncertainty. Monumental challenges—including climate change, poverty, and inequality—are at the forefront of daily life and seemingly becoming ever more urgent.

One thing that isn’t uncertain is the need for change.

The general goal of a sustainable business strategy is to positively impact the environment, society, or both, while also benefiting shareholders. Business leaders are increasingly realizing the power of sustainable business strategies in not only addressing the world’s most pressing challenges but driving their firms’ success. However, defining what sustainability means, solidifying clear and attainable goals, and formulating a strategy to achieve those goals can be daunting.

One common way to understand a business’s sustainability efforts is using a concept known as the triple bottom line.

WHAT IS THE TRIPLE BOTTOM LINE?

The triple bottom line is a business concept that posits firms should commit to measuring their social and environmental impact—in addition to their financial performance—rather than solely focusing on generating profit, or the standard “bottom line.” It can be broken down into “three Ps”: profit, people, and the planet.

Profit

In a capitalist economy, a firm’s success most heavily depends on its financial performance, or the profit it generates for shareholders. Strategic planning initiatives and key business decisions are generally carefully designed to maximize profits while reducing costs and mitigating risk.

In the past, many firms’ goals have ended there. Now, purpose-driven leaders are discovering they have the power to use their businesses to effect positive change in the world without hampering financial performance. In many cases, adopting sustainability initiatives has proven to drive business success.

People

The second component of the triple bottom line highlights a business's societal impact, or its commitment to people.

It's important to make the distinction between a firm's shareholders and stakeholders. Traditionally, businesses have favored shareholder value as an indicator of success, meaning they strive to generate value for those who own shares of the company. As firms have increasingly embraced sustainability, they've shifted their focus toward creating value for all stakeholders impacted by business decisions, including customers, employees, and community members.

Some simple ways companies can serve society include ensuring fair hiring practices and encouraging volunteerism in the workplace. They can also look externally to effect change on a larger scale. For instance, many organizations have formed successful strategic partnerships with nonprofit organizations that share a common purpose-driven goal.

The Planet

The final component of the triple bottom line is concerned with making a positive impact on the planet.

Since the birth of the Industrial Revolution, large corporations have contributed a staggering amount of pollution to the environment, which has been a key driver of climate change. A [recent report](#) found that 100 companies in the energy sector are responsible for roughly 71 percent of all industrial emissions.

While businesses have historically been the greatest contributors to climate change, they also hold the keys to driving positive change. Many business leaders are now recognizing their responsibility to do so. This effort isn't solely on the shoulders of the world's largest corporations—virtually all businesses have opportunities to make changes that reduce their carbon footprint. Adjustments like using ethically sourced materials, cutting down on energy consumption, and streamlining shipping practices are steps in the right direction.

WHY IS THE TRIPLE BOTTOM LINE IMPORTANT?

To some, adopting a triple bottom line approach may seem idealistic in a world that emphasizes profit over purpose. Innovative companies, however, have shown time and again that it's possible to do well by doing good.

The triple bottom line doesn't inherently value societal and environmental impact at the expense of financial profitability. Instead, many firms have reaped financial benefits by committing to sustainable business practices.

"In many situations, it's possible to do the right thing and make money at the same time," Harvard Business School Professor Rebecca Henderson says in [Sustainable Business Strategy](#). "Indeed, there's good reason to believe that solving the world's problems presents trillions of dollars worth of economic opportunity."

Case in point: [Research by Nielsen](#) found that 48 percent of US consumers would change their consumption habits to lessen their impact on the environment. In 2018 alone, this sentiment translated to roughly \$128.5 billion in sales of sustainable, fast-moving consumer goods.

Beyond helping companies capitalize on a growing market for sustainable goods, embracing sustainable business strategies can be highly attractive to investors. According to [Sustainable Business Strategy](#), evidence has increasingly shown that firms with promising environmental, social, and governance (ESG) metrics tend to produce superior financial returns. As a result, more investors have begun focusing on ESG metrics when making investment decisions.

DOING WELL BY DOING GOOD

As the world's most pressing challenges evolve, purpose-driven leaders are needed to spearhead initiatives that can spur positive change—but making those changes isn't an easy task.

"Finding these opportunities and making them successful takes both real courage and grindingly hard work," Henderson says in *Sustainable Business Strategy*. "It's often the firms that have a purpose—beyond simply making money—that make the first move."

Although the road ahead is long and uncertain, it's important not to be discouraged. The first steps toward sustainability start with the individual. Little by little, firms can unite around a common cause and have a real, measurable impact.

"It's not only OK to take your values to work; it's required," Henderson says. "A shared purpose can make firms both more productive and more innovative. But what's most important is that, in the end, [our values] are all we have."

Challenges Of Triple Bottom Line

Reductive method

In the triple bottom line, a corporate-oriented approach, the social- that is, the way in which humans live and relate to each other and the environment is secondary. The economic as a domain is given an independent status which is ideological assumed rather than analytically argued. In the most problematic versions, the economic is evaluated to the master category and defined in terms that assume the dominance of a singular, historically specific, economic configuration-modern globalizing capitalism. Concurrently the environment comes to be treated as an externality or background feature, an externality that tends not to have the human dimension build into its definition.

Effectiveness

It is observed that concern for social and environmental matters is rare in poor societies (a hungry person would rather eat the whale than photograph it). As a society becomes richer its citizens develop an increasing desire for a clean environments and protected wildlife, and both the willingness and financial ability to contribute to this and to a compassionate society. Support for the concept of the triple bottom line itself is said to be an example of the choices available to the citizens of a society made wealthy by businesses attending to business.

Nationalism

Some countries adopt the view that they must look after their own citizen first. This view is not confined to one sector of society, having support from elements of business, labour unions and politicians.