

‘RAB’ GETTING SPECIAL ATTENTION OF GST COUNCIL

AUTHOR : [CMA SAMIT THAKUR](#)

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GST council met on 17th December 2022 and amongst various other discussion points discussed and deliberated by the council, one happened to be the classification related issue of ‘Rab’. Rab is a dense form of sugarcane juice that is formed by concentrating sugarcane juice on open pan furnaces. The producers of RAB are typically companies or individuals involved in the sugarcane industry, such as sugar mills, sugarcane farmers, or juice processors. The consumers of RAB can be individuals or businesses that use it as an ingredient in their products. For example, RAB can be used as a sweetener in the food and beverage industry, as a base for energy drinks, or as a component in the production of fermented beverages such as rum or cachaça.

Additionally, RAB can be consumed directly as a beverage, either as a traditional drink in regions where sugarcane juice is popular, or as a healthier alternative to sugary soft drinks. Till the 48th council meeting there were doubts on classification of Rab and based on representations received, the council took a view that Rab should be classifiable under heading number 1702 which is a heading for other sugars with an applicable tax rate of 18%. Till then the dealers were classifying Rab under heading 1701/1703 and were getting subjected to 5% tax. The council deemed 1702 to be a right heading for Rab based on the fact that its neither chemically pure sucrose (1701 heading) nor is it Molasses that result from the extraction or refining of sugar (1703 heading). The heading 1702 by name other sugars consists of items like sugar syrup, maple syrup, lactose, natural honey was felt to be class that is more in line with the nature of Rab. This subjected Rab to 18% GST if prepackaged. But representations are seldom received to get clarification on classification and particularly not if this leads to increase in the tax rate.



The increase in tax rate may not have been a welcome change for the people who would have made the initial representations which may have lead to the 49th council meeting dated 18th February 2023 again deliberating

about taxation of Rab. This time the council has given clarification on the GST rates of Rab and have changed the tax rate to 5% – if sold prepackaged and labelled Nil – if sold otherwise. Between the 48th and 49th meeting the rate of Rab was changed from 5% to 18% and back to 5%. In this article we are ignoring the rates applicable if Rab is sold without being prepackaged since nature of the product is such that if not prepackaged and preserved the shelf life of the product will be far lesser. While we all understand that the GST council has lot of issues to decide and deliberate upon, the mistakes such as above can be avoided thereby saving the administrative time required by the tax research department of Ministry of Finance to create circulars that convert the GST council discussions into tax laws.