

THE INDIAN MUSIC INDUSTRY

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6th November, 2017

To,

Mr. M. Srinivasa,

Commissioner

CBEC

Sub: Appeal for reduction of GST rate on Digital Player

Sir,

The Indian Music Industry represents the Music Companies a.k.a. Record Labels on an all India basis. Almost all major domestic, regional and international companies operating in India are represented by the IMI.

Till very recently, the Indian consumers were listening to music using physical formats like CD, VCD, & DVDs. With the advent of the digital technology, these physical formats have seen a sharp decline in use and revenue with an increase in preference for digital modes of consumption of music. This drop in sale has led to shutdown of the distribution networks built by the music industry and consumer electronics manufacturers over decades. However, there's still a large section of the Indian society that hasn't comfortably adapted to the digital revolution in the music industry for social and economic reasons. This section still relies on physical formats like radio and CD/DVD to access music. However, the increasing unavailability of the music in physical media has not only deprived these consumers of listening to various genres of Indian music but has also put this rich Indian heritage at the risk of being wiped out completely.

With the aim to protect and propagate the national treasure of all genres of music of the decades gone by, music companies like Saregama have launched products like Carvaan, providing the consumers all over India, an easy access to the ageless music. Based on the success of Caravan, as indicated in various media reports and stock exchange filings, we at IMI are confident that many similar physical products that use digital technology will be manufactured. These products eventually will help restore the cultural significance of various genres of old Indian music and will continue to capture the imagination of the



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older generations while encouraging the younger generations to stay in touch with its glory. These products will also lead to revenue and employment generation.

Sir, Carvaan, with its repertoire of 5000 pre-loaded songs also features an inbuilt radio player along with USB and Bluetooth capabilities. However, since the Radio Player is classifiable under the Chapter Heading 8527, Carvaan is taxed at the highest slab of 28% under the GST regime. We are apprehensive about the future viability of such product which is meant to popularize the timeless music. We would like to submit the following:

A. Similar products are taxed under standard rate of 18%

The product such as speakers, storage devices for recording sound, etc. are classified under 18%. However, Radio Player has been taxed under the highest rate of 28%.

HSN Code	Description	GST Rate
8518	Multiple loudspeakers	18%
8523	Storage Devices for recording sound	18%
8527	Radio	28%

Carvaan suffers GST at the highest rate of 28% just because it has an in-built Music Player & FM radio capability.

B. Competing with Technology

With rapid growth of music industry over the years both in terms of technology and technique, the old music and the old medium of delivering music such as Radio Player has lost its glory. Today the music is played over the internet and smartphones. These are perceived to be akin to Online Audio Content Services (classifiable under chapter heading 998432) and subject to GST @ 18%. Therefore, categorizing Radio Player at highest tax rate slab will hamper the growth of these traditional products.

C. Old music vs. Modern music

With the invention of new forms and techniques of music, older forms have found it hard to compete with the quality and the quantity of the contemporary music. Such physical mediums are crucial to preserve and protect the heritage of the golden age of Indian film music. The highest rate of tax imposed on the Radio Player will have an adverse effect on the company's initiative of popularizing the old music.



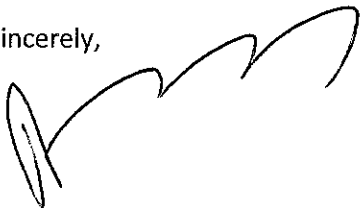
D. Reduction in GST will increase royalty payouts to needy authors & artistes

The music companies regularly pay royalties to the authors (& their heirs) of the sound recordings and the portion of such royalties have been assigned to the artistes as well. Lower GST on Radio Player will help increasing the sales realisation; consequentially increasing the royalties payouts to the needy authors and the artistes.

In light of the above submissions, IMI humbly appeals to consider reduction of GST on Radio Player from existing 28% to 18% by way of issue of special notification and incentivise companies like Saregama to protect country's heritage music in the era of "Digital India".

Thanking you,

Sincerely,



Blaise Fernandes
President and CEO
The Indian Music Industry