

Maximum Retail Price



Introduction:

We the consumers come across the war of discount on MRP for white goods, groceries, medicines, auto components and all FMCG goods, garments etc. in different distribution channels like offer by giant retailer or shopping malls or on line e-commerce site etc. Some giant retailers says 40% discount on MRP (trolley bags). Obviously we the consumers are afraid of selecting the actual platform say whether to buy from on line platform or shopping mall or small shop located in our locality. In India under legal Metrology Packaged commodity rules 2011 and as amendment up to date if any all FMCG manufacturers are required to declare the MRP on their goods but discount on MRP are not banned by the competent authority.

Present Legislation: MRP in India is regulated by legal Metrology Act 2009. Primarily it was aimed at to cap on upper limit beyond which no trader is allowed to sell to the consumer. From my observation it reveals that the fixation of MRP originally made by the manufacturer or packer mislead the end consumer. The gap between printed MRP vs. actual offered MRP contains some discount which is based on hidden value addition by manufacturer and subsequently released to the consumers as marketing tool. This hidden value needs to clear to the controlling ministry and consumers also. Before every festival we notice several advertisement offering of heavy discount on MRP to allure the consumers so that they spend more.

Observation of author: It is observed that manufacturer first fix the MRP added with unwanted discount at high price which subsequently released to the end consumers stating that distribution channels are really selling at low MRP. This article tries to analyse this concept and expect govt. intervention.

Objectives: To make available uniform MRP for all packaged commodities pan India fixed by manufacturer based on cost of sales plus distribution cost including commission and applicable GST so that end consumers have belief that the MRP of his intended purchased item is authenticated and he is not asking for any discount but cash back may be offered by giant retailers or direct marketing companies'.

Further price difference between e-commerce site vs. shopping mall and small retailers ought to be minimized to create impression of authenticity in the buyers' mind.

Channels used to distribute the packaged commodities:

There are two types of channels namely manufacturer to direct marketing company, manufacturer to distributor to whole sellers to retailers to ultimate consumers. The purpose of this concept that once the product is ready to sell, manufacturer ask the distributor to lift the material against payment as per T&C so that interest on working capital is minimized, rent of stock point can be lowered. Again some consumers prefers to buy from local small retailers which ought to be in this country can not enjoy the benefits of volume discount and their offered price to end consumer are always more in comparison to giant retailers price.

Present Practice in fixing MRP: At present there is no controlled mechanism to observe the fixation of MRP printed in the packaged item offered to sell with reference to local tax or GST etc. End consumers are in dark and even scared to understand the rate of tax charged in the MRP. It is the discretion of manufacturer who fixed the same depending upon consumers' behaviors. In fact department of consumers affairs under the ministry are worried about the campaign started by giant retailers regarding 50% / 60% discount on MRP (trolley bags). After the introduction of GST2.0 it is observed that MRP of a kitchen chimney offered for sale in Amazon or flip kart remains same and the consumers can not understand the impact of GST from 18% to 5%. GST network with drawn the concept of anti profiteering activities of producers. In fact price fixation mechanism is being felt by the ministry of consumers affairs as necessary in order to get the confidence of people of this country and uniform MRP through out pan India.



Declaration of inflated MRP in e-commerce platform : E-commerce platform mislead the end online consumers by putting inflated MRP and then offer discount.

As a result when a consumer compare price between on line and off line becomes confused.

Presenting Uniform MRP to be maintained: In order to have uniform retail price let me start with taxable value. In calculating taxable value distribution cost or commission payable to different whole sellers/ distribution and lastly retailers plus logistic expenses on average PAN India basis must be included to arrive at cost of sales. After arriving cost of sales it is required to decide the percentage of profit to add which may be 10/12 or maximum 15%. Hence after arriving taxable value which will applicable and will be considered as uniform taxable value the applicable GST to be added to arrive at uniform retail price payable by end consumer for consumption. So as per this procedure the manufacturer must disclose the taxable value on each package and applicable GST so that consumer may understand that the value of goods and its GST he is paying. Hence original valuation of packaged commodities can not be changed.

Now the issue of discount offered to distributor / whole sellers / direct marketing company / giant retailers and lastly small retailers by manufacturer which he has already included with MRP. In fact as per this article no trader may be giant retailer or small trader could not be allowed to offer discount on MRP. In other words MRP once fixed by manufacturer can not change or declare any discount on MRP. At present the practice of giant retailers like shopping mall procured the packaged commodities by availing volume discount which small retailers can not. Giant retailers sell the same product at less taxable value with lessor GST as against original MRP and its applicable GST and thereby govt. is getting less revenue from end consumers. So as per this article every manufacturer must disclose its taxable value and applicable GST on every package so that govt. is not loosing its revenue from end consumption and end consumer can get confidence that what price he is paying as a retail consumers equals to original MRP fixed by manufacturer. The fixation of MRP is the responsibility of producer. But no agency or audit procedure is available as per consumers' Act to verify the taxable value. The taxable value must be based on cost figure which will audited by govt. appointed agency who allows the manufacturer to add profit at a maximum of 15% or the agency may decide which may require for its sustainability in the business. So disclosure of taxable value in packaged commodities with the information of applicable GST must be made mandatory.

Discount offered by Shopping Malls on MRP:

As stated in above that change in valuation by offering discount on MRP and applicable GST makes consumer confused on fixation of MRP. Educated consumer thinks that the MRP fixed was over valued and now reducing the price is a bad practice. Govt. is also getting less GST when giant traders offer discount on MRP.



My question what authority the trader has to offer discount when it was the baby of original manufacturer.

Action of giant Retailers and offering abnormal discount on MRP:

In India no body can sell the packaged commodity more than printed retail price on the contrary in every cases retailers are selling at below maximum retail price which is allowed. The question if above price is not allowed then why below price are allowed. Obviously it is confused that that how the MRP is fixed while above MRP are not allowed but below MRP allowed. Offering discount to the end consumer allows him to start bargaining. The consumers rush to the malls to enjoy discount which small retailers can not and ultimately lost the customer. The Ministry of consumers affairs know this and try to arrest the loopholes. The ministry should publish some formula or rules that every packaged commodity seller must follow in fixing MRP.

Loss of Revenue : Offering discount by giant retailers create anomaly in valuation for end consumption. The same product in packaged condition offered for retail sale valued once by manufacturer but giant retailers sale the same product at reduced valuation. The amount of GST collected while fixing MRP by manufacturer differs while offering discount on MRP by giant retailers. So different valuation for end consumer for the same product are followed and as a result govt. is losing revenue. Ministry of consumers' affairs must analyze this dual valuation for the same product consumed by end consumer.

- k) Departmental audit may also be introduced.
- l) Maintenance of separate portal for all FMCG manufacturers.
- m) Rate of GST must declare on the box to gain consumers' confidence.

Billing pattern: Issue of tax invoice by manufacturer to distributor, distributor to whole seller , whole seller to retailer and finally retailer to end consumers. Billing to end consumer must disclose the taxable value matched with original taxable value decided by manufacturer.

Billing pattern.

Refer separate excel sheet

	Manufacturer to end consumer		manufacturer to distributor
Particulars		Particulars	
factory cost	xxxxxxx	MRP	141.75
add: administrative OH	xxxxxxx	less:GST	-6.75
add: selling OH vide commission payable to distributor		original taxable value	135
whole seller and retailer (10+8+5)	23	less: channel distribution cost	-23
add: average freight cost as distribution OH	xxxxxxx	taxable value for distributor	112.00
cost of sales	xxxxxxx	add: GST @5%	5.60
add: maximum profit @15% depending on competition	xxxxxxx	billing to distributor	117.60
taxable value for end consumer	135		
add: applicable GST @5%	6.75		
MRP applicable for all channels of distribution which can not changed by way of offering discount	141.75		
note 1 : INR 10 for distributor, INR 8 for whole seller, and INR 5 for small retailer			
Note 2 : In case of giant retailers who sales directly to the end consumers getting volume discount from manufacturer, calculation of taxable value applicable to giant retailer will be different.		Note 3	
		Taxable value for distributor	112.00
		Taxable value for whole seller	122.00
		Taxable value for retailer	130.00
		Taxable value for consumer	135.00

	Distributor to whole seller		whole seller to retailer		Retailer to end consumer
Particulars		Particulars		Particulars	
MRP	141.75	MRP	141.75	MRP	141.75
Less : GST	-6.75	Less : GST	-6.75	Less GST	-6.75
original taxable value	135	original taxable value	135	original taxable value for consumer	135
Less : discount	-13	Less : discount	-5	Add GST @5%	6.75
taxable value for whole seller	122	taxable value for retailer	130	billing to consumer	141.75
add: GST @5%	6.10	add: GST @5%	6.50		
billing to whole seller	128.10	billing to retailer	136.50		
Note 4					
Taxable value to giant retailer considering no distributor , whole seller etc. while for regular retailer taxable value	112.00				
	130.00				

Expectation from Govt:

- a) Once taxable value is fixed by manufacturer can not disturb offering so called discount by big players while selling to consumers
- b) GST will be charged based on taxable value as appeared on package at applicable rate fixed by govt.
- c) Taxable value must certify by govt. recognize agency having expertise cost certification and expertise to differentiate between cost and expenses.



Statutory Verification: Weak monitoring by govt. agency particularly department of consumers' affairs and competition commission paves the way to manufacturer to fix inflated MRP so that distribution channels gets the scope to declare unsolicited discount to the buyers and try to convince the customers to believe in the offered price that they are forgoing. We are observing that taking recourse the provision of taxable value under GST Act the large retailers purchased with quantity discount and misuse the concept of taxable value which goes on reduced till the consumers consumed. So under present MRP fixation module manufacturer sets the inflated value and asks the distribution channels to offer discount who ultimately misuse the concept of taxable value and the consumers never know the actual taxable value.

Conclusion :

Govt. must know the taxable value of offered products so that authority may compare with similar product available for consumption and lastly to dis allow the practice of offering discount and instead to verify the taxable value calculation supported by certification of agency.

The invisibility of GST inside MRP is not an accident but a deliberate design to choice that prioritized price simplicity over tax transparency. Visibility of GST payable by end consumers while fixing price introduced in the market for selling on the bottom of the package becomes necessary and change in valuation for different buyers starting from tiny size retailers to large scale retailers is to reviewed. However, as per section 15 of the CGST Act 2017 different valuation is possible for same product to different buyers so long it is a genuine transaction and transaction between unrelated buyer and seller on arm length pricing module. In Budget the ministry of finance allows CMA having significant experience to issue the certificate following safe harbor rules in international transaction particularly to calculate the cost of developing software which the author thinks as positive approach by Govt. The small traders and the consumers never knows the value of the product he is paying and also how much he is contributing to govt. revenue. Finally in MRP system multiple times valuation on same product allowable under GST Act and applicable to different stages of distribution to the end consumers creates confusion.

Reference :

No reference papers consulted while preparing this article except some words or inputs taken from Perplexity AI

Abstract :

MRP once fixed by manufacturers as applicable in packaged commodities reduced intentionally by the different traders makes confused the end consumers as seen in real life transactions. As a result confidence of consumers are decreasing gradually on MRP printed on the box. That is why consumers are asking discount always.

Declaration :

Not send to any where to consider as senior member presently in practice.



CMA Asim Saha

Asim Saha is a qualified CMA (June 1990) with extensive experience across public and private sectors. He started his career in 1991 at Hindustan Antibiotics Limited and later worked with Usha Martin Group, Atlanta Limited, and Assam Petrochemicals Limited. He has also served as CFO of Agartala Smart City Limited and is currently associated with Bandyopadhyaya Bhaumik & Co., Kolkata, as a Team Leader. He has published articles in ICMA's The Management Accountant magazine in 2013 and 2025.