

MOVE TO COST EXCHEQUER AROUND Rs 5,500 CR A YEAR

GST Council cuts more rates, only 28 items now left in highest slab

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REMOVING SIX items from the highest 28 per cent slab, the GST Council cut rates on 23 goods and services in its 31st meeting Saturday, a move which will cost the exchequer around Rs 5,500 crore a year and Rs 1,375 crore in the remaining three months of this fiscal.

The 28 per cent GST rate on movie tickets priced above Rs 100, television screens and monitors up to 32 inches, digital cameras, video games consoles and power banks with lithium-ion batteries was cut to 18 per cent while parts and accessories for



After the GST meet on Saturday. Praveen Khanna

28% TO 18%

- Movie tickets above Rs 100
- TVs and monitors up to 32 inches
- Digital cameras
- Video games consoles
- Power banks

18% TO 12%

- Movie tickets up to Rs 100

- Third party insurance premium of goods vehicles

28% TO 5%

- Parts and accessories for carriages for the disabled

NIL

- Music Books
- Frozen vegetables

carriages for the disabled were brought down to 5 per cent.

With this latest round of rate reduction, 97.7 per cent of the 1,211 items under the GST now fall in tax slabs of 18 per cent and below among the five broad cat-

egories of zero, 5, 12, 18 and 28 per cent. Rate cuts for items such as cement and automobiles in the 28 per cent slab were discussed in the meeting but given the high revenue implications, members of the Council decided

against a rate cut said Finance Minister Arun Jaitley.

The new GST rates decided in the Council meeting will be effective from January 1, he said. "In the 28 per cent slab, there were 34 items including luxury

and sin goods which are outside of the process of rate rationalisation. We discussed other items and decided to cut rates for six items. Now, 28 items are left in 28 per cent bracket out of which 13 are automobile parts and one (item) is cement, which are high revenue items. Revenue from (GST on) cement is Rs 13,000 crore and revenue from auto parts is about Rs 20,000 crore, so total impact of cutting from 28 per cent to 18 per cent is Rs 33,000 crore. The Council felt that it is too steep at the moment," Jaitley said after the meeting.

It is learnt that Opposition-ruled states expressed concerns

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on trimming the 28 per cent slab, saying that the key revenue contribution is from the top-most slab.

Asked about his message to the industry about rate cuts, Jaitley said there is already an anti-profiteering authority, adding, "Of course they have to pass on the rate benefits or we will do what we did in case of restaurants." GST rate for restaurants outside luxury hotels was reduced to 5 per cent last year and benefits of input tax credit were withdrawn after consumers claimed they were overcharged by restaurants.

Jaitley said that the Council may take up the issue of reducing the tax rate on cement once revenue collections stabilise under the GST, adding that the 28 per cent slab is moving towards "sunset".

This was the fifth round of rate rationalisation since the rollout of GST from July 1 last year and comes after Prime Minister Narendra Modi said Tuesday that his government wanted to ensure that "99 per cent things" were taxed at 18 per cent or below.

The next meeting of the GST Council is likely to take place in January and may take up the issue of taxation of residential property in the real estate sector, said Jaitley. At present, under-construction properties attract a GST rate of 12 per cent, while ready to move in apartments are outside the ambit of the indirect tax regime.

Jaitley said that the fitment committee will also look into complaints that potential buy-

STILL IN 28% SLAB

- Molasses
- Pan masala
- Aerated beverages
- Tobacco
- Cement
- Air conditioners
- Dishwashers
- Tractors more than 1800 cc
- Revolvers and pistols
- Personal aircraft, yachts
- State government lotteries
- Betting and gambling

ers of under-construction properties have been unable to get the benefit of the input tax credit, after which the Council will take up the issue.

A separate scheme for small service providers along the lines of the existing composition scheme for manufacturers and traders will also be considered in the next GST Council meeting, he said.

The Council in its next meeting may also take a decision on the issue of levying a disaster cess, Kerala Finance Minister T M Thomas Isaac told reporters.

The GST Council had set up a seven-member group of ministers (GoM) to consider the Kerala government's proposal to levy an additional cess to finance reconstruction in the state following floods in the region. Kerala had sought the Council's permission to levy an additional goods and services tax within the state to finance reconstruction.

The Council will also take a

view on the exemption threshold for MSMEs in the next meeting after the submission of a report by the related GoM along with a single rate for lotteries after consultations with states, Jaitley said.

The Council also discussed the revenue position of states under the GST and approved the formation of a seven-member GoM to study the revenue trend, including analysing the reasons for structural patterns affecting the revenue collection in some of the states.

"The study will include the underlying reasons for deviation from the revenue collection targets vis a vis original assumptions discussed during the design of GST system, its implementation and related structural issues," a release said.

Experts from the Centre, state governments and the NIPFP (National Institute of Public Finance and Planning) will also assist the GoM in its study, it said.

Services supplied by banks to Basics Saving Bank Deposit account holders under the Pradhan Mantri Jan Dhan Yojana have been exempted under GST, while the rate for third-party insurance premiums of goods carrying vehicles was cut to 12 per cent from 18 per cent. Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the government under bilateral arrangements, shall attract 5 per cent GST for economy class and 12 per cent for business class, the same rate as applicable to usual flights.

GST rate for frozen vegeta-

bles was reduced from 5 per cent to nil, while that of 5 per cent has been prescribed on renewable energy devices and parts for their manufacture.

A one-time waiver has also been given for late filing penalty for those who are supposed to file GST returns till March 31, Jaitley said. Also, the deadline for GST annual returns for the financial year 2017-18 has been extended by three months to June 30, 2019.

An in-principle approval was given for amendments in GST-related laws for the creation of a centralised Appellate Authority for Advance Ruling (AAAR) to deal with cases of conflicting decisions by two or more State Appellate Advance Ruling Authorities on the same issue and amendment of Section 50 of the CGST Act to provide that interest should be charged only on the net tax liability of the taxpayer.

The Council also clarified that GST is exempt on degrees or diplomas awarded by IIMs under The IIM Act, 2017, with effect from January 31, 2018, and on the supply of food and drinks by an educational institution when provided by the institution itself to its students, faculty and staff.

Industry welcomed the rate cuts and process simplifications by the GST Council. "Procedural simplifications by the GST Council are significant and will ensure that rulings will be uniform across states, thus reducing litigation, a move which industry appreciates," said Chandrajit Banerjee, Director General, CII.