

# Standard GST rate between 12% and 18% likely: Jaitley

**BLOG POST** FM says tax regime will be simplified over time

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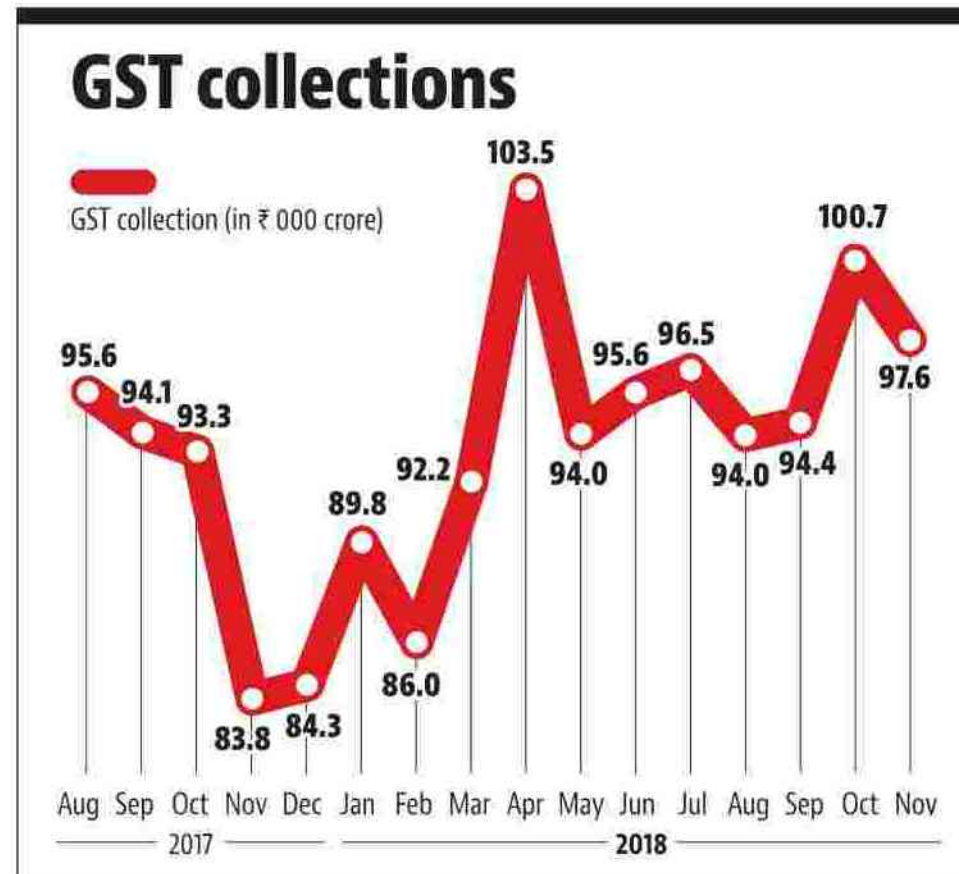
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**NEWDELHI:** India will soon move to a new standard rate between 12% and 18%, with “luxury and sin goods as an exception”, finance minister Arun Jaitley said in a blog on Monday, maintaining the government’s position that the current goods and services tax regime will be simplified and standardised over time.

The finance minister said in his post that this was his personal view, a reference to the fact that all decisions regarding GST are taken by a GST council comprising representatives of the Union and the state governments. Jaitley, as the country’s finance minister, is the chairman of this council.

If that happens, India will effectively have three GST rates of 0%, 5%, and the standard rate, which will apply to most products and services. “With the GST transformation completed, we are close to completing the first set of rate of rationalisation i.e. phasing out the 28% slab except in luxury and sin goods. A future road map could well be to work towards a single standard rate instead of two standard rates of 12% and 18%. It could be a rate at some mid-point between the two,” Jaitley wrote in his blog.

In the blog titled ‘Eighteen



Months of the GST’, Jaitley said that the transition to a single standard rate will take “some reasonable time” and it depend on a robust revenue collection.

India moved to a unifying GST on July 1, 2017. The new tax regime replaced multiple state and local levies. The implementation wasn’t without glitches, and took its toll, especially on small businesses. The government has, over the past 18 months, sought to simplify the process and also rationalised rates. In the first major recatego-

risation, on September 9, 2017, it reduced the rates on 40 products. As recently as Saturday (December 22), it reduced the rates on 23 products.

The categorisation has come in for some criticism, especially over what experts see as hair-splitting of the sort GST was supposed to obviate: for instance, in the latest round of rate changes, GST on movie tickets up to ₹100 has been reduced to 12% while tickets over ₹100 will still be charged GST at 18%.

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regime and the erstwhile indirect tax regime, which attracted 31% tax and was a "Congress legacy".

"We transiently put them in the 28% slab. As the revenues kept increasing, we started bringing down the rates," he said.

"The next two quarters will prove to be a bonanza for consumers and the demand-supply economics will help the government further improve revenue collection. With the improved trend of revenue collection, the announcements for rate reductions are pragmatic," said Abhishek A Rastogi, partner at Khaitan & Co.

The average monthly GST collected was ₹89,700 crore during 2017-18 and ₹97,100 crore in the current financial year.

## GST rates

"The country should eventually have a GST which will have only slabs of zero, 5% and standard rate with luxury and sin goods as an exception," Jaitley said in his blog. The indirect tax regime currently has slabs of zero, 5%, 12%, 18% and 28%. Jaitley told reporters on Saturday, after the meeting of the GST council, that barring cement and automobile parts, the top slab of 28% is left with only sin goods (such as tobacco products) and luxury items (luxury vehicles, molasses, air-conditioners, aerated water, large TVs, and dish washers).

Pratik Jain, leader, indirect tax, PwC India, said that a standard rate between 12% and 18% could be considered at around 15% or 16%. "It will simplify the rate structure and also reduce the disputes on classification of products."

The GST, which was launched from July 1 last year, had been criticised for being complex and cumbersome. The new tax regime faced severe criticism from the Opposition, particularly the Congress party that wanted the country to have one single GST rate, which was summarily rejected by the government. Jaitley said that "the GST has been at the receiving end of a lot of ill-informed and motivated criticism".

He said, the GST rates could not be lowered at one go because "any abrupt transformation could have been either detrimental to revenue or to trade".

Taking a swipe at the Congress, Jaitley said that a large number of commodities were taxed heavily in the pre-GST