

Foodgrains to be cheaper as GST rates fixed

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SRINAGAR: The Centre and states agreed on Thursday to exempt most food items including wheat, rice and milk from the Goods and Services Tax (GST) as political consensus grew for a possible July 1 roll out of India's biggest tax reforms since Independence.

At least five state finance ministers Mint spoke to confirmed the July 1 date, a significant step ahead after several missed deadlines for the countrywide roll out of the GST.

The new tax regime will unify Asia's third largest economy into a common market, eliminating a string of central and state levies, and is expected to shore up state and federal tax revenues, cool inflation and accelerate economic growth by 1-2 percentage points in the medium term.

While manufactured goods will attract 18% GST, other household items such as sugar, tea, coffee and edible oil will attract 5% levy, senior officials said after a meeting of the powerful GST Council in Srinagar.

Luxury cars will be taxed at 28% GST plus a cess of 15%, while small petrol cars will be taxed at 28% GST plus a 1% cess and small diesel cars at 28% plus 3% cess.

The council fixed the rates for more than 1,200 items and will discuss on Friday the rates on some other items and services.

It might meet one more time if tax rates for all items are not decided by then, finance minister Arun Jaitley said after the first day's discussions.

Taking stock

Items to be exempted from GST: Milk, Cereals

To get cheaper:

Foodgrains

18% GST that products like hair oil, soap, toothpaste will attract

5% Rate on coal, as against the current 11.69%

5% Tax to be levied on sugar, tea, coffee, edible oil

"There is no increase in overall tax in any of the items, while there is a reduction of tax on many of the items," Jaitley said. "On several commodities, we consciously brought down the tax rate."

Capital goods, a key asset for the manufacturing sector, will be taxed at 28%.

Several daily-use items such as hair oil, toothpaste, and soap have been kept in the 18%-slab instead of at 28%. Aerated drinks too have been put in the 28 per cent bracket.

The present tax incidence in excess of 28% on luxury items will be treated as cess after the GST rollout and will go to the corpus for compensating states for any revenue loss.

Revenue secretary Hasmukh Adhia said 81% of the items will attract tax of 18% or below. Only 19% of items will be taxed at the highest rate of 28%, he said.

"The biggest take away from the decision is that food items will become cheaper," Adhia added.

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The cost of energy generation is likely to come down as the tax incidence on coal will come down to 5% from about 11% now.

Jammu and Kashmir, which has a special Constitutional status, will pass separate laws regarding central, state and inter-state GST so that the Himalayan state can roll out the tax reform from July 1, said a senior state official.

“We cannot delay GST implementation as it could affect movement of goods into and out of the state,” the official said on the condition of anonymity.

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PASS SEPARATE LAWS
REGARDING
CENTRAL, STATE AND
INTER-STATE GST**