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GST Council sets rates, slabs fixed

The GST rate to be applied on gold and bullion will be decided later

by **Ranjeet Mahtani**

The two-day meeting (held on 03rd and 04th of November) of the Goods and Services Tax Council (GSTC) was able to build consensus as to the GST rate for goods. The following has now emerged as the rate structure for goods in the GST regime:

- 0% - for majority of the goods in the CPI basket (foodgrains, spices, etc.)
- 5% - for essential food items (ghee, butter, etc.) and mass consumption goods
- 12% - lower standard rate
- 18% - higher standard rate (soaps, etc.)
- 28% - for specific products such as cars, white goods, etc.
- 28% + Cess - for specific luxury products (luxury cars), tobacco products and others (including aerated drinks).

Besides the above, the GST rate (https://www.thedollarbusiness.com/news/gems-jewellery-industry-request-125-tax-for-their-sector/48305) to be applied on gold and bullion will be decided later. Interestingly, a year ago, the recommendations by a committee led by Chief Economic Advisor was to the effect that the rate on bullion should be determined along-with rate for other products, whilst considering the revenue and inflationary impact of GST rates.

The cess, it is indicated, will have a limited shelf-life of five years, and is meant to meet any shortfall in States revenues (which the Centre will have to compensate).

One more step towards GST (which everyone works feverishly to apply from 01st April, 2017 onwards) has been taken, yet, the crucial exercise of classifying numerous products under these different rates will be taken up next, and which job has been left to the committee of officers / secretaries. India Inc. will have to assist these officers in setting the rate appropriately for all products.

The above GST rates (https://www.thedollarbusiness.com/news/gems-jewellery-industry-request-125-tax-for-their-sector/48305) for goods are a slight departure from the proposals made by the Central Government a few weeks ago, however, in an economy of the size and kind that India is, it is commendable that consensus has been built, and the rates finalised in a short timeframe. It must be appreciated that the rates have been fixed with three broad focal-points: revenue neutral rate for the Government; inflation neutral for the consumers; distribution neutral from a logistics standpoint.

One does anticipate that in due course of time, the variety of rates will merge into three bands (there is some whisper that the two standard rates will morph into one standard rate), and thereby attain the simplicity that GST is: a demerit rate, a standard rate and a low rate.

For services, the rate appears to be settling around 18%, an increase from the present effective tax rate of 15% on the value of services.

Before concluding, on the administrative issue of control of assessees (cross-empowerment), the GSTC could not reach an agreement and this topic has been parked for further discussions at the meeting to be held on 24th and 25th November. Various concepts such as "horizontal division" or "vertical division" have been suggested for this purpose.

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