

GST rates lowered for 66 items

COURSE CORRECTION Taxes reduced for packaged food items, movie tickets below ₹100, insulin

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Gireesh Chandra Prasad

gireesh.p@livemint.com

NEW DELHI: The GST Council lowered tax rates on 66 items such as pickles, incense sticks, some movie tickets and printers after concerns that the goods will become too expensive when the new indirect taxation system kicks in from July 1.

A federal body consisting of Union finance minister Arun Jaitley and his counterparts from the states, the GST Council also widened the scope of a concessional tax payment scheme for small businesses and restaurants.

It had divided almost all goods and services into four tax brackets when it met in Srinagar in May.

Jaitley said the Council went an extra mile to lower the tax burden on many of these items, some

to lower than existing levels, taking into account “changing consumption pattern and economic realities”.

Tax burden on some of these items were historically high, he said.

The Council had received proposals seeking a review of the tax classification for 133 items.

Jaitley, however, hinted the GST rate on sanitary napkins will not be reviewed. Activists had called for lower taxes on sanitary napkins, urging the government to put the products in reach of more women and girls.

He also suggested the tax rate for environment-friendly hybrid cars will not be reviewed. They will attract a 15% cess over and above the 28% GST, the same rate levied on large luxury cars and sport utility vehicles.

Telecom services will attract 18% GST, as had been decided in May, up from the 15% service tax the sector attracts at present.

Less tax burden for some

■ Old rate ■ Revised rate (Figures in %)

Packaged food and vegetable products such as pickles, chutnies, ketchup	18	12
Insulin and incense sticks	12	5
Schoolbags, computer printers, movie tickets below ₹100 and kajal	28	18
Cashew	12	5
Children's drawing books	12	0

Traders, manufacturers and restaurateurs with turnover below ₹75L can opt for the composition scheme and pay taxes at 1, 2, and 5%

The council also relaxed the turnover ceiling of ₹50 lakh to ₹75 lakh per annum for businesses to take part in the GST Composition Scheme. The scheme allows traders, manufacturers and restaurant owners to pay a presumptive taxes at the rate of 1, 2, and 5%

respectively.

This will allow more small businesses to avail of a hassle-free compliance regime. These segments are large job creators, a priority area for the government.

Pratik Jain, partner and leader, indirect tax, Pricewater-

houseCoopers Pvt. Ltd said raising the scheme's limit will provide relief to many more small businesses, although service providers (except restaurants) continue to remain outside its ambit.

Despite calls from West Bengal finance minister Amit Mitra recently to postpone implementation of GST, the Council decided to go ahead with the planned July 1 roll-out.

The Council will meet again on 18 June to take stock of the roll-out preparedness and any new proposal from state governments.

Mitra toned down his demand on Sunday. When asked about West Bengal's readiness for the roll-out, Mitra said, “Let us see. There is still one more meeting of the GST Council for assessing the preparedness. Whenever we are prepared fully to our satisfaction, everybody feels comfortable, we can go ahead,” Mitra said.

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He added that the tax reform cannot be implemented in an ad hoc manner and that deferring implementation by a month will be helpful.

Jaitley said the overall weighted average of all tax rates decided by the Council is significantly lower than the rates people are paying today. "Therefore, there would be an adverse revenue impact if other things remain equal. But we are also hoping for revenue buoyancy and a check on inflation that GST will ensure so as to make up for that loss," said the minister.

with inputs from ANI