

Four tier GST tax structure of 5%, 12%, 18% and 28% announced

Hon'ble Finance Minister Shri Arun Jaitely during the GST council meeting yesterday **announced the tax slabs under Goods and Services Tax which have been fixed at 5 %, 12%, 18 % and 28%.**

The fixing of these rates by the GST council headed by Union Finance minister Arun Jaitely and state finance ministers marks a crucial step towards the roll out of single tax replacing the present tax structure to initiate uniformity in the Indian taxation system.

The lowest tax rate of 5 percent is suggested to be levied on items of mass consumption such as spices , mustard oil etc. which are used particularly by common people. On the other hand the standard tax rate of 12 and 18 percent would accommodate most of the goods and services, which too are likely to fall in this bracket. The fourth slab of 28 percent will imply to white goods and cars while and an additional cess will be collected along with the higher tax rate of 28 percent on Luxury cars, pan masala, tobacco and aerated drinks.

Tax Rate	Indicative Item
5%	Mass Consumption Goods such as mustard oil, spices etc.
12%	Processed Foods
18%	Toothpaste, oils, smart phones etc.
28%	White Goods, cars etc.
28% plus cess	Luxury cars, tobacco, pan masala and aerated drinks.

Source: PHD chamber, compiled from various sources

The four tier tax structure agreed to has slight modification to the 6, 12, 18 and 26 percent slab that were under discussion at the GST council last month.

PHD Chamber Views:

We strongly believe that the impact of GST would be a major game changer for the economy for accelerating the economic growth and generating more and more employment opportunities thus we appreciate the pre emptive measures taken by the government to keep inflation under check as essential items including food, which presently constitute roughly half of the consumer inflation basket, to be taxed at zero rate.

Undoubtedly, the interest of common man has been duly taken care of which is evident from

finalisation of 5% tax rate on common use items, as against 6% proposed earlier. Further, zero rating of necessities is also a welcome move in the beneficial interest of the common man.

However The fourth slab of 28 percent will imply to white goods and cars while an additional cess will be collected along with the higher tax rate of 28 percent on Luxury cars, which the industry says is counterproductive to the ongoing tax reforms in the country as it will have impact on demand and make in India programme and consequently on manufacturing and employment.

Thus, The Chamber urges the government to look into GST rate for white goods and to reduce the same to maintain a rational rate in line with the initial aims of GST implementation.

The Chamber awaits the rates for gold and precious metals which will be announced today during the second day of the GST council meet.

Please contact for any query related to this mail to Ms. Mahima Kaushal, Research Associate at mahima.kaushal@phdcci.in with a cc to Dr. S P Sharma, Chief Economist, PHD Chamber of Commerce & Industry.

Warm regards,

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