

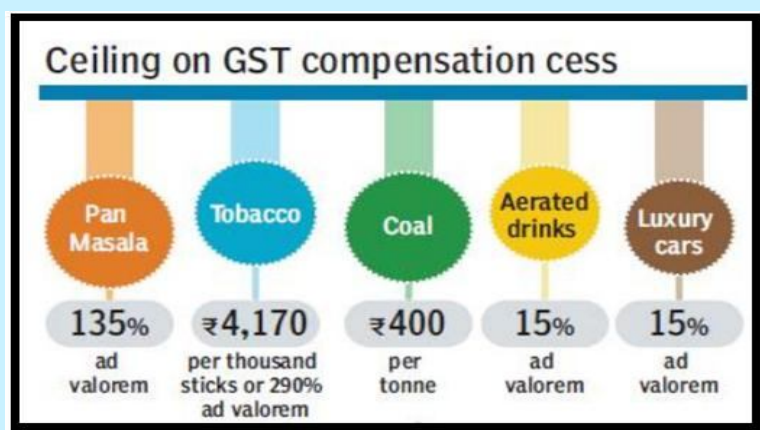
GST council clears SGST, UTGST laws and Caps Tax on tobacco, luxury cars, pan masala at 15%

Hon'ble Finance Minister Shri Arun Jaitley has announced that the State GST (SGST) and Union Territory GST (UTGST) laws had been cleared by the council post the meeting held on Thursday 16th March 2017.

He has further asserted that officials are working on the fitment of different commodities under the GST law and the process will start post April. While some amendment of the bill has been drafted in yesterday's meeting the composition, transition and valuation of the rules are yet to be discussed. He added that, law relating to registrations, invoices and returns have already been approved. The council will next meet on March 31 to frame rules for Goods and Service Tax regime.

The council also capped the cess on demerit goods or so-called sin tax at 15%, the proceeds of which will be used to compensate states that may face a reduction in revenue once GST is in force.

Hon'ble Finance minister said the cess would be restricted to five commodities. "We have kept a headroom of about 3% for imposing the cess on demerit goods," the FM observed at a press conference. He clarified it would be levied in a manner such that the final tax incidence on such demerit items would not be lower than the existing tax rates. The cess is to be levied on tobacco, luxury cars, pan masala and aerated drinks.



Tax experts welcomed the cap on the cess of 15% and the fact that it would be limited to a few goods. However, several of them have drawn attention to the fact that the government needs to

clarify on area-based exemptions given to companies in states such as Uttarakhand. They have pointed out that the exemptions cannot continue since they break the value chain.

While the four laws —CGST, IGST, UGST and compensation law, will require the Cabinet's nod first and a parliamentary approval subsequently, the SGST law will have to be approved by the state Assemblies. The council in its next meeting on March 31 would approve four sets of rules under the GST laws.

Hon'ble FM said while five sets of rules — relating to registration, payment, refunds, invoices and returns — had already been approved, the council in its next meeting would discuss and approve the remaining four rules relating to composition, transition, input tax credit and valuation.

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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