

## **GST Roll out**

Click [here](#) to understand the basics of GST

\n\n

### **Why in news?**

\n\n

Goods and Services Tax (GST), a historic tax reform, comes into effect today.

\n\n

### **What are the basic changes?**

\n\n

\n

- There would be a single tax law and four tax rates—5%, 12%, 18% and 28% - that would be charged by the Centre and the states.

\n

- The government has set a 3% tax rate for gold jewellery, while a majority of goods and services will be taxed at a rate of 18%.

\n

- Also, a number of goods and services have been exempted from the tax structure.

\n

\n\n

GST rate structure		GOODS	SERVICES
0%		Products, such as food grains, fresh vegetable, milk, fresh meat, fish, chicken, eggs, newspapers	Hotels and lodges with tariff below ₹1,000
Gold and precious metals	3%	-	-
Mass consumption goods	5%	Fish fillet, apparel below ₹1,000, packaged food, footwear below ₹500, cream, skimmed milk powder	Transport services (Railways, air transport), small restaurants
Standard rate	12%	Frozen meat products, butter, ghee, animal fat, sausage, fruit juices, diagnostic kits	State-run lotteries, non-AC hotels, business class air ticket
Standard rate	18%	Biscuits, flavoured refined sugar, pasta, corn flakes, pastries and cakes, preserved vegetables	AC hotels that serve liquor, telecom services, IT services, financial services
Highest rate*	28%	Bidis, chewing gum, molasses, wafers coated with chocolate, pan masala, aerated water	Hotels with room tariffs above ₹7,500, 5-star hotels, race club betting
		*with cess: Luxury cess, tobacco, aerated drinks, pan masala	

\n\n

\n

- Tax rates under GST have been largely kept at existing levels for most sectors.

\n

- Fast moving consumer goods like soaps, tooth paste, hair oil and SUVs will cost less.

\n

- Luxury hotels, aerated drinks, tractors will attract higher tax.

\n

- The threshold limit for exemption from levy of GST is Rs 20 lakh for the states except for the special category northeastern states, where it is Rs 10 lakh.

\n

- A cess would be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the GST rate of 28% to recover amount for compensation to the states.

\n

- The liability to pay GST on purchase of goods from unregistered dealer is on the receiver (registered dealer) of the goods/services.

\n

- This will improve tax compliance and benefits organised players.

\n

- At the last minute, GST Council decided to reduce the tax rate on fertilisers from 12% proposed earlier to 5% and the rate for “exclusive parts of

tractors" have been reduced from 28% to 18%.

\n

- These moves would nullify the chances of prices of these key farm inputs rising under GST.

\n

\n\n

## **What are the advantages?**

\n\n

\n

- GST will significantly reduce the transaction cost of doing business in India.
- It will bring in transparency and encourage investments in organised sectors.
- It will create a level playing field between unorganised and organised segments.
- Octroi is a local tax collected on various articles brought on interstate borders. GST will lower logistics costs due to the decline in transit time because of elimination of these multiple check points.
- All transactions and processes will be done through electronic mode.
- It provides for the facility of auto-populated monthly returns and annual return.
- The objective of including real estate within a reasonable time period is welcome because besides expanding the tax base, this will help in fighting black money.
- Seeding of PAN in GST registration will make it difficult for businessmen to evade the tax.

\n

\n\n

## **What are the problems?**

\n\n

\n

- Petroleum products are presently kept out of GST and cascading effect on that account will continue.
- They contribute over 35-40% of revenue from indirect taxes.

- \n
- Multiple rates might rob much of the benefits due to increased lower administrative, compliance and distortion costs.
- \n
- There will be increase in classification disputes, and subsequent lawsuits.
- \n
- Requiring the regular GST dealers to file 37 returns in a year raises anxiety.
- \n
- The electronic technology platform of the GST system is untested.
- \n

\n\n

### **What should be done?**

\n\n

- \n
- Instead of viewing the GST as a game changer, it is useful to see it merely as the next stage of consumption tax reform in the country.
- \n
- Include petroleum products within the ambit of the GST, will help offset the revenue loss due to the prevailing high rates on petroleum products.
- \n

\n\n

\n\n

**Source: The Hindu, The Indian Express**

\n

