

Consensus signal at GST meeting

OUR SPECIAL
CORRESPONDENT

New Delhi, Oct. 18: The GST council, headed by finance minister Arun Jaitley, today proposed a four-slab tax structure of 6, 12, 18 and 26 per cent, with lower rates for essential items and the highest for luxury goods, even as it arrived at a consensus on compensation to the states.

To keep inflation under check, the council proposed to continue exempting food items from the tax as well as keep 50 per cent of common-use goods in either the exempt or lower-band category.

Also, 70 per cent of the items are proposed to be governed by the 18 per cent GST rate. However, luxury items such as high-end cars and demerit goods such as tobacco, cigarettes, aerated drinks, luxury cars and polluting items will attract an additional cess on top of the 26 per cent rate. This will create a Rs 50,000-crore fund, which will be used to compensate the states.

A 4 per cent rate was suggested on gold. FMCG and consumer durables will attract 26 per cent against around 31 per cent at present.

The GST council has also reached a consensus on the formula for the payment of com-



Finance minister Arun Jaitley with revenue secretary Hasmukh Adhia in New Delhi on Tuesday. (PTI)

ensation to states from any loss of revenue following the implementation GST in the first five years beginning April.

The panel, which includes representatives of all states, agreed to keep the base year for calculating the revenue of a state at 2015-16. A secular growth rate of 14 per cent will be considered for calculating the likely revenue of each state in the first five years.

States getting lower revenue than this will be compensated by the Centre.

"The objective is that the rate structure should not lead to any further retail inflation. The Centre and States should have adequate revenue and it should also put the least possible burden on the taxpay-

er," Jaitley said.

The discussions on the rate structure will now continue tomorrow and a technical group of officials will decide the tax slab for each item. On October 20, the council would discuss who will tax the 11 lakh service tax assesseees.

M. S. Mani, senior director (indirect tax) at Deloitte Haskins & Sells LLP, said, "The GST council now needs to ensure that the four-rate slabs are aligned to products based on existing tax incidence so that tax shocks are avoided. The agreement on four slabs of rates on the first day of the council meeting signifies the determination of the government to ensure April 2017 is the go-live date for GST."