

# GST Council moots 4-tier tax structure

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A four-slab GST tax structure of 6, 12, 18 and 26 per cent with lower rates for essential items and the highest for luxury goods that will also be levied with an additional cess was mooted today at the GST Council meet.

To keep inflation under check, it was proposed to continue exempting food items from tax as well as keep 50 per cent of the common use goods in either exempt category or lower band. Also, 70 per cent of items is proposed to be governed by the 18 per cent GST rate. Ultra-luxury items like high-end cars and demerit goods like tobacco, cigarettes, aerated drinks, and polluting items would attract an additional cess on top of the 26 per cent GST rate. A 4 per cent GST rate was suggested on gold. FMCG and consumer durables would attract 26 per cent GST, against the current incidence of around 31 per cent. No decision was taken and discussions will continue tomorrow.



The GST Council, headed by finance minister Arun Jaitley, on Day 1 of its three-day meet reached consensus on the formula for payment of compensation to states from any loss of revenue from implementation of the new tax regime in the first five years beginning April 1, 2017. The base year for calculating the revenue of a state would be 2015-16 and a secular growth rate of 14 per cent would be considered for calculating the likely revenue of each state in the first five years of implementation of GST, Jaitley told reporters here. States getting lower revenue than this would be compensated by the Centre. The cess on luxury and demerit items would be used to create a Rs 50,000 crore fund to compensate states for loss of revenue.