

GST Council likely to slash tax rates on automobile tyres to 18%

PRESS TRUST OF INDIA
NEW DELHI, 19 DECEMBER

The GST Council is likely to slash tax rates on automobile tyres to 18 per cent from 28 per cent currently in its next meeting Saturday, an official said. The move is part of the overall plan to rationalise the highest tax bracket of 28 per cent after Prime Minister Narendra Modi said yesterday that 99 per cent of over 1,200 goods and services will attract 18 per cent or less Goods and Services Tax (GST).

"A 28 per cent tax on automobile tyre impacts common man because ultimately he has to shell out the tax. The overall focus on 22 December Council meet will be to lessen the GST burden on common man," an official said.

Currently there are 34 goods left in the highest tax bracket of 28 per cent. The list include commonly used items like 'new pneumatic tyre of rubber' (automobile tyre), digital camera, air conditioners, dish washing machine, set top box for TV, monitors and projectors as well as construction item like cement.

The official said, while a GST rate cut on cement to 18 per cent is likely to cost about Rs 20,000 crore annually to the exchequer, the Council is still likely to go ahead.

"Cement is an area where huge instances of evasion was taking place. If tax rates come down more people will buy it from the formal channel and would also boost housing sector as well," the official added.

The other items which are

likely to be retained in the 28 per cent slab include aerated drinks, cigarette, bidi, tobacco products, pan masala, smoking pipes, automobiles, aircrafts, yachts, revolvers and pistols, gambling lottery.

GST has five tax slabs of 0 per cent, 8, 12, 18 and 28 per cent with daily essential items attracting nil tax rates and luxury, sin and some white goods at the highest tax slab.

Mr Modi indicated yesterday that the 28 per cent slab of GST would only be restricted to a few select items, such as luxury and sin goods.

"We are of the opinion of making GST as smooth as possible for the enterprises. In earlier days, the GST was framed according to the existing VAT or excise tax structures exercised in those respective states. (With) the discussions

held from time to time, the tax system is getting improved," Mr Modi had said.

In the first eight months (April-November) of the current fiscal, the government has mopped up over Rs 7.76 lakh crore from GST. The 2018-19 budget had estimated annual GST collection at Rs 13.48 lakh crore, which means a monthly target of Rs 1.12 lakh crore.

EY Tax Partner said: "The industry as well as consumers have been eagerly looking forward to pruning of the goods in the 28 per cent category which today amongst others include cement, camera, two wheelers, tyres, etc. However, the government would need to analyse the same from the perspective of impact on GST revenue collections".