Changes to Tariffs by GST Council

Why in news?

\n\n

GST council made changes to the tariffs of automobile industry within a short period of time.

\n\n

What was the change made?

\n\n

\n
- Earlier, GST Council lowered the effective tax rates on large cars and SUVs, from 50-55% to 43% i.e 28% basic GST + 15% cess.
\n
- This went counter to the view that car buyers must be actively dis-incentivised from acquiring large diesel-guzzling vehicles.
\n
- Following this, the GST Council recently has increased the cess for large cars and SUVs at 25%.
\n
- Thus their effective GST rate went to 53%.
\n

\n\n

What are the challenges faced by the automobile industry?

\n\n

\n
- Diesel vehicles were banned in Delhi.
\n
- Demonetisation has its own effects.
\n
- Supreme Court ordered to clear up Bharat Stage III stocks by end-March.
\n
- Maharashtra government even imposed a 2% road tax as a backdoor move to protect revenues, soon after the GST rollout.

\n

\n\n

How does GST complicate them?

\n\n

\n

- **Sector Development -** Frequent policy changes disrupt both new product development and capacity building of already vulnerable automobile sector.
  \n
- **Transition -** The transition to GST created huge task for industries of recalibrating their supply chain, inventory.
  \n
- There are more complexity in convincing vendors and suppliers on the new online tax filing system.
  \n
- So frequent changes will further hamper the smooth transition to the new tax system.
  \n
- **Price adjustment -** Large automakers had lowered their selling prices post-GST citing the lower effective tax rates.
  \n
- The unexpected hike in cess will now require the auto makers to go through this process of re-adjustment all over again.
  \n

\n\n

\n\n

Source: Business Line

\n

