GST Tax Slabs

Why in news?

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On May 19th, two day meeting on GST concluded, the GST Council decided to tax services under four slabs of **5%, 12%, 18% and 28%**.

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What are the highlights of the decisions made by the council?

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- Over 1,200 goods will be taxed when the GST regime takes effect, Clarity on tax rates, are crucial for India Inc. to realign its existing processes and reporting mechanisms to the requirements of the new regime.
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- The two standard rates of 12 and 18% account for 60% of all items and only around 19% of the items have been pushed into the higher rate of 28% and beyond (including the cesses).
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- Food grain and milk have been exempted from the GST while mostly essential consumer products, such as edible oil, sugar and tea, are bracketed under 5%.
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- Notably, items constituting **52% weight in the consumer price index remain exempt even now.**
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- Apart from these four regular tax slabs, **additional cess taxes of varying rates have also been imposed on sin and luxury goods** such as pan masala, cigarettes and sports utility vehicles to compensate the States for loss of revenue during the initial years.
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- The low GST rates on daily items consumed by households will maintain the prices unaltered and that many commodities could see a reduction in prices due to the elimination of the cascading effect of taxes.
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What is the way forward?

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- Within services, health and education and most others that are exempted now will remain so. India Inc. can finally gear up for the transition to what is being called the biggest tax reform since Independence.
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- The four-slab structure of the GST regime gives it the look of a progressive tax code, in contrast to similar consumption-based taxes prevalent in other countries, which are essentially simple, flat taxes.
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- The middle class will now have to bear the brunt of higher prices.
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- The Centre and States must keep their pressing fiscal demands from influencing tax rates upwards in the future. Otherwise, the decision to do away with tax competition among States, in favour of a simple centralised tax system, will be done no justice.
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Source: The Hindu

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