

GST rate hike reports premature and speculative: CBIC

The Union govt's apex indirect tax body referred to “various reports in the media” regarding recommendations of a group of ministers on GST rate changes.

Gireesh Chandra Prasad | 3 Dec 2024



The clarification from the Union government's apex indirect tax body implies the Centre is distancing itself from suggestions about tax rate. (iStockphoto)

The Central Board of Indirect Taxes and Customs (CBIC) on Tuesday said reports of a ministerial panel's recommendations on Goods and Services Tax (GST) rate changes on certain items, based on its deliberations are “premature and speculative.”

The clarification from the Union government's apex indirect tax body implies the Centre is distancing itself from suggestions about tax rate increases on items like tobacco, aerated water and ready-made garments priced above ₹1,500, amid high interest rates, retail inflation remaining around the upper end of the central bank's tolerance range and concerns about the impact of indirect taxes on consumption demand and economic growth.

CBIC referred to “various reports in the media” regarding recommendations of a group of ministers on GST rate changes.

A group of ministers (GoM) was constituted to look into the GST rate rationalization apart from certain other issues referred by the GST Council, CBIC said in a social media post.

The GoM consists of ministers from Bihar, Uttar Pradesh, Rajasthan, West Bengal, Karnataka and Kerala with the deputy chief minister of Bihar Samrat Chaudhary as the convenor.

GST Council and news reports

“It is the GST Council chaired by the Union Finance Minister and including ministers of all the states/union territories, which is empowered to recommend GST rates including changes to them. The GoM is only a recommendatory body. The GST Council has not yet deliberated on any GST rate changes. The Council has not even received the recommendations of the GoM,” CBIC stated.

“In fact, the GoM has yet to finalise and present its recommendations to the Council after which the Council will take a final view on the recommendations of the GoM. The reports in the media are thus premature and speculative,” CBIC said.

Reuters reported on Tuesday that the GoM on rate rationalization on Monday decided to hike tax on sin goods like aerated beverages, cigarettes, tobacco and related products to 35% from the present 28% and to rationalise the rates on apparel, quoting an official.

To be sure, it is not uncommon for the Centre and states to have different views on the same tax matter given that tax rate changes can often become a sensitive political issue. On an earlier occasion, GST rate rationalisation was put on the backburner amid concerns around inflation and its impact on consumption demand.

Finance minister Nirmala Sitharaman said CBIC’s clarification was “important and timely.” “Finance ministers from various states in the GoM are working to address GST rate changes. Thereafter, the GST Council, consisting of all state finance ministers will take up their recommendations, when they next meet. Speculation is better avoided,” the minister said in her post on microblogging site X.

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