

GoM favours 40% GST and cess on luxury goods and tobacco

The proposal has received similar recommendations from the GoM. However, a few state ministers have proposed an additional cess on top of the 40 per cent GST slab

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The Group of Ministers (GoM) on GST rate rationalisation has accepted the Centre's proposal to move to a two-slab structure of 5 and 18 per cent. Bihar Deputy Chief Minister and convenor of the rate rationalisation GoM, Samrat Choudhary, said the six-member state ministerial panel has also accepted the proposal of removing the 12 and 28 per cent slabs.

Additional 40% slab

The government has also proposed a new 40 per cent GST slab for 'sin' and luxury goods. This slab is expected to cover tobacco, pan masala products, and luxury cars. Uttar Pradesh Finance Minister Suresh Kumar Khanna has also confirmed that the Centre's proposal also includes levying 40 per cent tax on ultra luxury and sin goods.

However, a few state ministers have proposed an additional cess on top of the 40 per cent GST slab, says a PTI report.

West Bengal Finance Minister Chandrima Bhattacharya said her state has proposed a levy on top of the 40 per cent GST rate so that the current tax incidence on ultra luxury goods, like cars, and sin goods, is maintained.

Why do states want cess?

The state ministers are concerned about whether the reduced GST slabs would reduce the total tax collections for the states and are looking at luxury and sin goods for compensation

Bhattacharya said the Centre's proposal did not mention the revenue loss that would accrue to the Centre and states after the implementation of the new GST slabs. She suggested that Section (1) of the GST Act be amended so that a levy can be imposed over and above the 40 per cent maximum permissible rate to ensure that the tax incidence on ultra-luxury and sin goods remains the same even after the slab changes and once the compensation cess ends.

Similarly, Deputy Chief Minister Mallu Bhatti Vikramarka, who was part of the GoM, said that while dispensing with the compensation cess, the GST rates on sin or luxury goods may be increased to their present levels, and the additional amount collected may be given to the respective states.

Source: <https://www.financialexpress.com/policy/gom-favours-40-gst-and-cess-on-luxury-goodsnbspandnbsptobacco-3953541/>