

## GST Council Meeting – Key Legislations Approved

The Goods and Services Tax (GST) Council in its 12th meeting held on 16th March, 2017 made significant headway towards the expected roll-out of GST from July 1. The Council had previously approved the Central GST (CGST), Integrated GST (IGST) and Compensation Bill in its earlier meetings. On Saturday, the GST Council approved the remaining two supporting legislations, State GST (SGST) and Union Territory GST (UT-GST) Bills. The Union Cabinet also approved the four draft laws on Goods and Services Tax on Monday paving the way for it to be tabled in the Parliament.

### Cap on Cess

The GST council also agreed to cap the cess on various demerit (or sin and luxury) goods in the legislation. The cess on sweetened mineral & aerated water and cars has been capped at 15%, which means that the total tax incidence on sweetened drinks and cars cannot be more than 43% (tax rate of 28%+cess of 15%).

In the case of cigarettes and chewing tobacco, the cess levied could be either 290% ad valorem or Rs 4,170 per thousand sticks or a combination of both. Cess on coal would be at Rs 400 per ton. However, these rates are the maximum rates that have been prescribed and the actual rate may be lower.

### Zero rated Supplies to SEZ

Benefits granted to exporters under the Model GST Law have now been extended to SEZ Developers/SEZ Units as well. Previously, SEZ Units would have had to pay tax on their procurements and then claim a refund whereas now, they would be able to procure materials without payment of IGST subject to prescribed conditions.

The GST Council is expected to meet again on 31st March to finalise the rules and formats which were released earlier and also to approve the new rules. After the rules are finalised, the classification of goods and services into previously agreed tax slabs will be taken up by the Council.

The Government is hoping that the CGST, IGST, UT-GST and the GST Compensation laws will be approved in the current session of Parliament and that State Legislatures would soon clear the SGST Bills so that the new indirect tax regime can be rolled out from July 1.

#### **Amicus Tax Team**

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