

GST Rate Revision – November 10, 2017

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In the 23rd meeting of the GST Council held on November 10, 2017, the Council has recommended major relief in GST rates on certain goods and services. These recommendations are spread across multiple sectors and commodities. As per these recommendations, the list of 28% GST rated goods is recommended to be pruned substantially, from 224 tariff headings to only about 50 tariff headings including 4 headings which have been partially reduced to 18%.

Further, the Council has also recommended changes in GST rates on a number of goods, so as to rationalise the rate structure with a view to minimise classification disputes. The focus of the Council was also on reducing the hardships faced by the small and medium enterprises.

The Council has recommended reduction in GST rate from 28% to 18% on goods falling in 178 headings at 4-digit level (including 4 tariff heading that are partially pruned). After these changes, **only 50 items will attract GST rate of 28%.**

The revised GST rates are to be effective from 00 hrs on November 15, 2017.

Revised GST Rates in the 23rd Meeting of GST Council:

Sugar:

Products	Old GST rate	Revised GST rate
Sugar (Khandsari sugar)	5%	Nil
Refined sugar and sugar cubes	18%	12%

- The GST rate for sugar (khandsari sugar), an essential commodity, is reduced to nil from 5%. Also, the GST rate has been cut to 12% from 18% for refined sugar and sugar cubes. This, in turn, is likely to make these products comparatively cheaper.

Restaurants:

- Eating out at restaurants is set to get cheaper with the Council deciding to slash GST rate for the sector to 5%. All stand-alone restaurants irrespective of air conditioned or otherwise, will charge GST at 5% without Input Tax Credit. Food parcels (or takeaways) will also attract 5% GST without Input Tax Credit. Restaurants in hotel premises having room tariff of less than Rs 7,500 per unit per day will attract GST of 5% without ITC while the restaurants in hotel premises having room tariff of Rs 7,500 and above per unit per day (even for a single room) will attract GST of 18% with full ITC.

Services	Old GST Rate	Revised GST Rate
Restaurant (without air conditioning)	12.0%^	5.0%
Restaurant (with air conditioning)	18.0%^	5.0%
A/c restaurant in hotel premises with room tariff <Rs 7,500/unit/day	18.0%^	5.0%
A/c restaurant in hotel premises with room tariff >Rs 7,500/unit/day	18.0%	18.0%^

Note: ^ With full input tax credit

- Restaurants, at present, face 3 rates depending on the category they are in. Air-conditioned restaurant pay 18% GST with input tax credit while non-air-conditioned restaurants pay 12% tax. However, the new rate of 5% is applicable without any input tax credit. Outdoor catering would continue to attract GST at 18% with full ITC.

FMCG:

- GST Council eased rates on many daily use FMCG products such as chocolates, condensed milk, mayonnaise, curry paste, refined sugar and sugar cubes, pasta, chikki, idli-dosa batter, frozen fish, chewing gum, washing powder, shaving cream, blade, shampoo, deodorant, cosmetics, marble, granite, mattress, toothpaste, fire extinguisher, watches and nutritional drinks products are set to become cheaper going forward as the producers have decided to pass on the benefit from lower tax incidence to the consumers.
- Rate on 13 items will be lowered from 18% to 12%, on 6 items from 18% to 5%, 8 items from 12% to 5% and 6 items from 5% to zero tax slab.

Revision of GST rates from 28% to 18%
Detergents, washing and cleaning preparations, Liquid or cream for washing the skin, Shampoos, Shaving creams, perfumes and toilet waters, Beauty and make-up products, Razor and razor blades, Cocoa butter, fat and oil powder, Chocolates, Chewing gum, malt extract and food preparations of flour, groats, meal, starch or malt extract, waffles and wafers coated with chocolate or containing chocolate
Revision of GST rates from 18% to 12%
Condensed milk, refined sugar and sugar cubes, Pasta, Curry paste, mayonnaise and salad dressings, mixed condiments and seasoning, diabetic food
Revision of GST rates from 18% to 5%
Puffed rice chikki, peanut chikki, sesame chikki, revdi, tilrevdi, khaza, kazuali, groundnut sweets gatta, kuliya, Flour of potatoes put up in unit container bearing a brand name, chutney powder
Revision of GST rates from 12% to 5%
Desiccated coconut, Idli dosa batter
Revision of GST rates from 5% to nil
Guar meal, Certain dried vegetables such as sweet potatoes, maniac, unworked coconut shell, fish frozen or dried (not put up in unit container bearing a brand name), Khandsari sugar

- Also, exemption from IGST/GST in certain specified cases - to extend IGST exemption presently applicable to skimmed milk powder or concentrated milk, when supplied to distinct person under section 25(4) for use in production of milk for distribution through dairy cooperatives to where such milk is distributed through companies registered under the Companies Act.
- However, according to some industry executives, companies may face hindrance while passing on benefits to consumers, as some retailers want the producers to take back old stock before they implement price cuts so as to protect their margins. Discussions between FMCG majors and the retailers have already begun and are expected to come to a conclusion within a week. Also, for companies to pass on the tax benefit there is expected to be a transition time before new price stocks are made available in the market.

Consumer Goods and domestic appliances:

- GST rates on wrist watches, clocks, watch movement, watch cases, straps, parts and articles of cutlery, stoves, cookers and similar non electric domestic appliances have been slashed to 18% from existing 28% tax slab.

Textiles:

- GST rate on hand bags and shopping bags of jute and cotton, hats(knitted or crocheted) have been reduced to 12% from existing 18%
- GST rates on finished leather, chamois and composition leather has been slashed to 5% from existing 12%
- The press release by the GST Council has also clarified that GST on supply of raw cotton by agriculturist will be liable to be paid by the recipient of such supply under reverse charge.

Paper:

Article	Old GST Rate	Revised GST Rate
Wall paper and wall covering	28%	18%

- The reduction on the rate for wallpapers brings them in line as a majority of the other paper products are chargeable to GST at 18%. The rates for the other paper products remain unchanged

Glass:

Article	Old GST Rate	Revised GST Rate
Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware	28%	18%

- The lowering of GST rates would lower the cost of production of glass & glass products which could favourably impact the industry margins in the coming quarters.

Mining & Construction Equipment:

Article	Old GST Rate	Revised GST Rate
Fork lifts, lifting and handling equipment, bull dozers, excavators, loaders, road rollers, earth moving and levelling machinery, angledozers, graders, levellers, scrapers, mechanical shovels, escalators and other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery	28%	18%

- Along with the above reduction which would positively boost the industry margins, the Government has also clarified that inter-state movement of goods such as rigs, tools, spares and goods on wheel like cranes, which are not being sold would not constitute supply, hence removing the GST incidence on such transactions. This clarification has provided significant compliance relief since there were multiple inter-state movements either while providing services to customers or for repair or refurbishment.

Construction sector: Real Estate especially affordable housing to benefit from the new GST rate rejig

- Reworking of tax incidence on products falling under 28% tax bracket by the Union Government may provide a breather to the construction sector especially housing and affordable housing. Wires and cables, particle and ply boards, lamp and light fittings, sanitary ware, slabs of marble and granite, ceramic tiles, articles of plaster, cement, asphalt and mica, are some of the products for which the tax incidence has been reworked and would be taxed at 18% instead of 28% previously. The material impact on the housing sector would be low as these products account for 5-6% of the construction cost or lower in some cases.

Particulars	Old GST Rate	Revised GST Rate
Wire, Cables, Insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors, lamp and light fitting	28%	18%
Electrical boards, panels, consoles, cabinets etc. for electric control or distribution	28%	18%
Particle/fibre boards and ply wood. Article of wood, wooden frame, paving block.	28%	18%
Sanitary ware and parts thereof of all kind. Articles of plastic, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic. Slabs of marbles and granite. Goods of marble and granite such as tiles & Ceramic tiles of all kinds	28%	18%
Door, windows and frames of aluminium	28%	18%
Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware.	28%	18%
Articles of plaster such as board, sheet, articles of cement or concrete or stone and artificial stone, articles of asphalt or slate, articles of mica, ceramic flooring blocks, pipes, conduit, pipe fitting, wall paper and wall covering	28%	18%
Fly ash brick	18%	5%

Cement:

- Fly ash and fly ash aggregate with 90% or more of fly ash content would now be taxed at 5% instead of 18%. “Portland Pozzolana Cement” or PPC uses 15% - 35% of fly ash as raw material. This may lead to lowering of Portland Cement prices across markets once the new tax is implemented. PPC cement is mainly used in construction works. The fall in price of raw materials (fly-ash) due to lower tax incidence would have to be passed on to the final consumers as per the anti-profiteering rule.

Particulars	Old GST Rate	Revised GST Rate
Fly ash	18%	5%
Fly ash aggregate with 90% or more of fly ash content	18%	5%

Airline industry:

- GST Rates on aircraft engines. Aircraft tyre and seats have been slashed from their previous applicable tax rates to 5%.

Particulars	Old GST Rate	Revised GST Rate
Aircraft Engines	28%/18%	5%
Aircraft tyre and aircraft seat	28%	5%

Media and Entertainment

Particulars	Old GST Rate	Revised GST Rate
Sound recording or reproducing apparatus	28%	18%
Electrical apparatus for radio and television broadcasting	28%	18%
All musical instruments and their parts	28%	18%
Cinematographic cameras and projectors, image projector	28%	18%

- Further exemption from IGST on Imports has been extended to the temporary import of professional equipment by accredited press persons visiting India to cover certain events, broadcasting equipment, sports items, testing equipment, under the ATA carnet system. However, these goods have to be re-exported after the specified use is over.

Drugs and pharma industry:

Particulars	Old GST Rate	Revised GST Rate
Medicinal grade oxygen	18%	12%

- Further imports of lifesaving medicine supplied free of cost by overseas supplier for patients has been exempted from IGST, subject to certification by DGHS of Centre or State and certain other conditions
- Most medicines fall under the category of 12% whereas essential drugs including insulin fall under the category of 5%.

No Change in rates in 23rd Meeting of GST Council:

Automobiles:

- In its meeting held on September 9, 2017, the GST Council voted in favour of having multiple tax levels for different vehicle segments taking the automotive industry back to pre-GST tax conditions. The council decided to hike cess on mid-sized cars by 2%, 5% hike on the large cars and 7% hike on the SUVs segment. These will be added to the 15% cess charged on such vehicles over and above the GST of 28%.

(Rates in %)	Post increase in Cess (September 2017)		
Vehicle type	GST	Cess	Total
Small Cars* (Petrol/Diesel)	28	1.0/3.0	29/31
Mid-sized Cars@	28	17	45
Large Cars# (Luxury Cars)	28	20	48
SUV/MUV (Luxury Cars)	28	22	50
Buses	28	-	28
Trucks	28	-	28
Two-wheelers	28	3	31
Three-wheelers	28	-	28

*Indicates cars which have engine capacity less than 1,500 cc in case of diesel and 1,200cc in case of petrol and length less than 4 meters.

@' Indicates cars which have engine capacity less than 1,500cc in case of diesel and 1,200cc in case of petrol and length more than 4 meters

#indicates cars having engine capacity more than 1,500cc in case of diesel and 1,200cc in case of petrol and length exceeding 4 meters.

Definition of SUV as per central excise department is a vehicle with engine capacity greater than 1,500cc, length exceeding 4000mm and ground clearance 170 mm and above

Article	GST Rate
Edible oils	5%
Steel	18%
Telecom Services	18%
Paints	28%
Gems and Jewellery (other than industrial)	3%
IT & ITES	18%
Copper ores and concentrates	5%
Aluminium ores and concentrates	5%
Copper and Copper Products	18%
Aluminium and Aluminium Products	18%
Copper items used for utensils, kitchen appliances and other household products	12%
Aluminium items used for utensils, kitchen appliances and other household products	12%
Fertilizers	5%
Raw Materials for the manufacturing of Fertilizers*	18%
Domestic LPG	5%
Commercial LPG	18%
CNG	5%
Newsprint	5%
Paper/Paper Products	12%/18%

Note: *Argon Gas, Sulphuric Acid, Oleum, Nitric Acid, Phosphoric Acid, Carbon-Dioxide, Anhydrous Ammonia, Hydroxylamine Sulphate Crystal, Methanol, Cyclohexane, Cyclohexanone, Melamine, Nylon-6 Chips, Caprolactam, MEK Oxime

- Initially before the rollout of GST, fertilizers were to come under the 12% tax slab, but due to constant protests and concerns regarding the rising of debts of farmers on 1st July itself the GST rate for Fertilizers was slashed from 12% to 5%. Raw Materials which are used for the manufacturing of fertilizers are retained at 18% GST tax, which is creating an inward duty structure.

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