

28th GST meeting update

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Overview

Since the introduction of the Goods and Service Tax (GST) on 1st July, 2017; the GST Council has constantly amended the tax rates of certain commodities within the GST ambit to fine tune the system. The Council has reduced the tax rates on 191 items within the 28% slab over the last one year, leaving just 35 items, in the 28% category.

In this report we try to compare the change in prices of the commodities before GST was implemented with the prices prevailing currently, in order to see if the implementation of the GST has either brought down or increased the prices. This has been done for a select set of products where the WPI indices are available.

Note: We are only comparing the prices of the commodities which were amended during the 28th GST council meeting which was held on 21st July, 2018 and items included below can be broadly or specifically identified within the items considered while calculating the WPI.

The table below plots the changes in the WPI for the selected products for two time periods: June 2017 over June 2016 and June 2018 over June 2017. The latter represents the post-GST period and the former the pre-GST phase. The changes in prices however would be influenced only partly by GST changes and can be due to other factors too such as input cost and taxes, trade, global prices, demand conditions etc. therefore, the numbers must be interpreted with care. But they would be broadly indicative of how prices have moved in the GST era.

With the GST rates being lowered for these products typically one can expect the inflation rates for them to come down under ceteris paribus conditions.

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Table 1: Items under GST classified within the WPI

GST Rate Change: 28% to 18%	Y-O-Y CHANGE	
	June 2017-18	June 2018-19
Paints	4.5%	0.1%
Refrigerators	2.0%	1.3%
Deep freezers	0.9%	-5.0%
Electric Mixers/Grinders/Food Processors	2.8%	0.6%
Light, medium & heavy commercial vehicles	0.5%	-1.0%
Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations	3.1%	-0.9%
Varnishes	-2.6%	3.3%
Batteries	-0.4%	-0.3%
Washing Machines/Laundry Machines	-2.0%	1.0%
Geysers	-12.2%	3.0%
Colour TV	1.5%	4.2%
GST Rate Change: 12% to 5%		
Cotton woven cloth	0.9%	-3.1%
Woollen woven cloth	-0.7%	7.8%
Phosphoric acid	-4.0%	-1.5%
GST Rate Change: 18% to 5%		
Manufacture of wood and of products of wood and cork	2.7%	1.0%
Manufacture of footwear	-2.0%	1.9%
GST Rate Change: 18% to 12%		
Travel goods, handbags, office bags, etc.	1.8%	0.5%
Manufacture of glass and glass products	0.0%	1.6%
GST Rate Change: 12% to 5%		
Carpets and other floor coverings of textiles	7.1%	-3.3%

Source: Office of the Economic Advisor

Note: **Green highlight** signifies that the particular commodity's price has reduced on a y-o-y basis since the introduction of GST, whereas **red highlight** indicates the particular commodity's price has increased since the introduction of GST.

The most notable increase in price can be observed for **varnishes, geysers and colour TV** which were subject to a 28% tax slab, **woollen woven cloth** which was subject to a 12% tax and **footwear** which was subject to an 18% slab prior to the 28th GST council meeting.

Concluding remarks

There has been a mix representation of the increase/decrease of the prices of the goods which are falling within the GST purview since its commencement. There is no overwhelming evidence to prove if the prices have changed sharply. There has already been a moderation of the commodity prices for paints, refrigerators, food processors and carpets. We can further expect the prices of the commodities to moderate, which increased initially to improve with the following rate changes which will be applicable from 27th July, 2018 onwards.