

# GST BULLETIN

Bhasin Sethi & Associates

5/22/2017

Volume II, Issue XX

## [A quick guide to GST rates](#)

The GST Council has fixed the tax framework under GST which is to be rolled out from July 1. Tax rates have been finalized for items with a majority of items being kept under the 18% slab. Nil rate (0%) of tax will be imposed on items like fresh meat, fish chicken, eggs, milk, butter milk, curd, fresh fruits and vegetables, flour, bread, judicial papers, printed books, newspapers, bangles etc. 5% tax slab has been fixed for items such as fish fillet, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, kerosene, coal, medicines etc. Whereas, frozen meat products, butter, cheese, ghee, dry fruits in packaged form, animal fat, fruit juices, Ayurvedic

## [GST Council's next step is to ensure tax benefits are passed on to consumers](#)

After having fixed the rates of GST on almost all commodities and services, GST Council is trying to ensure that businesses pass on any tax reduction benefit to consumers when the new indirect tax regime comes into force. GST rate on a large

medicines, umbrella, cell-phones etc. will attract 12% tax. Most of the items are placed under 18% tax slab which include flavored refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, note books, steel products etc. and chewing gum, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, shaving creams, hair shampoo, water heater, washing machine, shavers, automobiles, yachts etc. will attract 28% tax – the highest under GST system.

**COMMENT: India is set for GST roll out as tax rates have been finalized recently.**

section of services will fall into the 18% slab, which is three percentage points more than what is levied now, but both Jaitley and Adhia clarified that the efficiency in GST that eliminates the cascading effect of the current system will reduce the effective incidence of tax on services to a level much lower than the headline rate of 18%. Kerala finance minister Isaac said that in the market economy, prices are determined by the top players. He further added that the state is reducing taxes on the

## [Small e-comm vendors will have to pay GST upfront](#)

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Budget hotels and small-scale vendors registered on ecommerce sites will have to pay tax upfront under GST regime when they receive payments, even if they fall in the exempted category, because all vendors will be liable to 1% tax collected at source. GST Council has exempted hotels with room tariffs up to Rs 1,000/day. Those below the turnover threshold are exempted under GST and will have to claim refunds subsequently. This would put small vendors at a disadvantage as their working capital will get blocked. Vendors will have to get registered to claim refunds of the tax collected at source by the ecommerce operator.

**Comment: All ecommerce players would deduct tax from registered vendors whenever there is a sale, irrespective of whether the seller is liable to pay tax or not.**

condition that the benefit may be transferred to consumers. J&K finance minister Haseeb Drabu said that the most important GST implementation issue is making sure that the benefit of tax reduction reaches consumers.

**COMMENT:** It is essential for consumers to feel a cooling of prices to make the most radical tax reform since Independence politically acceptable.

### **Telcos to meet ministers' group to discuss impact of GST**

Mobile phone operators plan to make a presentation to an inter-ministerial group to the effect that the government's decision to impose GST of 18% will aggravate the financial woes of the beleaguered telecom industry. GST for telecom services is set higher than 15% that telcos currently pay towards service tax. At present, telcos pay about 8% of revenue towards licence fees and another 3%

### **GST to be the biggest achievement of Modi government**

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GST will feature on the top of the government's list of achievements in the last three years as per an Assocham report. GST is being billed as India's biggest tax overhaul as it is likely to improve ease of doing business by simplifying the tax structure and compliance. As the inflation remained within the target of 4% set by RBI, the central bank has also kept the interest rates low, although credit off-take in the private sector still remains a challenge. Assocham President Sandeep Jajodia said that the implementation of GST would cap other major initiatives of the government. The focus on improving ease of doing business has also been noted as one of the major achievements of the NDA government. Also, India's foreign exchange reserves have touched an impressive high of USD 372 billion, giving a muscle to the rupee.

**COMMENT:** Benign inflation both at the retail and wholesale levels is consequently the positive for the government.

as spectrum usage charge. Mobile phone bills would get costlier and talk time for prepaid users will stand reduced with the government pegging GST for telecom services at 18%. As per tax experts the beneficial impact of increased tax credits will be negligible for telecom companies, which will make voice and data services more expensive for the consumer, and in turn, may hit consumption levels and telco earnings.

**Comment:** Higher GST rate could hurt bottom lines, increase balance sheet stress levels and undermine the overall ability of the telcos to repay their mammoth dues.

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