

Cabinet clears hike in GST cess to 25 per cent on mid, large size cars

Mid and large sized cars, luxury vehicles, hybrids as well as SUVs are likely to cost more as the Cabinet cleared the issuing of Ordinance to raise the GST cess on them to a maximum of 25 per cent, from 15 per cent at present. Car prices had dropped by up to Rs 3 lakh following the implementation of the Goods and Services Tax (GST) from July 1 and the ordinance is being seen as an attempt to rectify the anomaly where rates of certain common use items had gone up but luxury cars were costing less under the new regime.

Finance Minister Arun Jaitley said the ordinance, or an executive order, will amend the GST (Compensation to States) Act, 2017 to raise the maximum rate of cess. However, he added, the actual cess on different classes of vehicles and as to when it will be implemented is to be decided by the GST Council.

An official said automobiles that currently attract 15 per cent cess would see the rate going up to 25 per cent. The GST Council had in its August 5 meet recommended that the central government move legislative amendments required for increasing the maximum ceiling of cess leviable on motor vehicles to 25 per cent from present 15 per cent. Jaitley said pursuant to GST implementation price of vehicles had “substantially come down”, whereas the smaller vehicles remained untouched.

Raising the cess requires an amendment to the Schedule of section 8 of the GST (Compensation to a State) Act, 2017. There are 12 different categories of automobiles and two categories are impacted by this decision to hike cess. “These hikes are not across the board,” Jaitley said. Revenue Secretary Hasmukh Adhia said the categorisation of cars has not changed. Cars on which there was a excise duty of 27 or 30 per cent, those were luxury cars.

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