

## DAILY PAGER

### GST REFORMS

#### GST COUNCIL

**GST Council** is a constitutionally mandated body under Article 279A, formed via the 122nd Constitutional Amendment (effective September 2016)

- It is **chaired by the Union Finance Minister**, includes the Union MoS (Finance/Revenue), and Finance Ministers (or nominees) from all States and Union Territories with legislatures.
- Decision-making follows a weighted voting system: **Centre = 1/3, States = 2/3** of the vote share present, and a **resolution requires at least 3/4 majority**.

#### Functions of the council

- Recommends tax rates for GST slabs, exemptions, special rates for states or calamities.
- Frames rules on GST law, return procedures, threshold limits, place of supply, and stormwater provisions.
- Supervises dispute resolution between Centre and States

#### GST SLAB REVISION (wef 22 Sept 2025)

Slab Rate	Old Structure (pre-Sep 2025)	New Structure (post-Sep 22, 2025)
0% (Exempt/Nil)	Unbranded essentials (e.g., basic food items, fresh milk, bread, salt, healthcare & education services)	Retained, but scope clarified — staples like unbranded roti, paneer, UHT milk, basic medicines, erasers, etc.
5%	Packaged essentials (sugar, tea, coffee, edible oil, transport, economy hotels)	<b>Expanded:</b> daily-use consumables (noodles, chocolates, butter, soaps, hair oil, dairy spreads, diagnostics kits, household items)
12%	Processed foods, branded apparel < ₹1,000, mobile phones, fertilizers, business services	Merged into 5% or 18% depending on item
18%	Most goods & services (personal care, hotels, electronics, telecom, financial services)	<b>Retained as the main “standard”</b> slab for aspirational & durable goods (ACs, TVs, small cars/bikes, cement, insurance, education)
28%	Luxury goods & services: high-end cars, motorcycles, aerated drinks, betting & gambling, with cess on tobacco/auto	<b>Abolished</b> (except sin goods shifted to 40%)
40% (Sin tax)	Not present	<b>Introduced:</b> targeted sin/luxury goods (tobacco, pan masala, aerated drinks, premium cars, etc.)

Old system = 5 slabs + cesses; New system = 2 core slabs (5% & 18%) + 0% exempt + 40% sin- slab and cesses on sin

#### IMPACT OF GST SLAB REVISION

- **Immediate consumption boost:** Cutting the 12% & 28% slabs and shifting many items into 5% or 18% lowers sticker prices on FMCG and durables
- **Govt revenue:** Govt itself has flagged a revenue implication (estimates around ₹48,000 crore). In short run, Centre/States face a dip relative to trend; over time, partial offset may come from **higher volumes, better compliance, and base expansion**.
- **Eases policy trade-offs:** A one-time price-level drop reduces measured inflation, giving marginal room to RBI
- **Ease of doing business:** Increases as compliance becomes easier due to simplified GST structure.
- **Sin-goods behavioural responses:** High rates can curb consumption (policy goal) but may raise evasion incentives; thus, enforcement capacity matters.
- **Sectoral winners/losers**
  - **Winners:** FMCG (personal care, household goods), consumer durables/electronics, insurance (nil GST on individual policies widens penetration), and services like salons/gyms as tickets fall.
  - **Losers:** Sin goods face demand drag; downstream allied trades may feel second-order effects