

States panel may propose a single 15% GST levy by merging 12% and 18% slabs

Synopsis

The group of ministers (GoM) is likely to meet this week to take a final call on rates and firm up its recommendations, people familiar with deliberations said. The GST Council is expected to meet early next month to consider the recommendations and the revenue status of the states.



A panel of state ministers set up to suggest changes to the [GST rate](#) structure may propose a single 15% levy by merging the 12% and 18% slabs, but is wary of proposing an increase in the threshold rate to 8%, from 5%, given growing inflation concerns.

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The council had set up the GoM on rate rationalisation at its September 2021 meeting in Lucknow.

Rate Structure

The group was asked to review exempt goods to expand the tax base, suggest changes to simplify the rate structure and garner the required resources.

The [GST](#) has a four-tier structure, consisting of 5%, 12%, 18%, and 28% rates. Additionally, there are special rates for some goods such as precious metals, making the regime complex. When GST was rolled out in July 2017, the revenue-neutral rate was seen at about 15.5 per cent

Revenue-neutral rate is the rate at which there is no loss of tax revenue for states or the Centre following the switch to GST. That peg has since dragged down to about 11.6% because of exemptions and reductions in rates on many goods.

Raising the GST threshold rate to 8%, from 5%, could lift it by yielding additional annual revenues of about Rs 1.5 lakh crore. But most members are of the view that the timing may not be right given inflationary concerns, sources said. Besides, the 5% slab includes many essentials, which could become expensive if the rate is raised to 8%.

One of the persons said some of GoM members instead favoured a merger of the 12% and 18% slab into a common 15% levy, along with raising the cess on so-called sin goods. "Most of the members agreed that a rate hike is imminent but were apprehensive of (the) timing," an official told ET.