



Stimulus mode: on GST rate cuts

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GST cuts reflect buoyancy, but Centre-States cooperation must be maintained

Highlights

- The applicable indirect tax rates on consumer durables such as television sets, washing machines and refrigerators, along with a dozen other products, have been slashed from 28% to 18%.
- The tax rate on environmentally friendly fuel cell vehicles has been reduced from 28% to 12%, and the compensation cess levied on them dropped.

But there are two major concerns.

- First, since the new rates are to kick in from July 27, companies may not have enough time to rework pricing strategies and replace existing market inventory, failing which they could face anti-profiteering action.
- Second, members of the Council have for the first time questioned its functioning and alleged that not all of the changes and rate cuts were placed on the agenda.

For a tricky tax that is still a work in progress, distrust between the Centre and the States would make further rationalisation difficult. Such friction must be avoided in a system in which the States have so far worked in tandem with the Centre.

Source: [The Hindu](#)

