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GST Council Recommends Increase in Maximum Ceiling of Cess Leviable on Motor Vehicles Falling Under Headings 8702 and 8703 to 25% Instead of Present 15%

The GST Council considered the issue of cess leviable on motor vehicles in its 20th meeting held on the 5th of August 2017 and recommended that Central Government may move legislative amendments required for increasing the maximum ceiling of cess leviable on motor vehicles falling under headings 8702 and 8703 including SUVs, to 25% instead of present 15% . However, the decision on when to raise the actual cess leviable on the same will be taken by the GST Council in due course.

It was noted that after introduction of GST, the total tax incidence on motor vehicles [GST + Compensation Cess] has come down vis-a-vis the total tax incidence in pre-GST regime. The Schedule to the Goods and Service Tax (GST) (Compensation to State) Act 2017, specifies the maximum rate at which Goods and Service Tax Compensation Cess may be collected. In respect of motor vehicles, the maximum rate at which Goods and Service Tax Compensation Cess may be collected is 15%.

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