



Cabinet

# Cabinet approves promulgation of the Goods and Services Tax (Compensation to States) Ordinance, 2017

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The Union Cabinet chaired by Prime Minister Shri Narendra Modi has given its approval to the proposal of the Finance Ministry to promulgate an ordinance to suitably amend the Goods and Services Tax (Compensation to States) Act, 2017.

The approval would allow to increase the maximum rate at which the Compensation Cess can be levied from 15% to 25% on:

- a) motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 870210, 8702 20, 8702 30 or 8702 90]; and
- b) motor vehicles falling under headings 8703.

The GST Council, in its meeting held in August 2017, taking into consideration the fact that post introduction of GST, the total incidence on motor vehicles [GST+ Compensation Cess] has come down vis-a-vis pre-GST total tax, incidence, and had recommended increase in the maximum rate at which Compensation Cess can be levied on motor vehicles falling under headings 8702 and 8703 from 15% to 25%.

The issue regarding the increase in effective rate of Compensation Cess on motor vehicles will be examined by the GST Council in due course.

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