

## What is GST Compensation Cess?

GST Compensation Cess is a levy which will be applicable in addition to the regular GST taxes (CGST + SGST/UTGST on intrastate supplies and IGST on interstate supplies). GST Cess will be levied on supply of certain notified goods – mostly belonging to the luxury and demerit category. In order to understand what is GST Cess and the GST Cess meaning, one needs to understand the primary purpose why the GST Council has instituted this additional levy.

## Why is GST Compensation Cess levied?

The GST Cess is levied to compensate states who may suffer any loss of revenue due to the implementation of GST, as per the provisions of the GST Compensation Cess Act. As GST is a consumption-based tax, the state in which consumption of goods or services happens will be eligible for the revenue on supplies. As a result, manufacturing states like Maharashtra, Tamil Nadu, Gujarat, Haryana and Karnataka are expected to face a decrease in revenue from indirect taxes.

In order to compensate these states for this loss of revenue, GST Cess will be levied on the supply of certain goods, which will be distributed to these states, to bridge any potential tax revenue gaps. The GST Cess will be levied for the first 5 years of the GST regime.

## Who is liable to collect GST Cess?

All taxable persons supplying the notified goods (except composition taxpayers) should collect and remit the GST Cess.

## Which goods will attract GST Cess?

Items	GST Cess Ceiling
Coal	INR 400 / tonne
Pan Masala	60%
Aerated Drinks	15%
Motor vehicles of engine capacity exceeding 1200cc and of length exceeding 4000 mm	15%
Motor vehicles of engine capacity not exceeding 1500 cc	17%
Motor vehicles of engine capacity exceeding 1500 cc other than SUV's	20%
Motor vehicles of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles	22%

Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm 3%

Motorcycles of engine capacity exceeding 350 cc 3%

**Filter** and non-**filter cigarettes** not **exceeding 65 mm** attract a **cess** of 5 per cent plus Rs 1,591 per 1,000 sticks. Non-**filter cigarettes exceeding 65 mm** but not **exceeding 70 mm** attract **cess** of 5 per cent plus Rs 2,876, while for **filter cigarettes** the levy is 5 per cent plus Rs 2,126 per thousand sticks.