



GST COMPENSATION CESS

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During the process of introduction of GST in India from 1st July'2017, the Central Government was trying everything to bring all political parties and state Governments on board. Many State Governments were afraid of possible financial losses to their respective states due to shift in GST regime.

Therefore, Goods and Services Tax (Compensation to States) Act, 2017 was enacted to levy Compensation cess for providing compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax with effect from 01/07/2017. This Cess is applicable on certain notified items (time to time) for a period of five years or for such period as may be prescribed on the recommendations of the GST Council.

GST Compensation cess in case of Composition scheme

Compensation cess shall not be leviable on supplies made by a taxable person who has decided to opt for composition levy.

Input Tax Credit

The input tax credit in respect of compensation cess on supply of goods or services can be utilised only towards payment of the compensation cess on supply of goods or services. It means ITC of GST is not available on paid amount of Compensation cess or vice versa.

Valuation if Cess to be levied on value

In case the compensation cess is chargeable on any supply of goods or services or both with reference to their value, then for each such supply, the value has to be determined under section 15 of the Central Goods and Services Tax Act, 2017. For the example, if the assessable value of goods imported into India is Rs. 100/-, GST rate is 18% and customs duty is 10%. If the goods attract GST Compensation Cess, then GST Compensation Cess would be levied on Rs. 110/-, as Compensation Cess is not levied on IGST.

In many cases, GST Compensation Cess is applicable not on value but on quantity supplied. For the example, Government has levied compensation cess of Rs. 400.00 per tone of supply of coal.

Compensation Cess in case of import / export

The compensation cess on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975, at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962, on a value determined under the Customs Tariff Act, 1975. Compensation Cess will not be charged on goods exported by an exporter under bond and the exporter will be eligible for refund of input tax credit of Compensation Cess relating to goods exported.

Laws and Rules applicable

The provisions of the Central Goods and Services Tax Act, 2017 and the rules made there under, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall apply in relation to the levy and collection of the cess on the intra-State supply of goods and services. Similarly, in case of inter-State supplies the provisions of the Integrated Goods and Services Tax Act, and the rules made there under will apply.

GST Compensation Cess Rate with notified items

Name of Goods or Service	HSN Code	GST Cess
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Pan Masala	2106 90 20	60%
Aerated waters, containing added sugar or other sweetening matter or flavoured		
Aerated waters	2202 10 10	12%
Lemonade	2202 10 20	12%
Others	2202 10 90	12%
Tobacco and Tobacco Products		
Unmanufactured tobacco bearing a brand name	2401	65%
Tobacco refuse, bearing a brand name	2401 30 00	61%
Chewing tobacco (without lime tube)	2403 99 10	160%
Chewing tobacco (with lime tube)	2403 99 10	142%
Filter khaini	2403 99 10	160%
Jarda scented tobacco	2403 99 30	160%
Pan masala containing tobacco 'Gutkha'	2403 99 90	204%
Cigarettes		
Non- filter		
Not exceeding 65 mm	2402 20 10	5% + Rs.1591 per thousand
Exceeding 65 mm but not 70 mm	2402 20 20	5% + Rs.2876 per thousand
Filter		
Not exceeding 65 mm	2402 20 30	5% + Rs.1591 per thousand
Exceeding 65 mm but not 70 mm	2402 20 40	5% + Rs.2126 per thousand
Exceeding 70 mm but not 75 mm	2402 20	5% + Rs.2876

	50	per thousand
Others	2402 20 90	5% + Rs.4170 per thousand
Other Tobacco Products		
Cigar and cheroots	2402 10 10	21% or Rs. 4170 per thousand, whichever is higher
Cigarillos	2402 10 20	21% or Rs. 4170 per thousand, whichever is higher
Cigarettes of tobacco substitutes	2402 90 10	Rs.4006 per thousand
Cigarillos of tobacco substitutes	2402 90 20	12.5% or Rs. 4,006 per thousand whichever is higher
Other	2402 90 90	12.5% or Rs. 4,006 per thousand whichever is higher
Hookah' or 'gudaku' tobacco tobacco bearing a brand name	2403 11 00	72%
Tobacco used for smoking 'hookah' or 'chilam' commonly known as 'hookah' tobacco or 'gudaku'	2403 11 00	17%
Other smoking tobacco not bearing a brand name.	2403 11 90	11%
Smoking mixtures for pipes and cigarettes	2403 19 10	290%
Other smoking tobacco bearing a brand name	2403 19 90	49%
Other smoking tobacco not bearing a brand name	2403 19 90	57%
"Homogenised" or "reconstituted" tobacco bearing a brand name	2403 91 00	72%
Preparations containing chewing tobacco	2403 99 20	72%
Snuff	2403 99 40	72%

Preparations containing snuff	2403 99 50	72%
Tobacco extracts and essence bearing a brand name	2403 99 60	72%
Tobacco extracts and essence not bearing a brand name	2403 99 60	65%
Cut tobacco	2403 99 70	20%
All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name	2403 99 90	96%
All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name	2403 99 90	89%
Other Products		
Coal; briquettes, ovoids and similar solid fuels manufactured from coal.	2701	Rs.400 per tonne
Lignite, whether or not agglomerated, excluding jet	2702	Rs.400 per tonne
Peat (including agglomerated)	2703	Rs.400 per tonne
Motor Vehicles		
Motor vehicles (10<persons <13)	8702	15%
Small Cars (length < 4 m ; Petrol<1200 cc)	8703	1%
Small Cars (length < 4 m ; Diesel < 1500 cc)	8703	3%
Mid Segment Cars (engine < 1500 cc)	8703	15%
Large Cars (engine > 1500 cc)	8703	15%
Sports Utility Vehicles (length > 4m ; engine > 1500 cc; ground clearance > 170 mm)	8703	15%
Mid Segment Hybrid Cars (engine < 1500 cc)	8703	15%
Hybrid motor vehicles > 1500 cc	8703	15%
Hydrogen vehicles based on fuel cell tech > 4m	8703	15%
Motorcycles (engine > 350 cc)	8711	3%
Aircrafts for personal use.	8802	3%
Yacht and other vessels for pleasure or sports	8903	3%