

Alcohol & Tobacco Exempted From GST; Loans, Insurances, Beverages & Ice-Cream To Get Expensive GST may not burn a hole in your pocket, but you will have to tighten purse strings

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What we buy, how we buy and why we buy are questions that have for long fascinated anthropologists. But GST is expected to add a new twist to the tale of Indian consumerism. Under the new taxation regime fruits, vegetables, pulses, wheat, bread and rice are exempted from taxation even as chips, biscuits, butter, tea and coffee are attracting higher taxes. So, would that make families to make healthier choices at the supermarket?

Cited as the "single largest taxation reform" in Independent India, GST is set to change taxation for every sector — from real estate to vehicles to consumer durables to branded goods to luxury items.

For a middle class family that earns between ₹50,000-₹80,000 a month, the impact on the monthly budget will not be more than a few hundred rupees. For those earning in the ₹1.75 lakh bracket, the purchase of luxury items and SUVs or sedans will not necessarily result in an increase of more than 2-4%.

While this is a rough estimate, individual likes and preferences might hold more weight as to which way the household budget might swing. "For instance, ghee and tea are taxed higher. Now, if your budget includes substantial quantities of ghee, then you are likely to feel the pinch. It is still early though — it has not been made law. And many items have seen exemptions," says MR Venkatesh, a Chennai-based chartered accountant.

2 DAYS TO GST
Among the list of items getting cheaper are chicken, oil, butter and bhujia (snack), while purchase of tea, coffee, masala powders, curd, cheese, biscuits, chewing gum, chocolate and ice-cream will be 1-5% more expensive.

At the top of the chart with the highest taxation increase are items like paneer, sweets and cornflakes. Tobacco, alcohol and petroleum continue to be exempted, allowing the state government to dictate rates.

"Instead of increasing the cost of alcohol, they have increased the cost of side-dishes," says B Kannan, a tax consultant.

One major area of change for consumers could be big-ticket purchases like homes, cars and consumer durables. With service tax increasing to 18% from 15% all services will become dearer. Loans will get more expensive. Purchase of health, life and motor insurance will also get more expensive. "Service tax rates were increased earlier too, but we didn't see any change in consumer buying pattern over more than a decade. Impact on policies for the common man will be at a minimum. For instance in the Pradhan Mantri Fasal Bima Yojana, a 3% increase in taxation will hardly result in a few paise increase," says Tapan Singhel, CEO, Bajaj Allianz.

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EFFECTS OF GST ON AAM AADMI

A four-member household with two kids, earning ₹50,000 a month

Illustration: Shirod Akkaraparambil



A four-member household with two kids, earning ₹80,000 a month



A four-member household with two kids, earning ₹1.75 lakh a month



New tax format will change taxation for every sector — from real estate to vehicles to consumer durables to branded goods

Expense	Amount (in ₹)	Taxation earlier (in %)	GST (in %)	Budget increase/decrease (in ₹)
Education	5,000	NA	0%*, 18%**	5,100
EMI on home loan, consumer durables, medicines, insurance, mobile and internet bill	25,000	15	18	25,750
EMI for two-wheeler	5,500	31	28	5,335
Tea, coffee, butter, biscuit, curd, ice-cream, sweets and juices	850	5-38	12-28	808
Toiletries	500	36-40	12-28	440
Entertainment	2,400	22	18	2,304
Vegetables, milk, fruits, bread, basmati rice, atta	2,000	0	0	2,000
Rent	19,000	NA	NA	19,000
Total	41,250			41,167 (rent) or 41,737 (home loan)

*Tuition fee, **canteen, additional facilities

Education	10,000	NA	0%*, 18%**	10,200
EMI on home loan, consumer durables, medicines, insurance, mobile and internet bill	39,500	15	18	40,685
EMI on small car	9,500	31-48	29-43	9,500
Tea, coffee, butter, biscuit, curd, ice-cream-sweets and juices	1,000	5-38	12-28	950
Toiletries	700	36-40	12-28	662
Entertainment	8,500	22	18	8,160
Vegetables, milk, fruits, bread, basmati rice, atta	3,500	0	0	3,500
Rent	25,000	NA	NA	25,000
Total	72,700			72,907 (rent) or 73,657 (home loan)

Education	30,000	NA	0%*, 18%**	30,600
EMI on home loan, consumer durables, medicines, insurance, mobile and internet bill	72,500	15	18	74,675
EMI on sedan, SUV	13,500	52-55	42-45	12,150
Tea, coffee, butter, biscuit, curd, ice-cream-sweets and juices	1,300	5-38	12-28	1,235
Toiletries	1,400	36-40	12-28	1,623
Entertainment	12,500	22	18	12,000
Vegetables, milk, fruits, bread, basmati rice, atta	5,500	0	0	5,500
Branded goods: shoes, perfume, bags & clothes	9,500	22	28	10,070
Rent	50,000	NA	NA	50,000
Total	1,46,200			1,46,353 (rent) or 1,47,853 (home loan)