

**PRESS RELEASE**

**07<sup>th</sup> August, 2017**

**On Compensation Cess on Motor Vehicles**

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%.

2. 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 GST Council considered this issue in its 20<sup>th</sup> meeting held on 05.08.2017 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 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.

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