

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:589
ANSWERED ON:06.05.2005
VAT AND LSD
Adhalrao Patil Shri Shivaji

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that people are forced to pay more prices for the life saving drugs due to imposition of excise duty and VAT;
- (b) if so, whether this decision of the Government will hasten the death of the poorer patients;
- (c) whether there is a demand from every corner of the country to reconsider the matter to get free the life saving drugs from tax; and
- (d) if so, the reaction of the Government thereto?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): A statement is placed on the Table of the House.

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO. 589 DATED 6.5.2005 TABLED BY SHRI ADHALRAO PATIL SHIVAJIRAO.

(a) to (d): There has been no new imposition of Excise Duty on life saving drugs. A number of specified life saving drugs are fully exempt from Excise Duty.

As VAT is a tax intended to replace the State Sales Tax, it is a State subject. The Central Government has no role to play in the fixation of VAT rates for any product. An Empowered Committee of State Finance Ministers decides on all issues relating to implementation of State level VAT. The Empowered Committee of State Finance Ministers has decided that all drugs and medicines, including life saving drugs and medicines, shall attract 4 percenty VAT. Any decision to exempt life saving drugs from VAT has to be taken by the Empowered Committee iof State Finance Ministers and the State Governments.