

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:2244  
ANSWERED ON:08.08.2005  
IMPOSITION OF TAX  
Yerrannaidu Shri Kinjarapu

**Will the Minister of AGRICULTURE be pleased to state:**

(a) whether the Government has imposed tax on the by-products of milk Powder manufactured in India vis-a-vis imported from abroad; and

(b) if so, the details thereof and its likely impact on the development of dairy industry and the milk producers?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a)&(b): Sales Tax/VAT being a State subject under the Constitution, the States alone have the powers to decide the leviability to tax any item and the rate under which it is to be taxed. However, the Empowered Committee of State Finance Ministers(EC) has placed `Milk food and milk products` under the category of 8% Uniform Floor Rate of Sales Tax. Under the VAT regime, the EC has placed items like `Skimmed milk powder, Ultra High Temperature (UHT) Milk and Khoya/Khoa` under 4%VAT rate and other milk products under 12.5%VAT rate.

In the manufacture of milk powder, the by-products could be cream/butter/ghee/butter oil. However, the imposition of 12.5% VAT on by-products of milk powder in the States that have opted for VAT, may have impact on overall dairy industry and the milk producers.