

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:586
ANSWERED ON:25.11.2005
VAT IN PUNJAB
Sidhu Shri Navjot Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that rates of VAT are lower in neighbouring States of Punjab than in Punjab;
- (b) if so, the details thereof; and
- (c) whether the Government has received any representation from various Trader organisations of Punjab to review the matter and impose uniform VAT rates in all the States?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) and (b): Under Entry 54 of List II (State List) of the Constitution of India, State Sales Tax (as also State VAT, which has replaced the State Sales Tax) is a State subject. An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and decide all matters concerning State VAT. The EC has decided the structure of rates of tax under the State VAT implemented w.e.f. 01 April 2005. However, the EC itself has permitted flexibility to the States in certain respects. For instance, each State can exempt upto 10 items from tax, as goods of local importance. Similarly, each State is entitled to notify its own list of industrial inputs which will be subject to 4% tax rate. Such flexibility may result in some limited difference in rates in various States. Further, it is also true that some States have deviated from the EC approved rates in respect of some of the items. However, the EC is closely monitoring this matter, to ensure that all the States adopt EC approved rates in respect of all the items.

(c): The Department of Revenue has received some representations from various trade organizations regarding VAT rates in Punjab, which have been referred to the EC for appropriate consideration.