

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:51
ANSWERED ON:25.11.2005
VAT
Bishnoi Shri Jaswant Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether certain States have not implemented the VAT system so far;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps being taken by the Union Government to facilitate implementation of VAT system throughout the country?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT

STATEMENT IN RESPECT OF LOK SABHA STARRED QUESTION NO. 95 DATED 29.7.2005 TABLED BY SHRI CHANDRA MANI TRIPATHI AND SHRI LAKSHMAN SINGH REGARDING VAT

(a) to (h): So far, 23 States/ UTs have implemented VAT. The general feedback from the VAT implementing States/ UTs is that the new system has been received well by the business community as well as the public. There were some initial problems at the time of introduction of VAT, which have been resolved by and large by the States through constant interaction with the stake-holders.

Although it is too early to make a precise assessment of the impact of VAT on revenues of the States/ UTs, it is seen from the provisional figures of tax collection during the first quarter of current financial year received from the States/ UTs that the overall trend of revenue collections is positive and encouraging.

Regarding the impact of VAT implementation on inflation, the same is difficult to assess, since inflation depends on a number of factors. However, the overall rate of inflation, reflected through the point-to-point movement in the Wholesale Price Index, has declined from 5.7% for the week ending 02 April 2005 to 4.14% for the week ending 09 July 2005. Moreover, the Empowered Committee of State Finance Ministers has advised the States to constantly monitor the price movement of goods after introduction of VAT.

Regarding claims for compensation for revenue loss due to implementation of VAT, no time limit has been fixed for submission of such claims. So far, compensation claims have been received from 3 States, namely, Bihar, Maharashtra and Tripura.