

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7316
ANSWERED ON:13.05.2005
VALUE ADDED TAX
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Will the Minister of FINANCE be pleased to state:

- (a) the major items covered under Value Added Tax (VAT) System;
- (b) whether more items are likely to be included in the list;
- (c) if so, the details thereof; and
- (d) the effects on aforesaid items in neighbouring States which have not implemented the VAT system?

Answer

Minister of State in the Ministry of Finance (Shri S.S. Palanimanickam)

(a) to (c): The VAT System, implemented by most of the States with effect from 1st April, 2005, is a State subject. The Empowered Committee of State Finance Ministers, which is a representative body of all States, has finalized lists of commodities to be taxed under various rates. It has been decided by the Empowered Committee that under the exempted category there will be commodities comprising natural & unprocessed products, items which are legally barred from taxation and items which have social implications. Gold, silver, bullion and precious stones shall attract 1% rate of VAT. Under 4% VAT category, commodities comprising items of basic necessities, all agricultural and industrial inputs, capital goods and declared goods, will be there. The remaining commodities shall fall under the general rate of VAT of 12.5%.

(d): Since VAT is an intra-State tax, the question of its effects in neighboring non-VAT States does not arise.