

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:344

ANSWERED ON:17.03.2006

VALUE ADDED TAX

Ahir Shri Hansraj Gangaram; Surendran Shri Chengara

Will the Minister of FINANCE be pleased to state:

- (a) whether an assessment on the impact of implementation of Value Added Tax (VAT) has been conducted by the Union Government;
- (b) if so, the details thereof;
- (c) whether any mechanism is available to dispose of VAT related cases;
- (d) if so, the details thereof;
- (e) the details of States not implementing VAT till date; and
- (f) the steps taken to remove the problems coming in the way of implementation of VAT throughout the country?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

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

STATEMENT

IN RESPECT OF LOK SABHA STARRED QUESTION NO. 344 DATED 17.03.2006 TABLED BY SHRI HANSRAJ G. AHIR AND SHRI CHENGARA SURENDRAN, REGARDING 'VALUE ADDED TAX'

(a) & (b): The Central Government has not got any special study conducted for assessing the impact of VAT implementation, but the position is being constantly reviewed. The Empowered Committee of State Finance Ministers (EC) is also constantly reviewing and monitoring the situation. The general feedback is that the VAT system has been generally received well by the business community as well as the general public. Most of the initial difficulties have been resolved by the States through constant interaction with the stakeholders. The implementation of VAT has not had any major adverse impact on prices and in fact, the rate of inflation has since declined. The tax revenue of the VAT implementing States has shown an increase of around 15.5% during first 9 months of VAT implementation, which is higher than the historical growth rate for these States.

(c) & (d): Since State VAT is a State subject under the Constitution of India, the necessary mechanism for disposal of VAT related cases is available at the State level under the respective State VAT Laws.

(e) & (f): 8 States/ UTs have not yet implemented VAT, out of which 5 States, namely, Rajasthan, Chhattisgarh, Gujarat, Jharkhand and Madhya Pradesh, have decided to implement VAT w.e.f. 01 April 2006. The remaining 3 States/ UTs, namely, Uttar Pradesh, Tamil Nadu and Pondicherry have not yet taken a decision in this regard. Since State VAT is a State subject under the Constitution, it is entirely for the States concerned to take a decision about implementation of VAT. The Central Government is providing all necessary technical and financial support in this regard.