

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3349

ANSWERED ON:12.05.2006

COMPENSATION FOR VAT

Surendran Shri Chengara,Vallabbhaneni Shri Balashowry

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has granted Rs. 1512 crores as compensation to States that lost on VAT;
- (b) if so, the actual claims made by the States and the grants made and amounts actually released, State-wise.
- (c) the reasons for lesser grants made, if any; and
- (d) the time, when the remaining amount of compensation is likely to be released?

Answer

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

(a): The Central Government has released a total amount of Rs.2707.50 crores upto 09 May 2006 as compensation to the States for revenue loss on account of introduction of VAT.

(b) & (c): A Statement showing State-wise details of the actual claims made by the States, the amount actually released and the reasons for the difference between the claims and the actual releases is enclosed. The main reason for actual release being lower than the claim made by the States is the deduction made on account of revenue loss due to deviations from the approved VAT rates made by the State Governments. The compensation package approved by the Central Government specifically provides for such deduction.

(d): Regarding the 3 pending proposals, the proposal from the Government of Sikkim is incomplete. The proposals from Haryana and Maharashtra are under process and a decision on the same is expected shortly.