

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:70

ANSWERED ON:02.03.2007

UNIFORM SALES TAX

Patle Shri Shishupal Natthu;Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to reduce cess on petrol and diesel in all the States of the country as reported in Dainik Jagran dated January 21, 2007;
- (b) if so, the details thereof;
- (c) whether the Energy Coordination Committee (ECC) under the chairmanship of the Prime Minister has recommended the implementation of uniform sales tax rates all over the country;
- (d) if so, the details thereof;
- (e) whether any estimate has been made in regard to the likely impact of such uniform sales tax on the revenue of the States as also the plight of dealers in border areas;
- (f) if so, details thereof;
- (g) whether the said tax rates are being rationalised in the States; and
- (h) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

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

STATEMENT

IN RESPECT OF LOK SABHA STARRED QUESTION NO. 70 DATED 02.03.2007 TABLED BY SHRI SHISHUPAL N. PATLE AND PROF. MAHADEORAO SHIWANKAR, REGARDING `UNIFORM SALES TAX`

(a) to (d): Sales Tax is a State subject by virtue of Entry 54 of State List of the Seventh Schedule of the Constitution. An Empowered Committee of State Finance Ministers (EC) has been constituted, inter-alia, to deliberate upon matters concerning Sales Tax and to make recommendations to the States. As per the EC recommendations, Petrol, Diesel and Aviation Turbine Fuel (ATF) are subject to 20% floor rate of tax and are outside VAT. Thus, the States can levy sales tax at rates higher than 20% and a number of States are doing so. As far as other petroleum products are concerned, the rates of tax recommended by the EC are uniform fixed rates and such products are integral part of the VAT. The Energy Coordination Committee (ECC) has so far not made any specific recommendation for uniform sales tax rates all over the country. Regarding cess on Petrol and Diesel, the same is levied by the Central Government @Rs.2 per litre uniformly across the country and the collections from this cess go to the Central Road Fund.

(e) to (h): As no decision has been taken by the States to have uniform sales tax rates, the question of revenue loss does not arise. Regarding rationalisation of taxes in the States, during the current financial year, some States have taken steps to reduce sales tax rates on Petrol and/or Diesel.