

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:300  
ANSWERED ON:10.08.2001  
MEETING OF CHIEF MINISTERS FOR DOMESTIC TAX REFORMS  
A.P. JITHENDER REDDY

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government had recently convened a meeting of Chief Ministers to discuss the Domestic Tax Reforms;
- (b) if so, the outcome of the meeting;
- (c) whether some Chief Ministers had expressed apprehension to adopt Value Added tax(VAT) due to possible loss of revenue; and
- (d) if so, what is the reaction of the Government thereupon?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a),(b),(c) & (d) : a Statement is laid on the Table of the House.

Statement in respect of Lok Sabha Starred Question No.300 dated 10th August,2001 by Shri A.P. Jithender Reddy regarding Meeting of Chief Ministers for Domestic Tax Reforms:

(a) Sir. A Conference of Chief Ministers/Finance Ministers of States and Union Territories was convened on 5th July, 2001 to discuss domestic tax reforms and Value Added Tax.

(b) The following decisions were taken in the Conference:

(i) The Conference accepted and adopted the report of the Empowered Committee of State Finance Ministers for introduction of VAT w.e.f. 1st April, 2002. The Conference also accepted the VAT design recommended by the Committee including the use of PAN as the common Business identifier. It was decided that special Category States and newly formed States, would have an option to introduce the VAT regime by 1st April, 2003. However, there should be no further delay in the implementation of uniform floor rates and all States and UTs should comply fully in the implementation of these rates by 31st July, 2001. The Conference noted that in the event of any State/UT not complying with the regime of floor rates, Government of India would be taking steps to withhold Central assistance and grants to such non-complying States/UTs. Similar action will be taken if any States or Union Territory does not withdraw sales-tax incentives for industries by 31st July, 2001.

(ii) It was decided that a Committee of State Finance Secretaries and officials of Finance Ministry would develop clear and measurable criteria for judging revenue loss, if any, due to introduction of VAT and would recommend the manner of compensation as well as the extent/quantum.

(iii) It was decided that the issue of levy of VAT on services would need to be studied further. Finance Ministry along with State Finance Secretaries would be taking into consideration the Govinda Rao and Parthasarathi Shome Reports, examine the feasibility and modalities of these suggestions and submit a report by 30th September, 2001. The levy of VAT on imports and commodities under AED would be examined separately by Government of India. These will not be a pre-condition for introduction of VAT.

(iv) State Finance Secretaries would supervise training and computerisation in the States for the purpose of introduction of VAT. Assistance will be rendered to the States/UTs by Government of India, modalities of which will be finalised in consultation with the Empowered Committee of State Finance Ministers.

(c) An apprehension was expressed that there might be revenue loss due to adoption of the VAT system.

(d) As per decision taken in the conference, a Committee of Finance Secretaries of six States and officials of Finance Ministry has

been constituted to develop clear and measurable criteria for judging revenue loss, if any, due to introduction of VAT and decide about the manner of compensation as well as the extent/quantum of compensation. The Committee is to submit its report by 30th September, 2001.