

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:22

ANSWERED ON:01.03.2002

VALUE ADDED TAX

BRAHMANAND MANDAL;VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that a decision, taken earlier for introduction of uniform value added tax across the country from April, 2002, has been postponed;
- (b) whether this is due to the differences between the Centre and the States with regard to the transfer of services to States for taxation purpose;
- (c) if so, the details in this regard and the steps being taken to resolve the differences; and
- (d) the extent to which the deferment has affected the industry and the revenue of the Government?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (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.22 DATED 01 MARCH 2002, BY S/SHRI VILAS MUTTEMWAR AND BRAHMA NAND MANDAL ON VALUE ADDED TAX:

(a) Yes, Sir. In a meeting held on 23rd January, 2002, Finance Ministers of States and Union Territories (UTs) decided to start implementation of the Value Added Tax (VAT) system in the States and the UTs with effect from 01 April 2003 instead of 01 April 2002. This was to enable completion of essential legislative measures as well as administrative action in areas like computerization, staff training, allaying apprehensions about the VAT system in certain sections of trade and industry, etc. It was also noted that this would help all States and UTs, including special category /newly formed States, introduce VAT simultaneously.

(b) : No, Sir.

(c): The Empowered Committee of State Finance Ministers is constituted to monitor the implementation of decisions, inter alia, relating to VAT and it has recommended, some measures to augment the revenues of the States for consideration of Government of India. The Government of India accordingly constituted two official-level Committees, including senior representatives of various States, to look into some important issues, one of which related to assigning powers to States to tax services. The report of this Committee has been received. The Committee has made suggestions to allay concerns of the States that introduction of VAT may lead to loss of revenue at the initial stages.

(d): There is no loss of revenue due to the deferment as the existing pattern of Sales Tax continues in all the States. However, Value Added Tax (VAT) system is acknowledged to be a more efficient and buoyant system of taxation than the existing system of Sales Tax in operation in the States and UTs.