

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

STARRED QUESTION NO:519  
ANSWERED ON:25.04.2003  
IMPACT OF VAT ON ESSENTIAL COMMODITIES  
VILAS BABURAO MUTTEMWAR

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether the Government have done any study about the impact of the Value Added Tax (VAT) on the prices of essential commodities on the implementation of the scheme w.e.f. 1.4.2003;
- (b) if so, the prices of the commodities which are likely to be effected as a result of the implementation of VAT scheme; and
- (c) the steps the Government propose to take in consultation with the State Governments to ensure that the prices of essential commodities are not increased?

**Answer**

MINISTER OF FINANCE & COMPANY AFFAIRS (SHRI JASWANT SINGH)

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

Statement in respect of Lok Sabha Starred Question No. 519 dated 25.4.2003 tabled by Shri Vilas Muttemwar regarding Impact of VAT on Essential Commodities.

(a), (b) & (c): As implementation of a VAT system, in lieu of existing Sales Tax system, is a State subject vide Entry 54 of List II (State List) in the Seventh Schedule to the Constitution such a study has not been undertaken. The prices of the commodities in a post VAT era would depend on the rate of tax. On the recommendations of the Chief Ministers' Conference held on 22nd June, 2000, an Empowered Committee of State Finance Ministers was constituted to deliberate on matters relating to implementation of VAT by the States/UTs. Any decision regarding classification of commodities and rate of tax applicable has to be taken by this Committee.