

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1552

ANSWERED ON:02.12.2005

VAT TERMS CONDITIONS AND REFERENCES

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

- (a): whether the Empowered Committee of State Finance Ministers on VAT is a society registered under the ambit of a statute;
- (b): if so, complete details thereof with main terms, conditions, references of the Committee;
- (c): whether the Empowered Committee is authorized to keep details of VAT including schedule of rates of all States/Union Territories;
- (d): if so, details in this regard, item-wise, State-wise; and
- (e): the details of steps taken by the Empowered Committee to get uniform VAT rates across all States, State-wise, item-wise?

**Answer**

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

(a) & (b): The Empowered Committee of State Finance Ministers (EC) was initially notified in the Gazette of India, Extraordinary, vide Resolution dated 17 July 2000, by the Government of India, Ministry of Finance, Department of Revenue, on the basis of recommendation in the Conference of Chief Ministers of all States/ UTs held on 22 June 2000. Later, on 17 August 2004, the EC has been registered as a Society, under the Societies Registration Act, 1860. The Terms of Reference of EC were the monitoring of

- (i) implementation of uniform floor rates of sales tax,
- (ii) phasing out of sales tax based incentive schemes, and
- (iii) reforms in the Central Sales Tax system and deciding milestones and methodology for States to switch over to VAT.

(c) to (e): The EC has finalized the tax rate structure under State VAT, through the process of consultations with the States. The tax structure aims at achieving broad uniformity amongst the States, with some flexibility to the States. There are broadly 4 tax rate categories, namely, 0% (tax exempt), 1%, 4% and 12.5%. In addition, there is a 20% floor rate of tax for items outside VAT. Over 500 items have been classified in these categories. Based on this broad structure, each State has finalized the tax rate structure, which forms part of the VAT law of the State concerned. Such VAT law (including the Schedules) has been notified by each State in the Official Gazette, for public information and have been publicized by the States in various other ways. The EC calls for the details of these Schedules from the States, as necessary from time to time, for deliberating upon various issues. The EC constantly monitors the position regarding implementation of uniform VAT rates by the States/ UTs.