

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2578

ANSWERED ON:16.03.2007

VALUE ADDED TAX

Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

- (a) whether Value Added Tax (VAT) is levied on tobacco and its products;
- (b) if so, details of VAT rates levied on each category;
- (c) whether the Union Government has implemented any tax related welfare measures in the last three years for the benefit of farmers and workers involved in the tobacco and other allied industries;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

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

(a) and (b): Tobacco and its products are presently subject to levy of Additional Excise Duty (AED) in lieu of Sales Tax, under the provisions of the Additional Duties of Excise (Goods of Special Importance) Act, 1957. The Constitution (Distribution of Revenues) No. 5 Order, 2005, which regulates the devolution of central taxes to the States under Article 270 of the Constitution of India, contains a proviso that if any State levies any tax or duty on sale or purchase of AED Goods in a year, no share shall be payable to that State in that year from the proceeds of the central taxes. In view of this, the States generally do not levy VAT on Tobacco and its products, although they have the powers to levy such tax under Entry 54 of the State List of the Constitution of India.

(c) to (e): The Ministry of Labour & Employment levies Cess on manufactured beedis and the proceeds thereof are used for taking measures for the welfare of workers engaged in beedi establishments. The welfare measures include providing assistance of Rs.40,000 for construction of house by a beedi worker, running of 4 hospitals and reimbursement of expenses in case of major ailments like heart disease, surgery, kidney transplantation, cancer, etc., providing scholarship to children of beedi workers, assistance for marriage of daughters of beedi workers, etc.