

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:1798
ANSWERED ON:16.07.2009
SALES TAX AND VALUE ADDED TAX ON ETHANOL
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the states that are producing ethanol in the country as on date;
- (b) whether different states are imposing different sales tax and value added tax on ethanol, which is hampering the production of green -fuel in the country;
- (c) if so, whether due to differential tax rates, the price of domestic ethanol is higher than the imported ethanol;
- (d) if so, whether Government has a proposal for levying a uniform tax on ethanol; and
- (e) if so, the details thereof?

Answer

MINISTER of STATE for PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

(a): The major alcohol/ ethanol producing states in the country are Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and Uttaranchal.

(b): As per Entry 54 of the List-II (State List of the Seventh Schedule of Constitution of India), taxes on sale or purchase of goods in a State is a State subject. The States have the power to decide on the nature and rate of tax on sale of ethanol. A statement detailing the different Sales Tax / VAT by different States is annexed at 'A'. While levying of Sales Tax/VAT at these levels does not directly hamper the programme, the levy of state excise duties and levies by certain States has affected the implementation of EBP programme in some States.

(c): The price of ethanol in the international and domestic markets depends on various factors of which tax rates is one.

(d) & (e): The Department of Food & Public Distribution made a proposal to the Ministry of Finance relating to the formulation of policy for promotion of ethanol as a bio-fuel on their part and to include ethanol in the list of `declared goods` (or) `goods of special importance` which would serve the objective of levy of Sales Tax / VAT by States at a rate not exceeding 4%. An Empowered Committee of State Finance Ministers had been constituted to deliberate on matters relating to Sales Tax systems in the States, including the switchover to Value Added Taxation based system in place of the earlier sales tax systems. As inclusion of ethanol in the list of declared goods would have revenue implications for the States, the proposal was forwarded to the Empowered Committee of State Finance Ministers for consideration. Ministry of Finance has indicated that it may not be feasible to carry out any amendment in the Central Sales Tax Act 1956, if the same is opposed by the States.

Annexure 'A'

Statement detailing the Sales Tax / VAT imposed by different States on Ethanol

VAT

4% in Bihar, Karnataka, Maharashtra.
5% in Gujarat
8.5% in Tamil Nadu.
12.5% in Andhra Pradesh

CST @ 2% for inter-state
movement Punjab, Haryana, Delhi, Rajasthan, Goa, Chhattisgarh,
M.P., Kerala, Jharkhand, Orissa, West Bengal