

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:253
ANSWERED ON:03.07.2009
VAT RELATED COMPENSATION
Reddy Shri Magunta Srinivasulu

Will the Minister of FINANCE be pleased to state:

- (a) the amount of VAT related compensation yet to be given to State Governments, State-wise;
- (b) whether the Government has targeted 1 April, 2010 to implement the system of `Goods and Service` tax;
- (c) if so, the details thereof;
- (d) whether the Government has released payment of the truncated VAT related compensation to all the States fully; and
- (e) if not, the reasons therefor?

Answer

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

(a) As per the applicable guidelines in force prior to the recent amendment dated 09.06.2009, VAT related compensation is yet to be given for 2 States only, namely, Maharashtra for an amount provisionally assessed as Rs.2,052.40 crore and Delhi for an amount provisionally assessed as Rs.703.48 crore.

(b) & (c): The Government had announced through the Budget Speech for 2006-2007 its policy intent to introduce an integrated Goods and Services Tax (GST) with effect from April 01, 2010.

The Central Government and Empowered Committee of State Finance Ministers (EC) are jointly working for finalizing the design and a roadmap for introduction of GST accordingly.

(d) & (e): The Government of India is not aware of any such term as `truncated VAT related compensation`.

VAT related compensation has been fully released to all the States, except Maharashtra and Delhi, to the extent of the respective provisionally assessed amounts, as per the guidelines in force prior to the recent amendment dated 09.06.2009.

The release of VAT related compensation to Maharashtra and Delhi is pending for want of related AG audit reports and requisite information from the respective State Governments.

Also, some of the States are likely to have become eligible for additional VAT related compensation as a result of the recent amendment dated 09.06.2009 to the applicable guidelines. The release of such additional VAT related compensation to the eligible States is pending while the process of calculations and approvals gets completed duly.