

>

Title: Need to withdraw Value Added Tax (VAT) on Tobacco and Tobacco products.

SHRI S.K. KHARVENTHAN (PALANI): Tobacco is an important agricultural product in this country. It is fetching very good income to Government of India by way of export. The tobacco growing farmers are also getting good income through this commercial crop. Lakhs of workers are directly involved in manufacturing, curing tobacco leaves and other allied tobacco products. Thousands of major and small industries are running in this field throughout the country.

In the recent Enactment of Taxation Laws (Amendment Act) 2007 by Union of India the tobacco has been shifted from the list of "Declared Goods" and thereby the State Governments are empowered to levy Value Added Tax on tobacco @ 12.5%. This proposal affects the various exemptions already granted by the Government of India to un-manufactured and manufactured tobacco products. By notification dated 1-3-1979, the manufactured tobacco was completely exempted from the whole of duty of excise leviable under the Central Excise Act 1944 and the Additional Duties of Excise Act 1957. The above age old exemptions given by Government of India for the welfare of poor agricultural families is withdrawn by imposing Value Added Tax on unmanufactured tobacco which is an agricultural produce.

The Small Scale Industries involved in this field were granted exemption for their survival from the payment of all types of duties but now these are subjected to the levy of 12.5% VAT, by the State Governments.

The imposition of Value Added Tax on tobacco and allied products in all forms will affect poor farmers, labourers, dealers and others involved in this field.

Hence, I urge upon the Government of India to issue suitable direction to all State Governments not to impose Value Added Tax on Tobacco and its products.