

Delhi govt might increase VAT on petrol, fizzy drinks, liquor

Be prepared to shell out more for petrol, aerated drinks, tobacco and liquor among other products in Delhi. The Arvind Kejriwal government on Monday tabled an amendment Bill in the Assembly proposing to raise value-added tax (VAT) on these items up to 30 per cent, against the current rate of 20 per cent.

The Delhi VAT (Second Amendment) Bill, 2015, tabled by deputy chief minister and finance minister Manish Sisodia, seeks to arm the Kejriwal-led government with an enabling provision of imposing VAT on 11 categories of items anywhere in the range of over 12.5 per cent and up to 30 per cent against the flat rate of 20 per cent at present.

Sisodia said, "The Amendment in VAT act will give flexible VAT. The government needs this flexibility to implement similar tax policy with neighbouring states."

The reasons given in the Bill state that the amendment is aimed at augmenting the revenue receipts of the finance department in view of recent shortfall in overall collections.

The 11 categories of items include petrol and other petroleum products such as naphtha, aviation turbine fuel, furnace oil, etc. It would, however, spare cooking gas (both liquefied petroleum gas and piped natural gas), compressed natural gas, and kerosene from any such hike. Besides petroleum products, the items that might come under high VAT are liquor of various kinds - foreign, Indian-made foreign liquor, country etc - and 'bhaang'.

Aerated drinks, tobacco, gutkha, bidis and watches costing above Rs 5,000, brake fluid, lottery tickets and molasses might also draw higher rates.

It should be noted that the amendment Bill came just four days after the government refrained from raising VAT rates in the Budget. In his Budget speech on June 25, Sisodia had said: "We do not want to alter tax rates without due thought and analysis... We wish to collect and mine data, do data analytics, have multi-level consultations and studies before proposing modifications in the rate regime."

The Budget had proposed imposition of tax on cable TV, DTH, raising of entertainment tax on cinema halls, and levying of entry tax on diesel-driven tempo and trucks as an interim measure.

This, along with buoyancy of tax collections, would result in 9.8 per cent increase in tax receipts of the state at Rs 34,661 crore in 2015-16 against Rs 31,571 crore of the Budget Estimate (BE) in the previous year. However, in terms of comparison to the Revenue Estimate at Rs 27,670 crore for 2014-15, the receipts would jump by 25.3 per cent.

The Budget had projected a fiscal deficit of Rs 417 crore for the current financial year, against surplus of Rs 2,015 crore in BE and deficit of Rs 354 crore in revised estimates of 2014-15.

The amendment Bill also seeks to provide relief to traders. If traders don't give the information about the change in their businesses to the government on time, they will be fined Rs 200 a day subject to an upper limit of Rs 25,000, against Rs 500 a day at present.

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