

Madhya Pradesh govt to slash VAT on ATF to 5 per cent

Chief Minister Shivraj Singh Chouhan has announced to slash value added tax (VAT) on aviation turbine fuel (ATF) from 23 per cent to five per cent in the state and said that relevant order would be issued soon in this regard.

After West Bengal, Madhya Pradesh will be the fourth state in India to offer cheaper aviation fuel in the country. The local industrialists have hailed the decision and said, "It would sooner or later make Indore a parking hub for flights ferrying all destinations," Gautam Kothari, president of Pithampur Audyogik Sangthan said.

The Tata group company officials had a high-level confidential meeting with the state industry minister Kailash Vijayvergiya earlier this month. The minister later said, "They (Tatas) have some aviation plans for Madhya Pradesh," however he did not divulge the plans.

The announcement, among industries, is seen as indicator that Air Asia may start operations from Madhya Pradesh since Chouhan announced the ATF cut during foundation laying ceremony of a software development campus of Tata Consultancy Services (TCS) in Indore the other day.

The Malaysian budget airlines has partnership with Tata Sons. Sanchi, Khajuraho and Orchha are major tourist attraction from countries like China, Taiwan, Singapore and Japan, besides Indore being a major corporate destination.

"The decision has been taken in view of the demand from various aviation companies," a government source said. Though it is very late on part of Chouhan to announce the slash in ATF (rate cut) as many companies and business chambers had a long pending demand to cut ATF. The significant slash, according to an industry observe, would attract more flights to Madhya Pradesh, particularly those who want to park their aircrafts in Indore and Bhopal. "Aviation fuel cost nearly 40 per cent of the operation cost for an aviation company," said the observer.

Madhya Pradesh, as of now, is among the costliest states for ATF due to high taxes. The 5 per cent tax option is likely give boost to Indore, Bhopal and Khajuraho on every airline's radar. The inconspicuous Raja Bhoj airport in Bhopal has about 13 flights a day that mostly ferry Mumbai and Delhi, while Devi Ahilya Bai Holkar Indore has 22 flights a day covering Pune, Nagpur and Jaipur also besides Mumbai and Delhi.

Bagdogra, West Bengal is the country's first airport to waive sales tax completely. At present, Ranchi and Raipur levy 4 per cent sales tax on ATF.

Tata Consultancy Services is setting up a software development campus here with an investment of Rs 500 crore in two phases, which state Chief Minister Shivraj Singh Chouhan said will help Madhya Pradesh emerge as a new sought-after location for IT companies.

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