

Value-added tax to be levied on sugar, textiles from April

Come April, and you may have to pay more for sugar and textiles.

All the States have arrived at a consensus to levy the Value Added Tax (VAT) on these two items from April 1, 2012.

The Centre had allowed them to levy it from April 1, 2006 in lieu of additional excise duty (AED) on sugar and textiles. But some States withdrew the tax after opposition by the traders. At present only Andhra Pradesh imposes the local tax on both sugar and textiles, while Delhi levies on textiles only.

The rate on both the items will be the floor rate of VAT. It means the rate could be 4 per cent in some of the States and 5 per cent others.

When asked if the tax could increase prices, the Chairman of the Empowered Committee, Mr Sushil Kumar Modi, said that important thing is to mobilise money to fulfil the needs of development.

The view emerged during the meeting of empowered committee of States' Finance Ministers.

Mr Modi said, "Now each State on its own will decide whether to levy VAT on any or both the items or not. But the fact is that they need resources." Handloom and Khadi among the textiles will be exempted.

But as long as the States continued to get one per cent additional share in total tax collected by the Centre, they were not worried. Now, however, the 13th Finance Commission has suggested not to give them this additional share. That is why they have agreed to levy VAT, Mr Modi added.

VAT on gas

Meanwhile, the States are not willing to give up their right to impose VAT on natural gas and re-liquefied natural gas (RLNG). The Prime Minister's Office (PMO) wanted to bring to these two under the category of 'declared goods'. That would mean that the rate of tax all over the country will not be more than 4 per cent. The States at present levy VAT between 5 and 12 per cent.

The Empowered committee has also expressed concern over the rate of growth of revenue from VAT and non-VAT sources coming down to 20 per cent during the first six months of the current fiscal.

Three sectors, motor vehicles, construction (especially steel and cement) and petrol are the reason for this. The high interest rates have brought down vehicles sales while higher price has affected the petrol consumption, Mr Modi said.

With revenues declining, the States want the Centre to expedite the process of compensation for reduction of the central sales tax (CST). The Centre has provided Rs 12,000 crore for compensation in the Budget. However, only Rs 909 crore has been

released so far and that too as last year's dues.

(The Hindu)