

[12 May, 2005]

RAJYA SABHA

unprecedented snowfall followed by heavy rains and avalanches in the State of J&K in the month of February, 2005. Such a natural calamity has occurred in J&K for the first time since independence. This caused heavy losses to life and property. It has been report that more than 300 persons lost their lives while 28,787 houses were entirely destroyed. Besides, 91,780 hectares of cropped area, 103,100 hectares of horticulture land were damaged and there were loss of animals and livestock also. Many road and bridges have been badly damaged and power sector has also been damaged. The losses have been manifold. I must praise the role played by Defence personnel and other security forces for providing all possible help to rescue lives. I also appreciate the Central Government for sending a Central Team to J&K to assess the losses and providing adequate assistance for the calamity. The assistance provided to the families who suffered is not sufficient, keeping in view very heavy losses. I would, therefore, urge upon the Government to announce immediate special package to help all the affected persons by rehabilitating them.

The Bihar Value Added Tax Bill, 2005

MR. DEPUTY CHAIRMAN: Now, we will take up the Bihar Value Added Tax Bill, 2005. Mr. P. Chidambaram to move the Bill.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I beg to move:

"That the Bill to consolidate and amend the law relating to levy of tax on sales or purchases of goods in the State of Bihar and to provide for matters connected therewith or incidental thereto, as passed by Lok Sabha, be taken into consideration."

Sir, the Bihar Value Added Tax Bill, 2005 seeks to consolidate and amend the law relating to levy of tax on sales or purchases of goods. This is a State level Value Added Tax which replaces the sales tax being levied earlier. Tax on sale or purchase of goods is a State subject under entry 52 of the State list. As part of the tax reform process it was decided in the Conference of Chief Ministers held in November, 1999 to introduce VAT. An Empowered Committee of State Finance Ministers was also constituted to monitor the process of introduction of VAT. The Empowered Committee on 18th June, 2004 recommended that State level VAT should be implemented with effect from 1st April, 2005.

Twenty-three States and UTs have already introduced the State-level VAT. The remaining States and UTs are expected to introduce it shortly.

The Governor of Bihar promulgated the Bihar VAT Ordinance on the 4th March, 2005. Accordingly, the VAT has been introduced in Bihar w.e.f. 1st April, 2005.

On 7th March, 2005, the State of Bihar came under President's Rule Article 356 of the Constitution. As per this Article, the powers of the State legislature of Bihar shall be exercisable by or under the authority of Parliament. Therefore, the Bihar VAT Ordinance has to be replaced by an Act to be passed by Parliament.

Sir, the VAT is a modern, simple and transparent tax system which has been found beneficial throughout the world. This is a single most important tax reform undertaken in India.

I would urge the hon. Members to pass the Bill. Thank you.

The Question was proposed

SHRI PENUMALLI MADHU (Andhra Pradesh): Sir, now, this is one of the most important subjects which is under serious discussion. There are many assurances given by the Empowered Committee which have not been implemented. Many traders, from different parts of India, are trying to seek some clarifications from the Government. Hence, I request the hon. Minister, in this connection, with the experience that we have had over the implementation of the Act during the last forty days, to have a dialogue with different trading sections on some of the issues which have very much debated. I would like to bring three or four issues, through you, in this connection, before the Government.

Against the commitment made in the White Paper, petrol and diesel continue to be taxed under the Sales Tax Act. The Empowered Committee has recommended for uniform floor rate - 20 per cent. As against this, the rate of tax on these items differs from State to State. In Haryana and Punjab, it is less than 10 per cent. In Delhi, it is 12.5 per cent. In Maharashtra, it is 37 per cent. And, In many States, it is 20 per cent. This anomaly is to be rectified. This is the first point.

The second point is this. The Empowered Committee assured that the Central Tax would also be phased out. But the Government has still not phased out the Central Tax. It was also assured that the prices, in general, would come down. But, after April 1, in a number of States, on a number of items, the prices have gone up. Just now I have got a message from the State of Andhra Pradesh.

In the Kurnool market of Andhra Pradesh, 15,000 quintals of *dal* used to be sold. But, during the last one month, not even one quintal dal is sold. In Andhra Pradesh, *dals* come under taxation, whereas in the neighbouring State of Karnataka there is no taxation, it is zero. So, the market is going from the State of Andhra Pradesh to be State of Karnataka.

The entire country can be divided into two categories-the producing States and the consuming States. The States like Maharashtra, Gujarat, West Bengal, Tamil Nadu, Karnataka, Punjab, Haryana, etc. come under the category of producing States. Rest of the States are all consuming States.

After the implementation of the VAT in Andhra Pradesh, the rates of all the electrical goods, which are coming from other States, have gone up. The Empowered Committee had assured that after the implementation of the VAT the prices of different commodities would go down. But, contrary to that, in the State of Andhra Pradesh, the prices of commodities have gone up. It had also been assured by the Empowered Committee that the tax structure would become simple. But, the last forty days' experience, after April 1st, shows that the tax structure has become more complicated. The Government has still not come out with a final rate of tax. The rate of tax on capital goods, on life-saving drugs is still not known. The final list of tax-free items, and items having 4 per cent ratio of tax, is still awaited. *(Time-bell)* I would like to draw the attention of the House towards the fact that it is creating a very confusing situation. Without adequate administrative steps, the State Governments have hastily implemented the VAT. As a result, there is an atmosphere of confusion not only among traders, but also among general public. So, I request the hon. Minister to have a dialogue with different States. The situation is very much confusing because some States are implementing it, while some States are not implementing it; some States are consuming States, while some States are producing States.

MR. DEPUTY CHAIRMAN: Please conclude.

SHRI PENUMALLI MADHU: Okay, Sir. The consuming States are very much over-burdened, while the producing States are a little bit benefited because of this tax structure. So, I would like to request the hon. Minister to give a serious thought to the last 40 days' experience, and remove the anomalies that are very much disturbing the trading community. My experience has been that during the last fifteen days the traders and the common man have been very much agitated.

MR. DEPTUY CHAIRMAN: Please conclude.

SHRI PENUMALLI MADHU: Our State is an agriculture-producing State. We are not industrially developed. We are not industrially developed. In such States, it is causing much more difficulty. Sir, when we are adopting the Bihar VAT Bill, 2005, taking into consideration all those things and experiences, some modifications ought to be done. Without taking such steps, it will create much more confusion, and, to avoid that confusion, I would request the Minister to come out with some systematic proposals. With these words, I thank you once again for having given me the opportunity to speak on this Bill.

SHRI JAIRAM RAMESH (Andhra Pradesh): Mr. Deputy Chairman, Sir, I thank you for giving me the opportunity to speak. Sir, while rising to support the Bihar VAT Bill, I would like to raise four, five issues on VAT. Mr. Madhu has touched some of the points. In sequence of the points that I wish to raise, let me begin with the issue of VAT tax rates. Now, the White Paper issued by the State Finance Ministers mentions four tax rates, namely, 0%, 1%, 4% and 12.5%. Sir, my first query to the Finance Minister is whether these four rates are, in fact, now frozen. Whether there are other rates that have come into being, and, as has been the case in the last few weeks, and, going back on earlier commitment, whether for the same product, for the same commodity, you have different VAT rates in different States leading to considerable consumer confusion, as pointed out by Mr. Madhu.

Sir, the second ambiguity that still arises is on the issue of other taxes. As we all know, VAT really is a substitute of State Sales Tax in Phase I. But the question is what happens to the turnover tax, what happens to surcharge, additional surcharge, special additional tax, entry tax, and octroi

tax. Is there a roadmap on this except an exhortation that over a period of time other taxes would stand abolished? I think there is some concern that what we are seeing right now is really a substitution of Sales Tax by VAT with a lot of ambiguity and confusion on what the ultimate fate of these other taxes is going to be.

Sir, the third issue that is directly under the control of the Central Government, of course, is the phasing out of the Central Sales Tax; the revenue to different States having crossed almost Rs. 15,000 crores on last account. It is well known that the Central Sales Tax is iniquitous, it is not a progressive tax because the richer States stand to gain from the Central Sales Tax. Maharashtra gains, Karnataka gains, Tamil Nadu gains, and, the poorer States do not gain. So, from the point of view of fiscal federalism also, phasing out of the Central Sales Tax would not only be a major element in the milestones of introduction of VAT, but also introduce a badly needed amount of progressivity in the fiscal federal system. I wonder whether the Finance Minister cares to comment on the phasing out of the Central Sales Tax. I know he has repeatedly talked about the timeframe for compensating States on perceived revenue losses; 100 per cent, 75 per cent and 50 per cent spread over a period of three years but I don't see a similar sequencing and roadmap as far as the phasing out of the CST is concerned. Sir, there is then issue on VAT on imports. Is there some thought being given to bringing in imports into the VAT chain? Right now, it is not. Whether, in fact, at some stage, VAT on imports is going to come in the VAT chain?

Sir, my most important point really I have left to the end, is that central to the success of this transition that we are making at the State level from Sales Tax to VAT is an information system. In fact, we are not going to be able to abolish the Central Sales Tax till a Taxation Exchange Information System envisaged by the Finance Minister is actually put in place. The Finance Minister has talked about it in the Budget; he has talked about it on different occasions in response to a query I had raised in this House some weeks ago. Right now, there are three information systems that are being built. There is the VAT Information System, there is the Excise Information System, and, there is the Income Tax Information System. Ultimately, all these three systems have to talk to each other, derive information from each other and feed on each other. Right now, there is, as I have said, a considerable amount of doubt as to what exactly are the

technical and system configurations of all the three information systems. The deadlines have been rolling and we have seen this in successive meetings of the Standing Committee, we keep on getting assurances that the information system is actually going to be put in place. But, the fact of the matter is that even on simple things like PAN, the full information system is really not in place. So, I would like to ask the Finance Minister, given the fact that he recognises the centrality of the information systems, what he is doing on the taxation information exchange system, specifically, as it relates to VAT, but, more importantly, on the question of integration of excise, IT, Income Tax and the VAT information systems. I have been looking for a document, which gives me, if I want to say a better word, a vision document on computerisation of these three areas. I am yet to get it. I am really at a loss to understand what is it exactly that we are doing. We are the world leader in IT. But, we don't seem to be showing the same degree of leadership on IT applications in these three areas.

Finally, Sir, let me just say that the Finance Minister of the Union of India is in a very happy position, because, if this transition on VAT is successful, he can claim credit for it. He can say that he has provided the leadership. And, if the going gets bad, he can always say that this is a State subject. This is only a State Sales Tax that is being replaced by VAT. I hope that the Finance Minister does not resort to this excuse that this is a State Sales Tax being replaced by VAT, but actually demonstrates the leadership that is required to address some of the issues that Mr. Madhu has raised. Thank you.

श्री उपसभापति : श्री मंगनी लाल मंडल, आपके 5 मिनट हैं।

श्री मंगनी लाल मंडल (बिहार) : महोदय, मैं तो वैसे ही कम समय लेता हूँ।

महोदय, बिहार मूल्यवर्धित कर विधेयक, 2005 का मैं समर्थन करने के लिए उठा हूँ। समर्थन इस हैसियत से भी कि मेरा दल यू0पी0ए0 का अंग है और समर्थन इसलिए भी कि मैं बिहार से आता हूँ। जैसा कि माननीय वित्त मंत्री जी ने स्वयं कहा है कि एक अप्रैल से बिहार में मूल्यावर्धित कर प्रणाली लागू है, क्योंकि महामहिम राज्यपाल ने एक अध्यादेश प्रख्यापित किया है, जिसका स्थानापन्न यह विधेयक कानून बनकर लगा और मूल्यवर्धित कर प्रणाली बिहार में लागू रहेगी। महोदय, बिहार एक गरीब राज्य है और अपना आंतरिक संसाधन नहीं है। बिहार के बंटवारे के बाद उसकी स्थिति और दयनीय हो गई कि जो खदान में, माइंस से जो रायल्टी और से आता था, वह झारखंड में चला

गया। भारत सरकार ने आश्वासन दिया था कि बिहार को इसकी भरपाई की जाएगी। लेकिन जब झारखंड राज्य बना तो झारखंड में टैक्स हॉलीडे मनाया जाने लगा और बिहार पर इसका दुष्परिणाम होता रहा। यह जो बिक्री कर हैं, राज्यों का कानून है और हर राज्य में कानून में अलग-अलग प्रावधान किया गया और जो प्रतिस्पर्द्धा राज्यों में होती थी, उससे जो गरीब राज्य रहा है, उसकी वित्तीय स्थिति पर बड़ा असर पड़ता था। बिहार बंटवारे के बाद भी झारखंड में कई मामलों में सेल्स टैक्स में जो कंसेशन दिया गया, उसके चलते भी हमारे यहां कुछ दुष्परिणाम हुआ। महोदय, हमारे यहां बंटवारे के बाद सबसे ज्यादा यदि हमारा कोई आंतरिक संसाधन है तो वह है कॉमर्शियल टैक्स, दूसरा संसाधन नहीं है, वन से था, जो झारखंड में चला गया। सेस, रायल्टी पाईस से आता था वह झारखंड में चला गया। इसलिए हमारे यहां सबसे ज्यादा कॉमर्शियल टैक्स है। अब इस कॉमर्शियल टैक्स से हमारा बाजार बड़ा है, गरीबी है, लेकिन बिहार की जनसंख्या ज्यादा है। जो बाजार हमारा ज्यादा है। जो इस बार बिहार के लिए बजट पेश हुआ है 25 हजार करोड़ का उसमें जो हमारा सेल्स टैक्स का योगदान है महोदय यह बजर एस्टीमेट में 2356 करोड़ 30 लाख का अनुमान किया गया है। अब संग्रह कितना होगा, मोबिलाइजेशन कितना होगा, वह बात अलग हैं लेकिन पिछले साल जो संग्रह ऊआ था वह 25070 करोड़ हुआ था इसलिए अनुमान लगाया जा सकता है कि सरकार प्रयास करेगी तो होगा। महोदय, आंतरिक संसाधन नहीं रहने के कारण यह मल्य वर्धित कर प्रणाली लागू होने से राज्यों में प्रतिस्पर्द्धा है और जो बातें श्री जय राम रमेश जी ने बिक्री कर के बारे में कही हैं, वह ठीक हैं कि सरकार ने कहा है कि केन्द्रीय बिक्रो कर हम दो वर्षों में समाप्त करेंगे, इस दिशा में प्रयास करेंगे, लेकिन इससे करों में एकरूपता नहीं होगी, मूल्यवर्धित कर से कर प्रणाली की एकरूपता होगी। यह जो मल्य वर्धित कर प्रणाली है, इस प्रणाली को एक रूप, समरूप बनाने का प्रयास इसलिए किया गया है कि अलग-अलग राज्यों में अलग-अलग कानून होने के कारण और अलग-अलग राज्यों में अलग-अलग टैक्सों में रियायत देने के कारण और जो टैक्स होली डे होता था, जो गरीब राज्य होता था, गरीब राज्य पर जो मासर पड़ती थी, उस मार से बचाने के लिए प्रयास किया गया है। करीब-करीब सभी राज्य इससे सहमत हो गये हैं।

महोदय, इसमें चार अनुसूचियां बनाई गई हैं। इन चार अनुसूचियों में एक, दो, चार और साढ़े बारह परसेंट का जिक्क श्री जय राम रमेश जी ने अभी किया। यह जो धारा 7 है, धारा 7 में जो वस्तुएं हैं, उन पर टैक्स नहीं लगाया गया है और धारा 7 के अनुसार 38 ऐसे विषय हैं, जिसमें टैक्स नहीं लगाया गया है। इसमें रॉ-सिल्क का भी उल्लेख किया गया है। यह बात ठीक है कि भागलपुर का जो सिल्क है, वह नामी है और सारे देश के बाजार को कवर करता था, लेकिन एक बात यह भी है कि हमारे यहां रॉ-सिल्क बाहर से आता है। यह पालिसी जिन राज्य सरकारों ने लागू नहीं की थी, तो उनको कहा जाता था कि तस्करी से आता है, लेकिन आज तस्करी का रूप नहीं दिया गया है।

नेपाल हमारे यहां बगल में है, नेपाल के माध्यम से आता था। ऐसा नहीं हो कि इसमें छूट देने से बिहार रॉ-सिल्क का डम्पिंग ग्राउंड बन जाये और वहीं से मार्केटिंग दूसरे प्रदेशों में हो और बिहार को जो लाभ मिलना चाहिए, वह लाभ न मिले, इसलिए मैं माननीय वित्त मंत्री जी से आग्रह करूंगा कि इसको दिखवा लिया जाये कि इससे बिहार को फायदा होगा या नहीं होगा अगर फायदा होगा तो ठीक है। इसी तरह से एक और रॉ ऊन के बारे भी कहा गया है। इसके अलावा धारा 14 में एक परसेंट टैक्स लगाया गया है और जो एक परसेंट टैक्स लगाया गया है, उसमें यह नहीं बताया गया है कि एक परसेंट टैक्स क्यों लगाया गया है। जैसे गोल्ड है, शैडयूल्ड-2 में वन परसेंट के हिसाब से लगाया गया है। गोल्ड है या सिल्वर है, जो महत्वपूर्ण सामग्रियां हैं। उनमें तीन आइटम्स हैं। इन तीन आइटम्स पर एक प्रतिशत पर एक प्रतिशत के हिसाब से कर लगाया गया है। ये विसंगतियां हैं। मैं माननीय वित्त मंत्री जी से निवेदन करूंगा कि वह अपना उत्तर देते समय बतायेंगे कि क्यों किया गया है। फिर शैडयूल्ड तीर में चार परसेंट के हिसाब से टैक्स लगाया गया है, मैं समझता हूं कि जब माननीय वित्त मंत्री जी जवाब देंगे। इसमें जो कमोडिटीज़ हैं, वह 85 हैं। हम इसके बारे में जानना चाहेंगे। जो इनमें शामिल हैं, उस पर साढ़ेबारह परसेंट टैक्स है। महोदय, इन विसंगतियों के बारे में हम जानना चाहेंगे कि क्या स्थिति है? ... (समय की घंटर) ... और क्यों ऐसा किया गया है? इन्हीं बातों के साथ मैं, इस विधेयक का समर्थन करता हूं। धन्यवाद।

SHRI P. CHIDAMBARAM: Mr. Deputy Chairman, Sir, I am grateful to hon. Members for the interest they have taken and the type of study they have made of the provisions of the Bihar Value Added Tax Bill, 2005. Sir, it is not necessary to dwell on the philosophy behind VAT. Let me briefly answer the questions raised by hon. Members. Firstly, Sir, the Empowered Committee is a nearly permanent Committee. It meets very often. It has met so far, think, 82 times in the last 7 years. Last time, it met on 26th of April. The Chairman of the Empowered Committee is someone, who, I believe, Shri Penumalli Madhu knows very well, Dr. Asim Das Gupta. He has travelled through the length and breadth of this country, has held meetings with the State Governments, traders, industrial associations, and his doors are always open. State Finance Ministers, cutting across party lines, have supported VAT and promoted VAT in the last 7 years. State Finance Ministers are open to dialogue. In order to assist the States, we have set up an Expert Committee, under Dr. Govind Rao. The Expert Committee is willing to travel to any States to assist the State Governments in holding a dialogue. If any section of the traders wishes to hold a dialogue, all that Shri Madhu has to do, is to direct them to meet either the State Finance Minister, or, the Empowered Committee, or, if necessary,

officers of the Central Government, dealing with VAT, and we are always open to a dialogue with traders, to allay their apprehensions. But the bottom line must be, 'how to implement the VAT and not how to scuttle VAT'.

Sir, petrol and diesel are not included in the VAT regime. Supposing VAT had not come into force, was there a uniform rate across the States? So, this disparity in rates was already there. VAT did not introduce the disparity. Because the Empowered Committee could not persuade themselves to bring petrol and diesel under the VAT regime, they have adopted a Uniform Floor Regime, under which the UFR for petrol is 20 per cent and the UFR for diesel is also 20 per cent. It is being brought to the notice of the Empowered Committee that some States are violating the UFR. The Empowered Committee is seized of the matter, and the Empowered Committee will recommend suitable action in spite of States which are violating the UFR. Mr. Madhu said: "When will CST be phased out?" Now, CST is a revenue that accrues to the States. States are loath to give up the revenue. CST is not consistent with VAT. CST has to be phased out and CST will be phased out. But the Empowered Committee has said: "We are making a major tax reform in this country, how much can we handle at the same time?" So, let us introduce VAT this year, 2005-06, and in the course of this year, we will decide about phasing out of VAT or phasing out of CST in the next two years. In fact, they have decided that the CST rates will be brought down to 2 per cent in 2006-07 and to zero per cent in 2007-08. But this is a matter on which I have to go by the judgment of the Empowered Committee.

Sir, Mr. Madhu said that prices have gone up. He mentioned *dal*. But all that he had mentioned was that there were no sales of *dal*. He did not say that the *dal* prices had gone up. He said that electric goods prices had gone up.

Now, foodgrains and pulses, according to the Empowered Committee, are to be taxed at four per cent. However, the Empowered Committee has given an option to the States to exempt them from tax for one year. In a transition year, there will be difficulties. How does one expect that all the problems will be resolved in forty days or in two months? This is a major change and, I think, one must have the patience, the fortitude and the staying power to bear with these little difficulties until the system

stabilizes, if the prices are going up, one cannot immediately attribute it to VAT. Prices can go up for a variety of reasons like short supply, input prices going up, other taxes impacting prices. Therefore, prices going up on any particular commodity does not immediately lead to the conclusion that it is caused by VAT. At the same time, prices going down cannot also be attributed only to VAT. Prices can go down for a variety of reasons. I think we must allow time.

श्री मूल चन्द मीणा: सर, लोगों में तो यही मैसेज जा रहा है कि वैट की वजह से प्राइसेज बढ़ रहे हैं।

SHRI P. CHIDAMBARAM: But, first, we must instruct ourselves on why prices go up and why prices go down before we can convey it to our constituents. Forget VAT. When sales tax has been there for 57 years in this country, did not prices go up and prices come down? The Empowered Committee will look at any abnormal price increases caused by VAT or by a misapplication of VAT, and we will take remedial measures.

Mr. Madhu said that some States are producing States and some States are consuming States. That is true. But that is also true in the sales tax regime. Now, VAT is believed to be favourable to producing States. Well, I don't share that philosophy, although a number of economists, I agree, appear to think that VAT favours producing States. But if Karnataka and Tamil Nadu are producing States of certain types of goods, Andhra is a producing State of other types of goods. No State can be an entirely consuming State. So, I think, we must allow the system to settle down. Difficulties will be there. I have cautioned everybody; there will be difficulties in the first few months, or, maybe, a whole year. But we must have the patience and the fortitude to go through this transition period.

Sir, Mr. Jairam Ramesh asked me, "Are the VAT tax rates four?" For the present, there are four rates. The Empowered Committee is not contemplating any other rate. In fact, there are two basic rates, four and twelve-and-a-half per cent. One percent is, really, an exceptional rate. The zero per cent is not a rate. It is a nil rate. We cannot count zero as a rate. One per cent is an exceptional rate on gold and silver. All other State level taxes on goods are to be eliminated once VAT has come into force except entry tax in lieu of octroi. That is the only tax that is not subsumed in VAT because it is under a different entry of the Constitution. So, entry tax in

lieu of octroi has a history of its own. It is under a different entry of the State list. That tax alone is not to be subsumed under VAT. But every other tax will be eliminated or should be eliminated after VAT is introduced. If States are violating this discipline, the Empowered Committee will take or will advise suitable action.

SHRI JAIRAM RAMESH: What is the time limit?

SHRI P. CHIDAMBARAM: Immediately. According to the White Paper, all other taxes are to be subsumed under VAT (*Interruptions*)... Most States have done. There could be one or two States which are violating on one or two taxes. But the Empowered Committee is looking at every State, and obliging every State to fall in line.

As I have already said, the road map for CST phasing out, as indicated by the Empowered Committee, is half next year and half in the year thereafter. VAT on imports is not constitutionally permissible. VAT is a tax under Entry 54, List-II, of the Constitution. So, that tax can't be imposed on imports. On imports only the Central Government or the Parliament can levy a tax. So, VAT on imports is constitutionally impermissible, unless we move to a national VAT. That is another issue. Because VAT on imports is impermissible, I had taken the power in the last Finance Bill to impose a countervailing duty to countervail VAT on certain duties where the import duty is zero per cent. We will apply it selectively. But VAT on imports is not permissible.

On IT application, one of our best companies, is the service provider. The project is known as "TINXSYS". It is a pilot project where 12 States are participating. The pilot project will be implemented by the end of the June or mid-July. Once the pilot project is implemented by July, "TINXSYS" will be extended throughout the country and fully operational by 31 st March, 2006. My information is that there is no slippage. The schedule is 18 months from placing the order by the Empowered Committee. The order was placed in October, 2004 and, therefore, as of now, the service provider is on schedule, and we will complete the computerisation in time.

Why is there one per cent VAT on gold? It is because there was no uniform sales-tax on gold. Gold, precious stones and similar goods have a special place in India. I need not explain it. But it has also the potential for revenue. After discussing the matter, the Empowered Committee came to

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the conclusion that one per cent VAT on gold and other articles would be an appropriate rate of duty. As I said, it is an exceptional duty. But it is on an exceptional product. Gold can never be compared with any product in this country, especially, because there is a sentiment attached to gold jewellery and gold.

I did not know that the Finance Minister of the Union of India, especially, the Finance Minister belonging to the Congress Party, had the luxury of blowing hot and cold. Mr. Jairam Ramesh made that suggestion. I respectfully decline that suggestion.

Sir, I think, I have answered most of the questions. If there are problems on VAT, as I said, the Empowered Committee is here to help solve those problems. The Central Government is here to facilitate the Empowered Committee. This is the best example of fiscal federalism and cooperative federalism. A new mechanism is being devised to bring out a major tax reform in this country. All of us are stakeholders in this great experiment of tax reform. Let us all join together in hoping that VAT will be introduced throughout the country and the VAT system will stabilise in the current year. I request the hon. Members to pass this Bill. Thank you.

MR. DEPUTY CHAIRMAN: The question is:

That the Bill to consolidate and amend the law relating to levy of tax on sales or purchases of goods in the State of Bihar and to provide for matters connected therewith or incidental thereto, as passed by Lok Sabha, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now, we shall take up clause-by-clause consideration of the Bill.

Clauses 2 to 100 and the Schedules were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI P. CHIDAMBARAM: Sir, I beg to move:

That the Bill be returned.

The question was put and the motion was adopted.