

हमने उनको लिख दिया है। दूसरा सवाल स्काई मार्शल के बिहेवियर के बारे में पूछा है, उसके बारे में आप अलग से प्रश्न पूछ सकते हैं।

**श्री संतोष बागड़ोदिया :** अगर आपने उन्हें दोषी मान लिया है तो एक्शन लीजिए।

**श्री सैयद शाहनवाज हुसैन :** एक्शन महाराष्ट्र सरकार को लेना है और हमने उन्हें लिख दिया है।

*[\*284. The questioners (Shri Raju Parmar and Shri Bhagatram Manhar) were absent for answer vide pages 33—37]*

#### **Consultation with States for Service Tax**

\*285. SHRI RAVULA CHANDRA SEKAR REDDY:†  
DR.T.SUBBARAMI REDDY:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Ministry of Finance, in consultation with States, has decided to allow States to tax some services;

(b) if so, whether the meeting of the Chief Ministers has been convened by the Prime Minister to work out the legislative framework for empowering the States to tax services;

(c) whether Government have also agreed to route all the funds to centrally sponsored schemes through the State Governments; and

(d) if so, by when final decision in this regard is likely to be taken?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) to (d) A statement is placed on the table of the House.

#### **Statement**

(a) The States have taken a unanimous decision to replace their existing sales tax system with Value Added Tax System from 1st April, 2003. In this context, also to widen their tax base, the States have suggested that the benefit of tax on Services should, in part, be extended to them as well. Appropriate action in this regard has been initiated by the Central Government.

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† The question was actually asked on the floor of the House by Shri Ravula Chandra Sekar Reddy.

[10 December, 2002]

RAJYA SABHA

(b) A meeting of Chief Ministers on fiscal situation of the States was held on 18th October, 2002 at New Delhi under the Chairmanship of the Prime Minister. The agenda included endorsing decisions arrived at in the meeting of Finance Ministers including necessary legislative measures for this purpose.

(c) and (d) The agenda also included considering the procedure for routing of funds to the implementing agencies by Centre for Centrally Sponsored Schemes. The State Governments were of the view that these funds should be routed through the State Consolidated Fund, with a stipulation that within 2-3 weeks, the funds should be transmitted to the implementing agencies. The Government of India would be guided by the decisions taken in this meeting of the Chief Ministers.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, in our federal system, the States should be helped in mobilising funds. Contrary to this, the States are not given their proper share. So I would like to know from the hon. Minister whether there is any proposal for enhancing the States' share in the devolution of funds.

SHRI JASWANT SINGH: It would be difficult to agree with the hon. Member's suggestion that the States are not given their proper share. The States are given their proper share. That is designated and defined by a formula which is accepted by all; the States' share is now defined in accordance with that formula. The question here is about service tax and not about States' share *per se*, and, services, as the hon. member knows, now constitute almost 48.46 per cent of the GDR. Now after the various Committees having examined it, there is a proposal to introduce service tax; and, in that service tax, the States shall also certainly have a role to play.

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, My supplementary was in two parts. The second part was... (*Interruptions*)

MR. CHAIRMAN: This would be your second supplementary.

SHRI RAVULA CHANDRA SEKAR REDDY: Yes, Sir. The funds for the Centrally-sponsored Programmes are directly sent to the concerned departments. Instead of that, it should be routed through the States, since the States have their own programmes. The Central Government contemplates or conceives of some programmes, and, without the consent and knowledge of the States, they are being pushed into the States, and

the States are left as spectators. So I would like to know from the hon. Minister whether the Government of India is proposing any legislative measures to help the States in this regard. The second part of my supplementary is this. Is it a fact that some States have requested the Government of India to allow them to levy tax on some services, exclusively, owing to their precarious financial position?

SHRI JASWANT SINGH: Now, the hon. Member has asked three or four questions, but I will endeavour to answer all of them. Before I do so, I do wish to bring to your notice that though it is one question, from the text itself, you can see that there are two questions. And, I would appeal to the hon. Members, and also to the Secretariat, that this is, in fact, in violation of the rules of the House. You cannot ask two questions in one question. These are two separate questions—one, about service tax, and the other, about Centrally-sponsored Schemes. They should really not have been fielded, though I will answer them, as the Secretariat of the Rajya Sabha has also done so. So far as the Centrally-sponsored Schemes are concerned, earlier, we considered this issue in a meeting of the State Finance Ministers, where they, very kindly, asked me to chair the meeting. This very question was raised in that meeting. I disagree with the hon. Member when he says that the States are kept in the dark about the Centrally-sponsored Schemes. The funds in respect of Centrally-sponsored Schemes, instead of being routed through the NGOs, must first go into the State Consolidated Fund, and, thereafter, the States should do so. Our earlier experience on this has not been very happy, but nevertheless, we agreed that 'yes'; this is what will be done now<sup>1</sup>. The funds in respect of Centrally-sponsored Schemes which are being routed through the NGOs, shall go into the State Consolidated Fund, but money shall be utilised exactly for the purpose for which it was sent, within a period of two weeks, as has been accepted by all the States. So, now, on the basis of this agreement, this will be done.

MR. CHAIRMAN: Shri Lalit Suri. *{Interruptions}*

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, my first supplementary has not been answered. ...*{Interruptions}*

MR. CHAIRMAN: Sorry, now Dr. T. Subbarami Reddy. ...*{Interruptions}*... You have got replies to more than two supplementary from the Minister.

[10 December, 2002]

RAJYA SABHA

DR. ALLADI P. RAJKUMAR: Sir, this question pertains to the State Governments. The Central Government sanctions money to the States. For example, recently the Finance Minister was kind enough to clear the *Velugu* Programme. Money for such programmes is not going through the State Government, but it is going directly to the concerned organisations. I request the hon. Finance Minister to reply that question because this is a very important question.

SHRI JASWANT SINGH: No, this is a specific programme that has been brought...

DR. ALLADI P. RAJKUMAR: No; I have just given an example. But the hon. Member had put a question in this regard.

SHRI JASWANT SINGH: I have made it very clear that the funds in respect of Centrally-sponsored Schemes shall first go into the State Consolidated Fund. The purpose for which it is intended must, however, be implemented within a period of two weeks. It is very clear.

DR.T. SUBBARAMI REDDY: Mr. Chairman, Sir, through our question, we wanted to know whether the Ministry of Finance, 'n consultation with the States, has decided to allow States to tax some services. Sir, it is a known fact, as pointed out by my hon. colleague...

MR. CHAIRMAN: You have put your supplementary. Let the Minister reply.

DR. T. SUBBARAMI REDDY: Let me put my supplementary, Sir. I have not put any supplementary as yet.

In reply to the answer, the hon. Minister has stated that the States have taken a unanimous decision to replace their existing sales-tax system with the Value-Added Tax system, from 1 st April, 2003. Firstly, I would like to know the difference between Service Tax and Value-Added Tax, (VAT). Secondly, I would also like to know from the hon. Minister whether the States will be given full power to tax any service in order to raise funds. These are the two parts of my supplementary.

SHRI JASWANT SINGH: Sir, I will answer both the questions of the hon.Member, but they don't, strictly, arise from the main question.

DR. T. SUBBARAMI REDDY: Let me clarify ii, Sir, my question is very clear.

SHRI JASWANT SINGH: I am answering it.

DR. T. SUBBARAMI REDDY: It arises from the main question. I don't put unrelated questions. I want to know from the hon. Minister the difference between service tax and VAT; and, whether the States will be given full freedom to tax any service in order to raise funds.

SHRI JASWANT SINGH: Sir, actually, the hon. Member protests too much. I understood his question the very first time he put it. So far as introduction of service tax is concerned, there is now unanimity that it should be introduced. Based on that unanimity, and the Report of the Committee, the Government has already got article 268(A) under preparation, because we need a constitutional amendment, I would not go into the details of it. It will be a new entry. So, that is already under preparation. If the entire House cooperates, we should be able to enact that constitutional amendment, under which the levying power of service tax will remain with the Centre, but the collecting power, because a number of services will be spread over the States, will be with the States. That constitutional amendment will define what services should be taxed, in what proportion, and how it will be shared by the States. That amendment will come before the House.

So far as Value-Added Tax is concerned, it is a different thing. But there is a certain integration that takes place, ultimately, between the Value-Added Tax and service tax.

SHRI LALIT SURI: Sir, I would like to ask the hon. Minister regarding the luxury tax, which is being levied by the States on the hotel industry as such. This tax varies from State to State, from 10% to 25%. Is there any proposal, whereby the States can be asked to levy a uniform tax, rather than levying different tax rates in different States?

SHRI JASWANT SINGH: Sir, it is not for me to suggest to the hon. Member, but I do wish to take this opportunity to say so. I am sure, the hon. Member will not misunderstand me. the convention of the House is, where there is a conflict of interest, the hon. Member shall not, on that particular subject, make an inquiry inside the House. As the hon. Member knows it, he is a prominent hotelier, I would say, therefore, that a question relating to the hotel industry would, under normal circumstances, fall in the category of 'conflict of interest'. However, now that the hon. Member has asked it, I shall endeavour to respond to it.

**श्री सभापति :** माननीय मंत्री महोदय आपको जवाब देने की जरूरत नहीं हैं। जो कुछ आपने पहले कहा है, इस संबंध में आप इनको जानकारी दे दें।

**श्री संजय निरूपम :** महोदय, सर्विस टैक्स को लेकर देश में बहुत ही ऊहापोह की स्थिति बनी हुई है। एक ही बिजनेस में तीन-चार स्टेज पर अलग-अलग तबके के लोग सर्विस देते हैं और हर तबके पर सर्विस टैक्स लगता है, मसलन टीवी का प्रोडक्शन ले लीजिए। एक टीवी प्रोड्यूसर टीवी सीरियल बनाता है। सबसे पहले वह साउंड रिकार्डिंग और एडिटिंग स्टूडियो में जाता है, उसको एडिटिंग स्टूडियो वाले को सर्विस टैक्स देना पड़ता है फिर टीवी प्रोड्यूसर वाले को सर्विस टैक्स देना पड़ता है और फाइनली चैनल जिसको वह बेच रहा है, उसको भी सर्विस टैक्स देना पड़ता है।

**श्री सभापति :** क्वेशन पूछिए, टाइम शार्ट है।

**श्री संजय निरूपम :** महोदय, मेरा कहना यह है कि सर्विस टैक्स के नाम पर मल्टीप्लीकेशन आफ टैक्सेज हो रहा है। अभी पांच परसेंट सर्विस लगाया जाता है। मैंने एक दिन काउंट किया गवर्नमेंट पांच परसेंट की जगह दस परसेंट सर्विस टैक्स गवर्नमेंट ले रही हैं। मेरा सवाल यह है कि आप वाल्यूम आफ बिजनेस पर सर्विस टैक्स फिक्स करना चाहते हैं या अलग-अलग सर्विसेज पर। अगर अलग-अलग सर्विसेज पर करते हैं तो सर्विस टैक्स पांच परसेंट न करें। वह दस परसेंट हो रहा है। अगर वाल्यूम ऑफ बिजनेस पर करते हैं तो वह पांच परसेंट ही रह सकता है।

**श्री जसवंत सिंह :** यह माननीय सदस्य का सुझाव है और माननीय सदस्य इस विषय पर पहले भी चर्चा कर चुके हैं। माननीय सदस्य ने जो मसला यहां उठाया है, यह कैस कैडिंग कहते हैं, मल्टीप्लीकेशन आफ टैक्सेज नहीं होनी चाहिए, यह सही है। जब संविधान के आर्टिकल - 268 (ए) में संशोधन होगा तब उसमें यह सब स्पष्ट हो जाएगा। वित्त मंत्रालय में हमारा मत यह है कि सर्विसेज टैक्स और वैल्यू एडिड टैक्स का अंत में इंटीग्रेशन करना पड़ेगा। आपने अभी जो सुझाव दिया वह जगह-जगह पर जब वैल्यू एड होगी तो वैल्यू एडिड टैक्स लगेगा। सर्विस क्या है, जब इनका इंटीग्रेशन हो जाएगा, जो आपने कठिनाई बताई है वही नहीं रहेगी।

**श्री संजय निरूपम :** वह कब रहेगी?

**श्री सभापति :** वह हो जाएगा। बैठिए, बैठिए।

**श्री जसवंत सिंह :** एक अप्रैल, 2003 में VAT लागू होगा और जो सर्विस टैक्स का संशोधन है, वह कैबिनेट में आने वाला है। जैसे ही कैबिनेट क्लियर कर देती है, संविधान के लिए हम सदन में लाएंगे।