

The Commissioner,
Trade Tax, U.P.
Trade Tax Bhawan,
Vibhuti Khand, Gomti Nagar, Lucknow

Subject: Industries gravest concern on VAT Rate on Diesel, Petrol and Gases etc.

Dear Sir,

The VAT Act prescribed amongst other goods "Diesel, Petrol, Gases, H.S.D & LD O etc." out of VAT vatable net. These items are essential requirement for the operation and production.

In the above context it is to bring to your kind notice the consequential impact of this provision :-

- (i) The Industries are at present under the provisions of UPTT Act purchasing the aforesaid goods from oil companies against form 3-B @ 5%.
- (ii) In the event of VAT implementation these goods will be presumably Taxed in the State at very higher rate.
- (iii) Therefore Industries will be hard-put to excess Tax of 30% - 05% =25% which will exceed even the profit margin of the State's competing Industries.
- (iv) If under the present rates of Tax these goods are brought from outside the State the Rate under present C.S.T. Act will be 3% + Entry Tax @ 5% will come to = 8% which too will be cheaper by 30% - 8% = 22%.

In the above circumstances it will be a dilemma for U.P. Industries who if purchase from the state they will incur a loss of 25% than the present provisions of UPTT Act & if purchased from outside U.P., surrendering the Revenue to other State which would otherwise have been the share of U.P. Revenue, the goods will be conveniently cheaper, attracting U.P Industries to resort to importing these goods.

In the event of competing with states, where Tax on these goods for Industries is lower or concession/facilities under States schemes and relaxation are available the U.P. Industries will have to bear the burden of excess 25% extra.

Thus in all eventualities U.P. SME's will have no option but withdraw from the competitive market & will gradually under the burden of excessive taxation cease to breathe.

Therefore in the interest of U.P. Industry & its competitiveness as well as growth, it is, most respectfully requested that the rate of Tax as industrial Input for Diesel, Petrol, Gases, H.S.D & LDO etc. may please be declared & notified at 4% to help U.P. Industry in inter State as well as global competitive market. This may easily be done by giving special relaxation to home Industry.

Thanking you,

Yours truly,

D.S. Verma
Executive Director