

• **Taxability & compounding scheme for Biscuit Manufactures of U.P.**

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Shri Sunil Kumar, I.A.S,
Commissioner,
Commercial Tax,
Govt. of UP.,
Gomati Nagar, Lucknow.

Shri K. Chandramauli I.A.S
Principal Secretary,
Deptt of Commercial Tax,
Govt. of U.P. Lucknow

Subject: Taxability & compounding scheme for Biscuit Manufactures of U.P.

Sir,

Biscuit manufacturers of U.P are in fierce competition with multinationals whose products wear cosmetic look but lack quality. Biscuit is a ready to eat digestive & Nutritious food for children, aged & old & masses in general indiscriminately & is being served on every occasion. The poor can well afford it, being cheaper, when cost of agriculture produce are escalating. Therefore a level playing treatment with the product is the immense need of the time.

This product of Poor, Children, old & aged & women has been taxed @ 12.5% as unclassified although it is glaringly distinguishable from unclassifieds, being known to & required by all, Despite the fact that under UPTT, it was classified and Taxed 8% (Sale to consumer). The rates of VAT, which were expected & agreed to be lesser than UPTT are up by one & half times. The Raw material of Biscuits e.g. Vanaspati, flavour food items, Chemicals & food materials are taxable @4% which means that only a partial & marginal ITC will be available which may not exceed maximum 2% of the cost involved. The burden of UPTT has left only 25 units out of 125 units which operated in U.P leaving the field free for multinationals to graze. Consequent upon this regressive taxation system Biscuit Industry in Small Scale Sector is likely to forfeit its identity & a vast army of workers, mostly poor, rendered job-less. The cheaper food will get dearer as the Rate of VAT even after availing ITC will exceed 8% of old UPTT & will be somewhere above 10%.

Considering the same hard conditions the Govt had compounded the Biscuit Industry under UPTT for those operating not above four burner. If the same strategy is not adopted the Biscuit Industry will be extinct. Therefore it is requested that to boost the already groaning Industry :-

- (i) Units operating not above 4 burners be compounded, or
- (ii) Compounding scheme may be clubbed together with compounding scheme provided for dealers upto Turnover of 50 lakhs as provided & proposed under VAT Act.
- (iii) Units above 4 Burners operating be classified under schedule 2-A (Goods Taxable @ 4%).

Thanking You

Yours truly,

D.S. Verma
Executive Director