

ANNEXURE-I

IIA PROPOSALS/REPRESENTATIONS ON RATE OF TAX UNDER U.P VAT ACT**Special Note:-**

All the entries in the schedule should be “speaking”. Therefore to avoid litigation in the entries of schedule, they should be clearly mentioning the “exceptions” or “exclusions” rest of the items (left-outs) should come under the notified category.

General Comments :-**1. Basis for deciding VAT Rates**

The basis/principle for deciding the Rate of Tax for various items under U.P. VAT Act should be defined and made public.

2. Verifications of TIN Numbers

Quoting of TIN Numbers in VAT to ascertain the bonafides of the selling dealer is Vital. On this very ground input Tax credit may be accepted or rejected. Therefore website of the Trade Tax Department should exhibit foolproof mechanism to check and verify the correctness of the TIN Numbers quoted by the sellers.

Proposed rate of tax under VAT for various commodities / goods along with justifications are given in the table below:-

Items	Rate of Tax under UPTT	Rate under VAT	<u>Proposed Rate of Tax under VAT</u>	Rate of VAT in other States	Justification	Remarks
Atta, Maida, Suji	Exempt from 15/9/2001	4%	Exempt	Maharastra, Goa, Gujrat, MP, , W Bengal etc./ Exempt accept Bihar 1%	<ol style="list-style-type: none"> 1. Production of Wheat is lower than other state such as Punjab, Haryana, 2. Marketable surplus in other states in relation to population is very low 3. The prices of Wheat/Atta remain lower than other States due to lack of competition 4. Gujrat & MP have no tax on wheat and its products. 5. Other States purchase Wheat from U.P on commission basis and so no purchase tax is paid in the background of Supreme Court judgment in the Matter of Hanuman Trading Company. 	
Deshi Ghee	8%	Not specified clearly	Not exceeding 4%	4% in Rajasthan, Delhi, Haryana, Gujrat	<ol style="list-style-type: none"> 1. VAT rate schedule classify Ghee @4% in general whereas under UPTT Desi Ghee was classified separately, therefore it should be included clearly in VAT rate schedule also. 2. To boost Rural Industry. 3. To help Dairy farming. 4. To give employment to Rural Labours 	

Regmal, Straw Board, Coated Abrasive, Sand Paper, Emery Paper, Aloxide Cloth Rolls, Belts,	10%	12.5	4%	4% in Delhi, Punjab, Haryana, Gujrat, Rajasthan, Chandigarh	To allow a healthy competition for the Industries/with other States it should be 4%.
Corrugated Boxes	10%	Not specified clearly	4%	4% in Punjab	<ol style="list-style-type: none"> VAT rate schedule classify Packing Cases, Cartons and Boxes (Flattened or folded) of paper, paperboard @ 4%. Corrugated Boxes also need to be specified clearly in this entry to avoide ambiguity. It is a packing and raw material used in Ready Made Garments, Furniture's, Industries whose direct sales to consumer is not more than 15-20 %. So far it received protection of Form 3-B under UPTT Act @ 2.5%.
Washing Soap (Hand Made)	12.5%	12.5	Exempt or not exceeding 4%	0% in Jharkhand, Chattisgarh, W.Bangal, H.P., 4% in Uttrakhand, Rajasthan, Punjab, M.P. etc.	Item is used by Rural Poor and Middle class. Mostly Mfg in Village Industry and KVIC Units. Hence should be taxed at 0% or 4% to make industries in U.P competitive.
Tractor & Thresher	Exempt	0% as well as 4%	Exempt	Exempt	These goods are listed in VAT Rate schedule –I S.No.1 @ 0% as well as in schedule II –A S.No.125 @4%. This might be due to clerical mistake. Hence should be rectified by retaining the entry in schedule-I only. To compete with other States not levying VAT. Letter no. 2bII/7083 dated 8 Dec. 07 sent separately explaining the contradiction of schedule.
Cotton	4%	4%	Exempt	Not quoted	Cotton is grown in other States such as Punjab, Haryana & Maharastra etc and is imported in our state by paying CST on it. Therefore for the convenient running of Yarn Spinning Mills, 0% VAT should be levied on it.
Cotton Yarn & all types of Yarn in Cone	0%, 4% & 5%	4%	Exempt	Exempt in Uttrakhand	To compete with other States not levying VAT it should be kept at 0%. In UPTT Cotton Yarn in Cone and Hanks were classified together and were exempted from tax. In VAT rate schedule Cotton Yarn in Hanks is only listed in exempted schedule. As such Cotton Yarn in Cone should also be exempted.
Rubber product, Transmission belting & conveyor belting	8%	12.5%	Exempt or Max. 1%	-	Product used in Agriculture implements which are for use by farmers who employ rural Labour also.

Plywood, Block board & Doors,	8%	12.5%	4%	4% in Uttrakhand	4% rate is operative in Delhi, Uttrakhand etc, which are bordering States as such it is justified to tax these goods at 4% to keep industries in U.P competitive.
Cotton Hosiery Cloth, Fabric, Bed Sheets	Exempt	4 % & 12.5%	0%	0%	The competing States West Bengal & Punjab, the bordering State Delhi all have 0%. If similar rates are not provided in U.P VAT the Industry will not survive. Therefore it should be 0%. Bed sheets were never taxed in U.P
Stainless Steel Sheets	4%	Not specified clearly	4%	4% in Punjab, Rajsathan, Uttrakhand	Stainless Steel Sheets are included in the category of mild steel sheets as defined in CST Act under Sec.14. This item is not specified clearly in VAT rate schedule II-A S.No. 40. Hence should be specified.
Bio-fertilizers & Micro Nutrients Mixture	Nil (Declared exempt through notification on year to year basis)	4%	Exempt	0% in Uttrakhand, Punjab, Harayana	<ul style="list-style-type: none"> It has not been specially classified as such it may attract taxability. Farmers in the State are to be motivated for using this vital agriculture input. Industries in U.P. will be thrown out of competition if this vital input in agriculture sector is taxed.
Bio-Pesticides, Zink Sulphate	Nil (Declared exempt through notification on year to year basis)	Not specified clearly	Exempt	0% in Uttrakhand, Punjab, Harayana	<ul style="list-style-type: none"> It has not been specially classified as such it may attract taxability. Farmers in the State are to be motivated for using this vital agriculture input. Industries in U.P. will be thrown out of competition if this vital input in agriculture sector is taxed.
Honey & bee hive	0%	4%	0%	0% in Uttrakhand	This is purely rural oriented local item which is exported outside India. The persons connected are of poor background & cannot afford the burden of taxes. Therefore it should be included in 0% items.
Biscuit, Buns & Rusks	Exempt	12.5%	0%	0%	Biscuit, Bread, Buns & Rusks were Tax free under U.P.T.T. Notification No. KA.NI-2-1166 dated 10.04.2000 and are the life line for poor & middle class & consumed by masses, a cheap alternate of food & faces competition from other states and multinationals . All these items as such be included @ 0%.

Steel or Iron fabrication and structures	-	12.5%	4%	-	Steel or Iron fabrication and structures these are the basic requirements of Industry as the basic infra-structure & are required when no return is optioned but only Investment is to be made by entrepreneurs. This requires special attention. It must be either declared in the list @ 0% while fixing tax liabilities or maximum Taxed @4%.
Hooks, Clamps, Tower bolt, Eldrop and Pins of all kinds etc	-	Not specified clearly	4%	-	Nuts Bolts, Revits, Nails, Pins, Hooks, Clamps, Tower bolt, Eldrop and Pin of all kinds etc. these are items of the same category & together & simultaneously required for the “work”. These items were indiscriminately classified as “Hardware & Mill stores” under one broad category in UPTT but still there are litigations regarding their identification when ever a new name of commodity comes in. In VAT rate schedule also number of items are left out which may create confusion . There fore this process should cease in VAT schedule & entries should be absolute and exceptions if any should only be mentioned to ensure that VAT also does not create history of Litigation on commodities.
Electrical Items for Generation, Transmission & Distribution of Electrical Energy	10%	12.5%	4%	-	<p>Since Notification 1283 dt. 12.07.06 was issued in the interest of Ex-UP. Dealers, the U.P. Dealers are facing extinction & representations have been fruitless. In the VAT rate scheduled also though items for Generation, Transmission and distribution are stated to be taxed at 4% yet number of items are either not clearly defined or are missing. This is time to undo the harm & include the following items also clearly in 4% ‘goods’ & ‘Inputs’ suitably:-</p> <ol style="list-style-type: none"> 1. All electrical goods, instruments, apparatus, appliances and all such articles, the use of which cannot be had except with the application of electrical energy, including fans, air circulators, fluorescent tubes (Including their starters, chokes, fixtures, fittings and accessories), electrical earthenware and porcelainwares , electrical equipments, plants and their accessories required for generation, distribution and transmission of electrical energy (including electrical cables,) electric motors and parts thereof and all other accessories and components whether sold as a whole or in parts, but excluding torches, torch cells, dry cell batteries, torch bulbs and filament lighting bulbs, 2. Pre-Stressed Cement Concrete Poles, Steel Tubular Poles, Rails, Cables, Conductors, Control and Relay panels including, Control Cables, Potential Transformer, Current Transformer, Oil Circuit Breakers, Air Circuit Breakers, Vacuum Circuit Breakers, Staywire, Earthing rod, Clamp, X-arms Isolators, Insulators, Jointing Kits, Capacitors, Battery, Battery chargers, Fire Fighting Equipment and material, Hardware, Nuts and

					Bolts, Rubber items, Lightning Arrestors, Gantry for Busbar, Structures, Steel Sections, Meters and other Electrical equipments-material, etc.,. (vide letter no. 2b/7127, dated 10 Jan. 08 entry suggested again widening the ambit)
HSD, LDO Furnace oil, Natural Gas , lubricating oil for industrial use	2.5% against from 3-B	20% or more	4% for industrial use	Few States such as Punjab have similar measures	<p>(i) The Industries are at present under the provisions of UPTT Act purchasing the aforesaid goods from oil companies against form 3-B @ 2.5%.</p> <p>(ii) In the event of VAT implementation these goods will be presumably Taxed in the State at very higher rate.</p> <p>(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.</p> <p>(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%.</p> <p>(v) Specially in Taj-Tripazium area as per Suprem Court order only Natural Gas is used as Industrial input Coal & Coke can not be used. While Coal & Coke as input of Industries is now taxable @ 4% letter no. 2bII/7081 dated 8 Dec. 08 sent separately.</p>
Voltage Stabilizer & Servo Stabilizer	4%	12.5%	4%	-	Letter no. 2bII/ 7081 dated 13/12/07 sent to Commissioner Trade Tax justifying its classification as per circular of Commissioner Trade Tax and judgment of Hon'ble Supreme Court opinion of Principal Director of Electronic Services & Training Centre etc. as discussed in the said letter in detail
Electronic digital weighing scale & equipments	4%	12.5%	4%	4%	Not classified specifically in the electronic items therefore it should be either classified specifically or the entry may be made exhaustive e.g. all electronic equipments of different descriptions, details, designs & purpose etc.
Kerosene Lantern/Lamp	0%	4%	0%	0% Jharkhand	Lantern using Kerosene oil excluding gas Lantern, Patromax and stove and their parts, accessories and Components have been declared exempt under UPTT act1775 dated 07-08-2007 considering the genuineness of the argument. Therefore they should not be taxed now.

All kinds of import licenses including duty entitlement passbook (DEPB)	0.5%	12.5 %	0%	--	The items vide notification no. 513 dated 23-12-2003 was taxable at M or I @ 0.5%. considering the genuineness of the matter Trade Tax Dept. has fixed its taxability at the lowest points. On the same ground it is proposed that it should be classified @0% goods as there is no schedule for 0.5% in VAT.
Gums & Resin and Resin acids and derivatives thereof resin spirit and resin oils run gums & Gums and Turpentine Oil	-	4%	4%	Uttrakhand, Himanchal Harayan , Rajasthan 4%	These entries as per technical advise are not exhaustive and complete therefore it is suggested that the entry in the schedule may read as follows – 1- Synthetic Resin, Resin acid and derivatives thereof: Resin, Obtain from natural resources and resin oils. 2- Mineral turpentine oil and turpentine oil.
Plastic sutli and Plastic Rope	10%	12.5%	4%	Uttrakhand, Delhi & Himanchal @ 4%	Vide trade tax notification no. 306 dated 29-01-2001 this item was taxable and included in the Newar – Plastic Sutli, Plastic Rope. This item has not specifically been classified in VAT schedule therefore it should be classified @4% goods in order to compete with other states.
PP Plastic Chatai (MAT)	--	12.5%	4%	In all other states it is taxable @ 4%	This item is used by poor persons and in rural areas, for school children, “Pooja” and “Namaz”. Only 4 industry in UP are manufacturing this mat out of which one is closed and the rest are in economic depression Under VAT it has been kept unclassified which should be 4%
Laundry Soap	8%	12.5%	0%	Rajasthan 4%, Punjab 4%, M.P. 0%, W.B. 0%, Bihar 0%, Jharkhand 0%,	It is used mostly by poor for washing cloths and bathing as well. This industry does not yield much revenue therefore it should be taxed @0%.
Floor wipers	10%	12.5%	4%		This is used by masses as household product. Mostly poor hawkers do the door to door marketing. This is not very organized industry therefore it should be taxed @ 4%
PVC resin, Poly plastic film/printed/metalised/ laminated in roll form/ pouch form & Carry Bag,		12.5%	4%	4%	These items are mainly use & throw items , they last for a very short period of time therefore their rates should be competitive and economical.
Plastic goods as mentioned in justification column.	8%	12.5%	4%	4%	Plastic goods are a cheaper substitute for the costly household goods to aid poor and middle class families. Therefore items likes combs, containers, jugs, soapcase, mug, toothbrush, parta, looking glass, photo frames, chakla, belan, cutlery, tea & Atta Chanani, lunch boxes, bottles, trays, tokaras, baskets, Mats, basins, tubs & drums, casroles, ketrile flask and all other moulded plastic goods etc. should be made competitive with in states and taxed at 4% only. Exclusions

					if any may only be mentioned.	
Footwear & Chappal of all kind value not exceeding Rs. 300/-	8%	12.5% & 4%	0%	0% in Delhi , Himanchal & Uttarakhand	Since it is an item being used by poor persons and also is exempt in other states therefore it should be 0% only	
All parts and Accessories including Machinery & Automobile parts made of plastic, light brackets, Shaddlery plastic parts.	10%	12.5%	4%		These are intermediary items sold to manufacturers. Uptill now these items could be purchased through form 3-B @ 2.5%. Since the facility of form 3-B has been withdrawn, hence the cost of machinery and goods using these parts taxable at 12.5% will go up substantially. Hence these should be taxed at 4%.	
Railway components, Rails, locomotives, freight containers and accessories components & parts thereof	10%	4% & 12.5%	4%	4% in Uttrakhand, Punjab, Rajasthan	In VAT rate schedule the entry under schedule II. (A) States only "Rail coaches, engines & wagons and parts thereof". The entry should be modified as in Column- 2. To compete with other states.	
Food items, (cooked & uncooked) including Achar, Murabba, Chatni, Jam & jelly etc.	4%, 5% & 12%	12.5%	4%	4%	To compete with other states.	
<ul style="list-style-type: none"> • Chicory and unbranded coffee powder other than instant coffee. • Tapioca chips, flour, tapioca waste • Bajji flour • Energy (Sathu mauv) flour • Date syrup • Diagnostic kits, diagnostic reagents, accessories, blood bags and disposables • Wet grinders • Jalli, door and window frames made of RCC (without input tax credit on purchase of cement) • Steel furniture • Moulded idols • Accounts books and diaries • School bags and travel bags • Shields & Trophy • Barbed wire, wire rod and wire links • Mop made of cotton yarn • Old & Used cars/ Motor vehicles • Clamps, Bushes, & washers 	-	12.5% In VAT	4% Pro pose d	-	The items which have not been classified are likely to fall in the unclassified category @ 12.5%. these are common used goods, as such should be taxed @4% to compete with other states	

Cement concrete/ mortar products reinforced and un-reinforced such as fencing poles, linterlocking pavers/tiles used on – pavements, parkings, street roads, manhole covers, drain covers	10%	12.5%	4%	4%	These items are used for the infra- structure development of industries therefore for rapid industrialisation they should be taxed @ 4%.
Cement, steel wire, crushes (river bid) stone metal (gitti) morang (sand), plastisizer, moulding/watering oil	10%	12.5%	4%	4%	These items do not find place in the schedule and are likely to be taxed as unclassified @12.5%. These items are the raw materials are the consumables of the products mentioned in Cement, steel wire, crushes (river bid) stone metal (gitti) morang (sand), plastisizer, moulding/watering oil . These were allowed concetional rate under section 4-Bof the UPTT Act which has now been withdrawn therefore they should be taxed as proposed.
Bones, Horns, Hooves, Crushed Bones, Bone grist, Bone sinews, Bone meal	0% & 4%	4% & 12.5 %	Exempt	Exempt in Gujrat, Tamilnadu	Separately represented vide IIA Letter No. 2bII/7104 dated 31.12.07. It is a rural industry involving rural industry involving rural poor and highly unskilled Labour.
PTFE Cable	-	Yet to be clarified	4%	-	PTFE cable is an industrial cable which is not specified clearly in VAT rate schedule II-A Sr. No. 65. It should be included in the schedule.
News Print Paper	0%	4%	0%	-	News Print Paper is used for printing of News Paper. News Paper publishers are not ready to purchase the News Print Paper @4% VAT from U.P and would prefer to purchase it from outside U.P @ 2% CST.
Waste Paper	-	4%	0%	0% in Delhi	Proposed to be at 0% because in Delhi it is exempted
Cement, Stone grit & Coarse sand	-	12.5 % / not specified clearly	4%	-	Cement, Stone Grid & Coarse are used to produce Cement Pipes. which is taxed @ 4%.. As such taking in to account value addition, there shall be surplus ITC.
Components, Parts, Accessories, Assemblies & sub-assemblies used in Final Industrial Products	-	Not specified clearly	-	-	These items should be subjected to the same rate as that of the Final Products. This is being followed in Central Excise Rules also. In VAT rate this provision has been introduced for few items only, it should be extended to all items.
Aluminium Sheet & Circle	-	12.5%	4%	4% in Delhi, Harayana and Uttranchal	To make Industries in the State competitive with the Industries of Outside the State.

Insecticide & Pesticides	8%	4%	0%	0% in Harayana, Punjab & Rajasthan	Since in neighbouring States they are 0% . These goods are essential & lifeline for Agricultural Industry if they are taxed at higher rate the Agricultural Industry produce will get more costlier for common men..
Paper Cones & Paper Tubes	-	12.5%	0% or 4%	-	Since the guiding principle of classification of packaging material is that the packing will not be taxed at the higher level then the goods packed since these are the packing of yarn of all kind, which is under 0% schedule. Therefore it will be contradictory as per provision of the Act under VAT as well as old UPTT provisions.
Adhesive	8%	12.5%	4%	-	All the inputs for industries have been classified @4% but adhesive which is the essential requirement of construction as well other industries this has been left out as unclassified. Therefore should also be taxed @4%.