

To,
Shri Chandra Bhanu, I.A.S.
Secretary & Commissioner,
Commercial Tax Deptt.,
Govt. of U.P.,
Vibhuti Khand, Gomti Nagar,
Lucknow

Sub:- Lowering of VAT rates on Piped Natural Gas used for industrial consumption.

Sir,

It has been brought to our notice by our members that the goods under VAT system which due to their significance are broadly classified in schedule-I @ 0 % but the cascading affect of VAT benefits i.e. ITC has been denied to them. It has been argued that the Govt. after considering a lot and the public utility exempts certain goods from the taxation net as they are essential from various angles. If these goods do not get the benefits others are getting, the schedule goes discriminatory and the objective of classifying such goods of essential need @ 0% VAT becomes partially redundant.

If any product that goes into the manufacture of such items that are taxable @ 0%, be it raw material, packaging material, fuel etc, is taxable at the highest level of the tax structure, it will enhance the manufacturing cost of such essential goods and render the benefits of the tax system fruitless. In the manufacture and processing of such commodities such as Milk, Generation of Electricity, Bread, Poultry Feed, Meat etc and similar other items classified at 0 %, purchase of fuel is to be paid at the highest level of VAT i.e. 21%. This will naturally enhance the prices and make the philosophy of Govt. easing tax burden meaningless and the benefits of the VAT will not reach to the end consumers.

In the above context it has also been represented that natural gas is consumed in the manufacturing process of such goods, is taxed at 21 % whereas the facility of purchasing this fuel for the manufacturing of taxable goods is only at 4% tax that will mean that in comparison to taxable goods exempt goods will incur more than 5 times burden of tax which is bound to enhance the prices of such essential / necessary goods reversing the cascading effect of VAT.

It is also pertinent to note here that Piped Natural Gas (PNG) as the name suggests, is a product derived from natural resources and is therefore a contemporary and most eco friendly fuel causing near ZERO pollution as compared to traditional fuel viz. FO/LDO etc. PNG has also been termed as the fuel of 21st century. All around the world the use of Natural Gas is being promoted in replacement of the traditional fuel.

Therefore, it is requested that the rate of natural gas for all manufacturers irrespective of their use for manufacture of taxable goods or exempt goods should uniformly be 4 % which will ensure parity and make the Govt. strategy of taxation as well as clean environment fruitful.

Thanking you,

Yours faithfully,



Manish Goel
Vice-President & Chairman-EAC

Ref no. 3UB/R-57/9131

07.04.2011

To,
Shri V.N.Garg, I.A.S
Executive Director,
Udyog Bandhu,
12-C, Mall Avenue,
Lucknow

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