

**Speech of Hon'ble Minister for Commercial Taxes and Registration, Government of Tamil Nadu during the meeting of Empowered Committee of State Finance/Taxation Ministers on 9<sup>th</sup> and 10<sup>th</sup> January, 2012.**

Honourable Chairman of the Empowered Group of Finance/Taxation Ministers, my colleague ministers from various states, officers of Government of India and various State Governments, at the outset I extend my warm New Year and Pongal greetings to all of you. I also take this opportunity to compliment and thank Honourable Finance Minister of Government of Madhya Pradesh and his team for their warm hospitality in welcoming us to the heart of India and excellent arrangements for making our stay here comfortable.

As far as the proposal of Government of India on taxing services based on a negative list is concerned, we are in general agreement with the suggestions made by the committee of Secretaries/Commissioners of the various State Governments in this regard. Introduction of Negative list should not result in taxation of those areas by the Union Government which are assigned to the States in the Constitutional scheme of things. The residuary entry at S.No.97 in the Union List has been liberally used by Union Government to encroach in the jurisdiction of the State Governments. As far as our remarks are concerned, we shall be sending the same shortly after detailed discussion including consultation with experts from the Madras School of Economics.

The Empowered Committee has called for the remarks of the State Governments on the requests made in the previous meeting on including the petroleum products and alcohol in the ambit of GST. In view of our past experience of rampant evasion of VAT tax in goods having short supply chain, prospect of major portion of tax component remaining outside the GST chain even if these items are brought under GST due to imposition of State levy to ensure revenue protection, and various other reasons, Government of Tamil Nadu is not in favour of bringing petroleum products and alcohol in the ambit of GST. We have already communicated the same to the Empowered Committee.

As far as the issue of CST compensation is concerned, we once again wish to request the Empowered Committee to strongly take up the issue of pending CST compensation with the Ministry of Finance, Government of India. Despite repeated requests, an amount of more than Rs.3,800 crores due to the State of Tamil Nadu is kept pending. During 2010-11 alone, an amount of more than Rs.2,000 crores is kept pending on the flimsy ground of non-increase in the lower rate of VAT tax from 4% to 5% during that year.

The Empowered Committee has also called for the remarks of the State Governments on the proposal of Government of India on having a harmonized tax structure for securities related transactions. In this regard, we have already communicated the concurrence of Government of Tamil Nadu on this proposal with a stipulation that the State should be consulted on the harmonized rate of Stamp Duty on securities related transactions.

I once again thank Honourable Finance Minister, Government of Madhya Pradesh and his team for their warm hospitality.

I thank you all for this opportunity. Vanakkam.

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