



Additional tax imposed under Uttar Pradesh Value Added Tax Act, 2007 ('UPVAT Act' or 'the Act')

The Uttar Pradesh Government has imposed a new 'Additional tax' under the UPVAT Act with effect from **1 June 2009**¹.

The rate of Additional tax is as follows:

Goods	Additional tax Rate
Goods liable to 4% VAT (Schedule II goods)	0.5%
Goods liable to 12.5% VAT (Schedule V goods)	1%

Additional tax is to be paid over and above all other taxes payable under the UPVAT Act. Therefore, in effect the total tax rate would be 4.5% and 13.5% respectively on the above goods.

The following points merit consideration in this regard:

- Additional tax would be eligible for input credit in terms of the provisions of the UPVAT Act
- No Additional tax would be levied on:

¹ Vide Notification No. 796(2)/79 - V-1-09-2 (ka) 1/20091 dated 27th May, 2009 and Notification No. KA. NI.-2-1169/XI-9(10)/08-U.P. Act.-5-2008-Order-(42)-2009 dated 29th May, 2009

- Goods which are exempt from VAT
- Goods liable to tax at 1% (like good, silver, precious and semi precious stones, pulses)
- “Declared goods” specified under Section 14 to the Central Sales Tax Act, 1956

Withdrawal of Entry tax on majority of goods under Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007 (‘UP Entry Tax Act’)

Most of the goods which were liable to Entry tax under the UP Entry tax Act have been omitted (from the relevant Notification² specifying the goods and rate) with effect from 1 June 2009³. Accordingly, the goods which would not attract Entry tax are as follows:

1. Machinery and spare parts of machinery valuing Rupees ten lakhs or more
2. Wood and timber of all kinds
3. Clinker
4. Aluminium and its products excluding aluminium utensils
5. Cables of all kinds
6. Laptops, computer system and peripherals, TV including LCD TV
7. Marble stones and their tiles
8. Refrigerators, Air-conditioners and Air-conditioning plants

Our remarks

Withdrawal of Entry tax in Uttar Pradesh on majority of the goods would come as a welcome relief for the industry.

However, levy of Additional tax at this stage has come as surprise, in view of India’s plan to implement GST with effect from 1 April 2010.

It may be noted that Additional tax has been imposed in Uttar Pradesh for a period of 5 years. It would be interesting to see whether these levy continue under the GST regime, given the fact that uniformity of taxes across all States is one of the primary objective of GST.

² Notification No. KA. NI.-2-2757/XI-9(1)-08-U.P. Act-30-2007-Order-(31)-2008 dated September 29, 2008

³ Vide Notification No. KA.NI.-2-1045/XI-9(1)/08-U.P. Act-30-07-Order-(46)-2009 dated 29th May 2009

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