

T.N. Considers Reducing VAT on Aviation Turbine Fuel

Tamil Nadu government considers lowering VAT on aviation turbine fuel to align with neighboring states and support the aviation sector.

Value Added Tax (VAT) on Aviation Turbine Fuel (ATF) is a state-level tax levied on jet fuel.

KEY EXAM POINTS

- The **Tamil Nadu government** (TVK-led) is contemplating reducing the State-level **Value Added Tax** (VAT) on **Aviation Turbine Fuel** (ATF).
- Currently, the **VAT rate** on ATF in **Tamil Nadu** stands at **29%**.
- The objective is to bring the tax rate on par with that of **neighboring states** to support the **aviation sector**.
- The actual revised rate is expected to be announced during the upcoming **State budget presentation**.
- According to the **Union Ministry of Petroleum and Natural Gas**, **Andhra Pradesh** charges **1%** VAT on ATF.
- **Puducherry** levies **14.5%**, **Telangana** **16%**, and **Karnataka** **18%** VAT on aviation turbine fuel.
- **Kerala** imposes a **5% sales tax** along with a **1% cess** on tax for each of its **four airports**.

STATICS & SYLLABUS FOCUS

Value Added Tax (VAT) is an **indirect tax** levied on goods and services at each stage of production and distribution.

Aviation Turbine Fuel (ATF) is a specialized type of **petroleum-based fuel** used to power jet engines and turboprop aircraft.

The **Goods and Services Tax** (GST) was implemented in India on **July 1, 2017**, replacing multiple **indirect taxes**, including most VATs.

However, certain items like **Aviation Turbine Fuel** (ATF), **crude oil**, **petrol**, **diesel**, and **alcohol** for human consumption remain outside the ambit of **GST** and are subject to **VAT/sales tax**.

A **cess** is a **tax on tax**, levied by the government for a specific purpose, and is typically discontinued once the purpose is achieved.

State budgets are **annual financial statements** presented by state governments, detailing estimated revenues and expenditures for the upcoming fiscal year.

Fiscal federalism in India allows states to have autonomy in certain taxation matters, such as VAT on petroleum products and alcohol.

REVISION FLASHCARD

Tamil Nadu considers reducing VAT on Aviation Turbine Fuel from 29% to align with neighboring states.

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