



Dt : 10th Aug 2015

Shri Haribhai P Chaudhary,  
Hon'ble Minister of State for Home Affairs,  
Government of India  
New Delhi

Subject : The Constitution (122nd Amendment) (GST) Bill, 2014 :  
Problems of tiny UTs

Hon'ble Sir,

It is understood that the Constitution (122nd Amendment) (GST) Bill, 2014 is going to be tabled soon in Rajysabha.

We are a coordination group of Associations of the industries of the UT of Dadra and Nagar Haveli. We have one problem related to GST, which may be a peculiar problem of other tiny UTs, also. Since, UT are governed under the Ministry of Home Affairs, we are approaching you with a request to intervene to save the industries.

UT of D&NH is tiny UT, spread-over in just 491 sqm area, but, an industrial hub. It houses more than 3000 small / medium / large industrial units. They provide employment approximately 2 lakh persons everyday. They contribute around Rs 15000 crore every year to national kitty by way of direct and indirect taxes.



In addition to significant contribution to public treasury, they have been instrumental in changing the quality of life of local population, which is dominantly tribal one.

Our main concern is about the provision of Section 18. UT of D&NH is a manufacturing UT and there is hardly local consumption. The goods produced in D & N H are mostly (more than 95%) sold out of Dadra & Nagar Haveli to other states across the country. Raw material is also purchased from other states. In the proposed GST law, there is a provision of imposing additional tax of 1% on goods and services in the case of inter-state trade and commerce. Therefore, industries of the UT will be required to pay this tax both ways, while purchasing the raw material and while selling their finished goods. This problem must for other tiny UTs which do not have local consumption and local raw material market. Because of this, there will be huge impact on the industries in comparison to their competitors located in other states. They will certainly loose level playing field.

Industries welcome GST in principle, it will bring about history's biggest tax reform, but in the present form, there is need to have re-look at this particular provision, which will kill the industries and trade in tiny UTs including our UT of Dadra Nagar Haveli.

If the problem of Industries is not addressed, they will suffer a huge set-back, heavy losses also, many units may not remain competitive, as they will not have level playing field. They will become unviable to continue manufacturing activity in Union Territory. This will lead to closure or migration of many manufacturing units to other states. Large number of tribal will become again





unemployed. There will be huge social economic impact on the UT. There will be severe adverse impact on local trade and business.

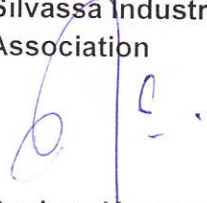
Therefore, It is necessary to have a re-look at this particular provision in the true spirit of equality, justice and level playing. The levy of the additional tax distorts the creation of a national market, as a product made in one state sold in another would be more expensive than one made and sold within the same state.

We suggest that tiny UTs should be defined in the proposed amendment as UT having population of less than 10 lakh, they should be given exemption from additional GST of 1%.

We request you to consider problem of industries of the UT and impress upon Ministry of Finance to do the needful to save them by adding appropriate proviso to said sec 18 of the Bill.

Thanking you,

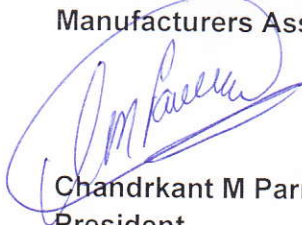
**Silvassa Industries  
Association**

  
**Sanjeev Kapoor  
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