



Central Sales Tax (CST) reduced to 2% from 1st June, 2008

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On the basis of the discussions between the Empowered Committee (EC) of State Finance Ministers and the Union Finance Minister regarding the compensation package, the Government of India, Ministry of Finance, Department of Revenue has issued a notification on 30th May, 2008 to bring into effect from 1st June, 2008 the new reduced rate of CST of 2 per cent on inter-State sales of goods. The notification of new CST rate of 2 per cent in place of earlier 3 per cent is in accordance with the announcement made by the Union Finance Minister in his budget speech in Parliament in February 2008 that the rate of Central Sales Tax would be reduced.

The rate of CST on inter-State sale of goods to registered dealers (against Form-C) shall now be the lower of 2 per cent and the rate of VAT or State Sales Tax applicable. This reduction forms a part of the roadmap for phasing out CST completely by 31st March, 2010 in preparation of introducing Goods & Services Tax (GST), the roadmap for which is being worked out by the EC of State Finance Ministers together with the Union Finance Ministry.

The Central Government and the Empowered Committee of State Finance Ministers have further agreed that the compensation for revenue loss to the States in any year arising from the lowering of CST will be limited to the proportionate loss based on the actual collection of CST in the relevant year

Thanking You

For PRIME CFO Management Pvt Ltd

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