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Media Release

Centre in No Mood to Reduce Taxes on Petro-fuels

Petro Min informs RS MP Mr. Nathwani

August 05, 2010: Government of India does not seem to be in mood to alter the rates of the central indirect taxes; as the prices of petroleum products depend on several other factors and making changes in the rates of indirect taxes is not the sole method to achieve the objective of reducing retail price of petroleum fuels. This was stated by the union minister of state for petroleum and natural gas, Mr. Jitin Prasad in the Rajya Sabha in reply to a question from member Mr. Parimal Nathwani. The minister stated this on the basis of information he received from the ministry of finance.

Mr. Nathwani raised the question in the house about very high price of petroleum products due to high rates of taxes levied by both center and the states.

According to the statement submitted in the house, central taxes on petroleum fuels are in the form of customs and excise inclusive of three per cent education cess. Whereas there is no central tax on kerosene for public distribution system (PDS) and domestic LPG; the custom duty on per liter of petrol and diesel is Rs. 1.66 and Rs. 1.82 respectively. Excise on petrol and diesel is levied @ Rs. 14.78 and Rs. 4.74 per liter respectively. In addition, the state tax in the form of value added tax (VAT) is at the rate of Rs. 8.57 and Rs. 4.43 per liter of petrol and diesel respectively. The VAT on diesel is inclusive of Rs. 0.25 per liter of pollution cess. The state's VAT on PDS kerosene is Rs. 0.59 per litre and nil on domestic LPG.

All these make retail selling prices of these fuels (in Delhi) as costly as Rs. 51.45 per liter of petrol with Rs. 25.01 of the tax portion; Rs. 37.62 per liter of diesel with Rs. 10.99 of tax portion. Thus, a consumer bears 48.61 per cent of tax when he buys a petrol. He pays 29.21 % as tax for purchase of diesel. Tax on PDS kerosene is however 4.79 % and nil on LPG cylinder.

In response to another question by Mr. Nathwani about revenue loss due to subsidy on petroleum products, the union minister of state for finance Mr. Namo Narayan Meena stated that the amount of subsidy approved by the government on different petroleum products in the year 2009-10 (prior to December) was Rs.28,789 crore. The total under recoveries of the state run oil marketing companies in 2009-10, however, was Rs.46051 corer, he said.

Further, he stated that the total under recoveries for 2010-11 (based on average crude oil price of Indian basket at US \$ 75 per barrel) was expected to be Rs.72,000 crore, before the revision of price on 26th June 2010. With revision, it expected to be about Rs.53,500 crore; the minister said and added that the under recoveries could go up in case the average price of Indian basket of crude oil also go up.

The center mobilized the total revenue of Rs.71,768 core through taxes on petroleum products for the financial year 2009-10: of which Rs. 7,755 crore were from customs and Rs. 64,013 crose were as central excise revenue. The net revenue loss to the government would depend upon the quantum of reduction of taxes and the actual subsidy level, apart from the quantum of total under recoveries suffered by the oil marketing companies, which in turn would be dependent on the crude oil prices in the international market, it was stated.

On the other hand amidst increase in fuel price scenario, the country's automobile industry contributed 70 per cent towards indirect taxes and 1.82 per cent in the export earnings as a result of export of cars during the year 2009-10. MP Mr. Nathwani asked the question in the Rajya Sabha about the production, domestic sales and export of cars. The union minister of state in the ministry of heavy industries and public enterprise Mr. Arun Yadav informed Rajya Sabha in response to Mr.Nathwani's question on automobile sector.

As per the information provided by the Society of Indian Automobile Manufactures, the production of cars during the year 2009-10 was 19,26,484 units of while domestic sales was 15,26,787 units and 4,41,710 cars were exported. Foreign exchange earned as a result of export of cars during the year 2009-10 (April-December) was Rs.1,09,0002.12 lakh it was stated.

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