

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:4824
ANSWERED ON:19.12.2002
TAX WAIVER POLICY FOR NAPHTHA BASED POWER PROJECTS
IQBAL AHMED SARADGI

Will the Minister of POWER be pleased to state:

- (a) whether the Government have decided to extend the tax waiver policy for naphtha-based power projects to some of the state-run units as well;
- (b) if so, the details thereof;
- (c) whether after exempting some of the upcoming private power projects from tax liabilities, the Government have now decided to exempt NTPC's five naphtha-based combine cycle plants from excise and customs obligations;
- (d) if so, whether these exemptions are likely to bring the public sector units at par with the private power plants as far as tax obligations are concerned; and
- (e) if so, the extent to which it has been helpful for the State-run units?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

- (a) & (b) : Ministry of Finance (Department of Revenue) has issued two notifications, both dated 30th January, 2002, extending waiver of Excise duty/Counter veiling duty (CVD) on the naphtha used by seven ongoing Combined Cycle Power Plants (CCPP) which includes six in the Private Sector and the 120 MW Basin Bridge CCPP of TamiNadu Electricity Board (TNEB), subject to certain conditions. All these are existing power stations presently based on naphtha as the main fuel.
- (c) : Vide two subsequent notifications, both dated 18th June, 2002, the waiver has been extended to five ongoing CCPPs of the National Thermal Power Corporation (NTPC). Out of these, the Kayamkulam Power Plant of NTPC in Kerala is operating exclusively on naphtha whereas the remaining 4 are based on natural gas and envisage the use of naphtha during short/non supply of gas.
- (d) : All the 12 CCPPs mentioned above are on equal footing in so far as the waiver of excise duty/counter veiling duty on naphtha is concerned.
- (e) : This tax exemption has directly benefited the 120 MW Basin Bridge project of Tamil Nadu Electricity Board, which is the only State run project based on naphtha, by way of reduced fuel cost. In addition, the State utilities have benefited by way of purchase of electricity at reduced cost from the Central or private sector power plants using naphtha since the cost of fuel, irrespective of whether the plant is in the State Sector, Public Sector or Private Sector, is generally a pass through in the tariff and is borne by the State Utility.