

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4578

ANSWERED ON:23.12.2005

VAT ON PETRO PRODUCTS

Athithan Shri Dhanuskodi;Patel Shri Kishanbhai Vestabhai

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been different rate of Value Added Tax (VAT) on various petroleum and natural gas products in the country;
- (b) if so, the details in this regard, product-wise;
- (c) whether the Government has received any representations to reduce the VAT on Compressed Natural Gas (CNG) which is successful in controlling the pollution in various major metros;
- (d) if so, the details thereof; and
- (e) the action taken by the Government on such representations?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): Under Entry 54 of the State List of the Constitution, State VAT, being a 'tax on purchase or sale of goods within a State', is a State subject. An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and decide all matters concerning State VAT. The EC has decided the design of VAT (including the structure of rates of tax on various commodities) under the State VAT. The EC has decided different rates for various petroleum and natural gas products. Motor Spirits (including Petrol, Diesel and Aviation Turbine Fuel) are non-Vatable and subject to 20% floor rate of tax (except that the floor rate for Diesel is 12.5% in case of North-Eastern State, Sikkim and J&K). States may levy taxes at rates higher than the floor rates for these items. The rate of tax for Cooking Gas (LPG), Natural Gas, Naptha, Lubricants, Low Sulphur Heavy Stock (LSHS) and Compressed Natural Gas (CNG) is 12.5% under VAT. PDS Kerosene is taxable @4%.

(c) to (e): Regarding VAT on CNG, almost all the States except NCT of Delhi are levying tax @12.5% as decided by the EC. The NCT of Delhi has exempted CNG for use in transport sector from levy of VAT. The issue of promotion of use of CNG in transport sector in Uttar Pradesh (Noida and Greater Noida) and Haryana (Faridabad and Gurgaon) came up recently in a writ petition filed before the Hon'ble Supreme Court. In this case, the issue of exempting sales tax/ VAT on CNG also came up. However, since sales tax/ VAT is a State subject, it is for the EC or the States concerned to take a decision in this regard.