

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:681

ANSWERED ON:28.07.2006

CUT IN EXCISE DUTY ON PETROL DIESEL

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Ahir Shri Hansraj Gangaram;Verma Shri Ravi Prakash

**Will the Minister of FINANCE be pleased to state:**

(a) Whether the Inter-Ministerial Committee constituted under the Chairmanship of Dr. C. Rangarajan has submitted its report on pricing and taxation of petroleum products;

(b) if so, the details thereof, and

(c) if not, the reasons for the delay?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): Dr. Rangarajan Committee report on pricing and taxation of petroleum products was submitted to the Government on 17.2.2006. The main recommendations of the Committee are as follows:

1. On pricing of petrol and diesel:

(i) Shift to a trade-parity pricing formula for determining refinery gate as well as retail prices,

(ii) Government to keep at arm`s length from price determination and to allow flexibility to all companies to fix the retail price under the proposed formula; and

(iii) reduce effective protection by lowering the customs duty on petrol and diesel to 7.5%.

2. On pricing of domestic LPG and PDS kerosene:

(i) restrict subsidized kerosene to BPL families only,

(ii) raise the price of domestic LPG by Rs.75/- cylinder,

(iii) discontinue the practice of asking upstream companies to provide upstream assistance, but instead collect their contribution by raising the OIBD cess from the present level of Rs.1,800/MT to Rs.4,800/MT; and

(iv) Meet the balance cost of subsidy from the budget of the Government.

3. On restructuring of excise duties: Shift from the present mix of specific and ad-valorem to a purely specific levy and calibrating the levies at Rs.5.00/litre of diesel and Rs.14.75/litre of petrol. The Committee has recommended that each of the first two sets of recommendations should be implemented as integrated packages.

The Government has accepted the following recommendations of Dr. Rangarajan Committee Report:

(i) Implementation of principle of trade-parity with reduction in customs duty on petrol and diesel from 10% to 7.5%;

(ii) Permitting autonomous adjustment in prices Companies (OMCs) without prior consultation with the Government once every month.

(iii) Restricting `In principle` subsidy on PDS Kerosene to BPL families only.