

**GOVERNMENT OF INDIA  
PETROLEUM AND NATURAL GAS  
LOK SABHA**

UNSTARRED QUESTION NO:3674

ANSWERED ON:17.04.2008

WITHDRAWAL OF TAX REBATE ON COMMISSIONING OF NEW REFINERIES

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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the Government has withdrawn the tax rebate on commissioning of new refineries in the country;
- (b) if so, the details thereof;
- (c) whether Indian Oil Corporation Paradeep refinery will suffer loss due to such withdrawal of tax rebate;
- (d) if so, the details thereof and the reaction of IOC thereto;
- (e) whether the project will be delayed as a result of Government's latest decision; and
- (f) if not, the time by which the construction work at the site would be started and completed?

**Answer**

Minister of State in the Ministry of petroleum and natural gas(SHRI DINSHA PATEL)

(A)&(B): PRESENTLY, SECTION 80-IB (9) PROVIDES THAT THE AMOUNT OF DEDUCTION TO AN UNDERTAKING WHICH BEGINS COMMERCIAL PRODUCTION OR REFINING OF MINERAL OIL SHALL BE 100% OF THE PROFITS FOR A PERIOD OF SEVEN CONSECUTIVE ASSESSMENT YEARS INCLUDING THE INITIAL ASSESSMENT YEAR. HOWEVER, WITH THE INTRODUCTION OF THE PROPOSED SUNSET CLAUSE IN THE BUDGET 2008-09, THE TAX HOLIDAY WILL STAND WITHDRAWN IF REFINING OF MINERAL OIL BEGINS AFTER 1.4.2009.

(C)&(D): INDIAN OIL CORPORATION (IOC) HAS INFORMED THAT DUE TO WITHDRAWAL OF THE TAX REBATE, THERE WOULD BE FINANCIAL IMPLICATIONS FOR ITS PARADEEP REFINERY AND IT WOULD ADVERSELY IMPACT THE PROJECT 'S INTERNAL RATE OF RETURN (IRR). IOC HAS AS SUCH REPRESENTED FOR WITHDRAWAL OF THE PROPOSED AMENDMENT.

(e)&(f): IOC has also informed that based on the Detailed Feasibility Report (DFR), the Board of Directors of IOC in its meeting held on 25.3.2006 have accorded in-principle approval to the Paradeep Refinery Project at an estimated investment of Rs.25,646 crore with completion schedule as October, 2011, consisting of 15 MMTPA refinery integrated with petrochemicals viz. paraxylene, polypropylene and styrene. The final investment approval for the project is expected to be obtained during 1st quarter of 2008-09 based on the + 10% cost estimate after completion of Front End Engineering Design (FEED) which is under finalization of IOC. With this, no delay is expected in implementation of the project.