

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:77
ANSWERED ON:04.03.2005
ABOLITION OF EXCISE AND CUSTOMS DUTY
Acharia Shri Basudeb;Rijiju Shri Kiren

Will the Minister of FINANCE be pleased to state:

- (a) whether attention of the Government has been drawn to the news item appearing in Economic Times on 15th January 2005 captioned ` Lahiri panel for lower levies on crude`;
- (b) whether the Government have examined recommendations made by the Lahiri Committee;
- (c) if so, details thereof and action proposed to be taken in this regard;
- (d) whether the Government is also considering exempting of customs and excise levies on subsidized products such as cooking gas and kerosene ; and
- (e) if so, whether PSUs refineries will lose their profitability thereafter ?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

A statement is laid on the table of the House.

Statement referred to in reply to the Lok Sabha Starred Question No.77

(a) (b) & (c) The Advisory Group headed by Dr. Ashok Lahiri had submitted its recommendations on revision of tariff structures for petroleum sector. Taking into consideration the recommendations of the Advisory Group and the views of the Ministry of Petroleum and Natural Gas, in this year's budget, following changes have been made in customs and excise duty structure for petroleum sector:

CUSTOMS

Product Pre budget With effect from 1.3.2005

Crude petroleum oil 10% 5%

Petrol and diesel 15% 10%

Kerosene

(Public Distribution
System) 5% Nil

Liquefied Petroleum
Gases (for domestic use) 5% Nil

Other petroleum products 20% 10%

CENTRAL EXCISE

Pre-budget rates With effect from 1.3.2005

| Product | BED | SED | AED | SAED | BED | SED | AED | SAED |
|---------|------|-----|-----|------|------|------|-----|------|
| Rs. | Rs. | | | | Rs. | Rs. | | |
| /ltr | /ltr | | | | /ltr | /ltr | | |

Petrol

| | | | | | | | | |
|----------------|-----|-------|------|------|------|-----|------|------|
| (motor spirit) | 16% | 7% | 1.50 | 6.00 | 8% + | Nil | 2.00 | 6.00 |
| Rs.5.00 | | | | | | | | |
| /ltr. | | | | | | | | |
| High Speed | 8% | - | 1.50 | - | 8% | - | 2.00 | - |
| Diesel | | + Rs. | | | | | | |
| 1.25/ltr | | | | | | | | |

| | | | | | | | | |
|--------------|-----|----------|---|------|-----|---|---|---|
| Light Diesel | 16% | - | - | - | 16% | - | - | - |
| Oil + Rs.+ | | Rs. 2.50 | | | | | | |
| 1.50/ ltr | | | | /ltr | | | | |

| | | | | | | | | |
|----------------|-----|---|---|---|-----|---|---|---|
| Kerosene (PDS) | 12% | - | - | - | Nil | - | - | - |
|----------------|-----|---|---|---|-----|---|---|---|

| | | | | | | | | |
|----------------|----|---|---|---|-----|---|---|---|
| LPG (domestic) | 8% | - | - | - | Nil | - | - | - |
|----------------|----|---|---|---|-----|---|---|---|

(d) LPG for domestic use and kerosene for public distribution system have been fully exempted from both customs and excise duties.

(e) It is not possible to comment on the profitability of the refineries as it will depend on various factors including the product mix. However, according to Ministry of Petroleum and Natural Gas, the net duty protection to PSU refineries in percentage terms as compared to product realization without duty available to refineries may get reduced by 1% due to changes in tariff.