

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

UNSTARRED QUESTION NO:5523
ANSWERED ON:29.04.2010
PRICES OF OIL AND GAS
Acharia Shri Basudeb

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

- (a) whether with the rise in prices of oil and gas in international market, the Government also raises the same in internal market resulting in increase in rise in prices but the Government earns profit from the increase;
- (b) if so, the details thereof;
- (c) whether it is fact that more increase in price of oil and gas in international market, the more profit in Government coffer;
- (d) if so, the details thereof;
- (e) whether the State Governments and the common people suffered for this practice; and
- (f) if so, the remedial measures taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA)

(a): No, Madam.

(b): Does not arise.

(c) & (d): Revenue earned by Government increases in the event of higher international oil prices only in respect of those products where duties are advalorem in nature, such as Customs Duty, Sales Tax/VAT etc. The details of rates of Customs Duty on crude oil and petroleum products and Sales Tax/VAT are given in the Annexure.

(e): The Central Government on its part, has written to the Chief Ministers of all the State Governments and the Finance Minister of West Bengal, (as the Chairman of the Empowered Committee of State Finance Ministers) in June 2009, requesting them to rationalize the Sales Tax/VAT on Petrol and Diesel so as to reduce the incidence of tax on the oil prices to protect the interest of the consuming public.

(f): The Government has progressively reduced the Customs Duty on crude oil and petroleum products to rationalize taxes and duties and keep the consumer prices of these sensitive petroleum products within reasonable limits. Customs Duty on crude oil which was 10% in August 2004 was reduced to Nil in June 2008. Similarly, for Petrol and Diesel, Custom Duty was reduced to 2.5% in June 2008. The Excise Duty on Petrol and Diesel has been made specific. Recently, Customs Duty on Crude Oil has been restored from Nil to 5% and increased on Petrol and Diesel from 2.5% to 7.5% with effect from 27-02-2010.

Under the burden sharing mechanism for compensating the OMCs' under-recoveries, Government has issued Oil Bonds of Rs.71,292 crore and PSU upstream oil companies have contributed Rs.32,000 by way of discounts on crude oil/products to the OMCs during the year 2008-09. During the year 2009-10, Government has released budgetary support of Rs.12,000 crore as the share of the Government towards meeting the under-recoveries for the year 2009-10. The PSU Upstream Oil Companies have also contributed Rs.8,364 crore to the OMCs by way of discount on crude oil/ products during the first three quarters of 2009-10.