

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

UNSTARRED QUESTION NO:790

ANSWERED ON:29.07.2010

SALES TAX ON PETROLEUM PRODUCTS

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

- (a) whether the Union Government has requested the State Governments to streamline sales tax on petroleum products in a scientific manner;
- (b) if so, the response of the State Governments thereon, State-wise;
- (c) whether the Government had decided to let petrol prices be market driven both at the refinery gate and at the retail level;
- (d) if so, whether these moves of the Union Government leads unprecedented hike in petroleum products; and
- (e) if so, the response of the Union Government thereon?

Answer

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

(a)&(b): Central Government has requested the State Governments to rationalize their taxes on sensitive petroleum products; namely Petrol, Diesel, PDS Kerosene and Domestic LPG, and also shift from the ad-valorem rates to specific tax component, for providing relief to the consumers.

The Government of National Capital Territory of Delhi has reduced the VAT rate on Diesel from 20% to 12.5% w.e.f 20th July, 2010. The Government of Bihar has reduced VAT on PDS Kerosene from 12.5% to 4% w.e.f. 12.7.2010. The Government of Goa has reduced the VAT rates on Petrol, Diesel and Domestic LPG w.e.f. from 17th July, 2010 as follows:

Product Changes

Petrol Reduction in VAT rate from 22% to 20%

Diesel Reduction in VAT rate from 20% to 18%

Domestic LPG Reduction in VAT rate from 4% to Nil

(c)to(e): In the light of the recommendations made by the Expert Group constituted under the Chairmanship of Dr. Kirit S. Parikh to advise on a viable and sustainable system of pricing of the petroleum products, Government has inter-alia decided to make the prices of Petrol market-determined both at the Refinery Gate and at the Retail Level, with effect from 26.6.2010. It has also been decided that in case of a high rise and volatility in the international oil prices, Government will suitably intervene in the pricing of Petrol.

The primary objective behind the pricing reforms undertaken by the Government is the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man, and for ensuring country's energy security in the long term. Market-determined pricing of Petrol is expected to induce market competition, encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.