

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

UNSTARRED QUESTION NO:2647
ANSWERED ON:25.11.2010
WINDFALL TAX ON CRUDE OIL PRICE
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether Oil and Natural Gas Corporation (ONGC) has sought levy of windfall tax on crude oil price of over \$60 per barrel can be taken as a tax to subsidies petrol, diesel, LPG and Kerosene since 2003-04;
- (b) if so, the details thereof;
- (c) whether ONGC doled out Rs. 86005 crore in fuel subsidy and this year it has already paid Rs. 3059 crore;
- (d) if so, whether the Government has agreed to the proposal of ONGC; and
- (e) if so, the details thereof?

Answer

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

(a)to(e): The issue of levying a windfall profit tax on all upstream oil companies was examined by the Expert Group, constituted by the Government under the Chairmanship of Dr. Kirit S. Parikh, to advise on a Viable and Sustainable System of Pricing of Petroleum Products. The Expert Group has mentioned in its Report that ONGC had made a presentation to the Committee where it suggested the following rates of tax:

Price Range (\$ per barrel)	Rate of Tax (% of the incremental price)
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60 - 70	20 %
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70 - 80	40%
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80 - 90	60%
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Above 90	80%
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However, the Expert Group did not recommend a windfall profit tax. Instead, it favoured providing flexibility to Ministry of Petroleum and Natural Gas in mopping up incremental incomes of ONGC and Oil India for the purpose of meeting a part of the under-recoveries of Public Sector Oil Marketing Companies (OMCs) on the sale of Domestic LPG and PDS Kerosene.

Under the "Burden Sharing Mechanism" followed by the Government since 2003-04, ONGC has provided a total assistance of ` 96,711 crore and ` 8,535 crore during the years 2003-04 to 2009-10 and April-September 2010 respectively, through price discounts to OMCs.