

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5112
ANSWERED ON:10.12.2010
TAX INCENTIVES FOR OIL AND GAS BLOCKS
Ponnam Shri Prabhakar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government's plan to offer tax incentives based on investments made by companies is expected to attract big overseas investments in the next round of bidding for oil and gas blocks;
- (b) if so, the details thereof; and
- (c) the response received so far ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE:(SHRI S.S. PALANIMANICKAM)

(a), (b) & (c) Currently, the Income Tax Act, 1961 provides tax incentive based on investment to companies through the provisions of section 35AD. The incentive is in the form of a hundred percent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively for the purposes of the "specified business", including the business of laying and operating a cross-country natural gas or crude or petroleum oil pipeline network, during the previous year in which such expenditure is incurred. There are various factors that affect investment decisions of companies apart from tax incentives, such as market potential, growth prospects, etc. Therefore, the response in terms of investment will be based on a combination of all these factors.