

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1686

ANSWERED ON:19.11.2010

TAX INCENTIVE FOR MANUFACTURE OF PETRO PRODUCTS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides tax incentive to the private companies engaged in the manufacturing of petroleum products;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the financial burden on exchequer due to such concessions?

Answer

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

(a) & (b): So far as direct taxes are concerned, the Income Tax Act, 1961 provides tax incentive to companies, irrespective of their being from the private or the public sector, through the provisions of sub-section (9) of section 80-IB. The incentive is in the form of a deduction of hundred percent of the profits of an undertaking arising from the commercial production or refining of mineral oil and of natural gas from blocks which are licensed under the VIII Round of bidding for award of exploration contracts under the New Exploration Licencing Policy (NELP-VIII) and under the IV Round for Coal Bed Methane (CBD) blocks. This deduction is available for a period of seven consecutive assessment years, including the initial assessment year, if such undertaking fulfils any of the following, namely:â€”

- (i) is located in North-Eastern Region and has begun or begins commercial production of mineral oil before the 1st day of April, 1997;
- (ii) is located in any part of India and has begun or begins commercial production of mineral oil on or after the 1st day of April, 1997;
- (iii) is engaged in refining of mineral oil and begins such refining on or after the 1st day of October, 1998 but not later than the 31st day of March, 2012.

So far as indirect taxes are concerned, exemptions notifications issued in respect of petro products are basically to provide effective rates of duty which are available to all importers/manufacturers.

(c): The revenue foregone during the year 2008-09 on account of the afore-mentioned tax concession granted under section 80-IB(9) of the Income Tax Act, 1961, as reported in the Receipts Budget, 2010-11 was Rs. 951 crores.