

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:842
ANSWERED ON:12.11.2010
TAX HOLIDAYS FOR PRODUCTION OF OIL AND GAS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has granted tax holidays for both oil and gas production in New Exploration Licensing Policy-VIII;
- (b) if so, the details thereof; and
- (c) the result achieved with such decision so far?

Answer

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

(a) & (b): So far as direct taxes are concerned, sub-section (9) of section 80-IB of the Income Tax Act, 1961 provides for deduction in respect of profits and gains derived from commercial production or refining of mineral oil. The deduction under this sub-section is available to an undertaking for a period of seven consecutive assessment years including the initial assessment year-

- (i) in which the commercial production has first started; or
- (ii) in which the refining of mineral oil has begun.

However, no deduction under this sub-section is available to an undertaking which begins refining of mineral oil on or after 1st April, 2009 unless such undertaking fulfils all the following conditions as provided in the third proviso to this sub-section, namely:-

- (i) it is wholly owned by a public sector company or any other company in which a public sector company or companies hold at least forty-nine percent of the voting rights;
- (ii) it is notified by the Central Government in this behalf on or before 31st May, 2008; and
- (iii) it begins refining not later than 31st March, 2012.

The Income Tax Act has been amended vide the Finance (No. 2) Act, 2009 through the insertion of clause(iv) in the aforesaid provisions. The amendment extends the tax holiday under sub-section (9) of section 80-IB of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, also to 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) announced by the Government of India vide Resolution No.O-19018/22/95-ONG.DO.VL, dated 10th February, 1999 and begin commercial production of natural gas on or after 1st April, 2009.

Furthermore, a new clause(v) has been inserted to also include within the scope of the aforesaid tax holiday the undertakings engaged in commercial production of natural gas in blocks licensed under the IV Round of bidding for award of exploration contracts for Coal Bed Methane blocks which begin commercial production of natural gas on or after 1st April, 2009.

These amendments are applicable with retrospective effect from 1st April, 2000 and will accordingly apply in relation to assessment year 2000-01 and subsequent years.

So far as indirect taxes are concerned, full exemption from levy of Basic Customs Duty (BCD) as well as Additional Duty of Customs (CVD) has been allowed on specified goods imported in connection with petroleum operations undertaken under specified contracts under the New Exploration Licensing Policy under Notification No. 21/2002, Sr.No.217.

(c): The eligible profit and gains for claiming the above-mentioned deduction/incentive will depend on whether the undertaking strikes oil/gas in its block(s) and makes profits from its commercial production.