

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

STARRED QUESTION NO:469
ANSWERED ON:06.08.2009
PRICE OF PETROLEUM PRODUCTS
Tewari Shri Manish

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

- (a) whether the retail price of petroleum products in India is among the highest in the world;
- (b) if so, whether this exorbitant retail price is the result of the taxation policy of the Government towards this sector;
- (c) if so, the details thereof;
- (d) whether the Government is aware that if the taxes and levies imposed on petroleum products are valued on purchasing power parity terms retail petroleum product prices in India would be among the highest in the world; and
- (e) if so, the reaction of the Government thereon?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (Shri murli deora)

(a)to(e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 469 asked by Shri Manish Tewari to be answered on 6th August, 2009 regarding "Price of petroleum products".

(a)to(e): The prices of sensitive petroleum products i.e Petrol, Diesel, Kerosene (PDS Kerosene in India) and Domestic LPG in India and its neighboring countries, in July 2009, are given as under:

(Figures in Indian Rupees)

	Petrol	Diesel	Kerosene	Domestic LPG
	Rs.per litre	Rs.per litre	Rs per litre	Rs. per 14.2 kg cylinder

India (Delhi) 44.63 32.87 9.22 281.20

Pakistan 36.52 36.82 34.89 483.06

Bangladesh 51.36 30.53 30.53 670.12

Sri Lanka 54.19 30.43 21.26 666.31

Nepal 48.41 34.35 34.35 702.72

Note: Data as provided by IOC.

It may, therefore, be seen that whereas prices of PDS Kerosene and Domestic LPG in India are the lowest; prices of Petrol and Diesel are quite comparable to the neighbouring countries.

As the costs of the primary raw material i.e., crude oil are more or less uniform internationally, in developed and developing countries, the rate of taxation in a country plays an important role in determining the retail prices of petroleum products. Taxes and Duties of the Central and State Governments constitute 48.4% and 24.5% of the retail prices of Petrol and Diesel respectively (at Delhi), the details of which are given in the annexure.

However, the Central Government has been rationalizing taxes and duties on sensitive petroleum products, as per the details given below:

(i) Reduction in Customs Duties

Customs Duty on Crude Oil has been gradually reduced from 10% in August 2004 to Nil in June 2008.

Customs Duty on Domestic LPG and PDS Kerosene has been gradually reduced from 10% in August 2004 to Nil in March 2005.

Customs Duty on Petrol and Diesel has been gradually reduced from 15% to 2.5% between August 2004 to June 2008.

(ii) Reduction in Excise Duties # Ad-valorem Excise Duty on unbranded Petrol and unbranded Diesel has been gradually reduced from 26% and 11% respectively in June 2004 to Nil in March 2008, and converted to Specific Duty.

Excise Duty on unbranded Petrol and unbranded Diesel has been reduced by Re.1 per litre in June 2008.

Advalorem Excise Duty on branded Petrol and Diesel has been made specific with effect from 7th July 2009.

Excise Duty on Domestic LPG and PDS Kerosene has been successively reduced from 16% in June 2004 to Nil in March 2005.

(iii) Domestic LPG conferred "Declared Goods" status under CST Act 2006. Domestic LPG was notified a "Declared Goods", reducing the maximum rate of Sales Tax to 4%, with effect from 19.4.2006 across all States and Union Territories, from 12.5% levied by most States earlier.

The State Governments are levying high rates of Sales Tax/VAT on Petrol and Diesel. It varies from 18% to 33% on Petrol and from 8.80% to 26% in case of Diesel. The Central Government on its part, has written to the Chief Ministers of all the State Governments and the Finance Minister of West Bengal, (as the Chairman of the Empowered Committee of State Finance Ministers) recently, requesting them to rationalize the Sales Tax/VAT on Petrol and Diesel so as to reduce the incidence of tax on the oil prices to protect the interest of the consuming public.