

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

UNSTARRED QUESTION NO:4604
ANSWERED ON:06.08.2009
TAX HOLIDAYS FOR OIL AND GAS PRODUCTION
Dhotre Shri Sanjay Shamrao;Dubey Shri Nishikant

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

- (a) whether New Exploration Licensing Policy (NELP)- I to VII had provided tax holidays both on oil and gas without any exceptions;
- (b) if so, whether bidders had submitted bids on explicit commitment on availability of 7-years tax holidays on commercial production of both oil and gas under NELP-I to VII ;
- (c) if so, the reasons for withdrawing tax holidays; and
- (d) the likely impact of such decision on future exploration programmes?

Answer

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

(a) to (d): As per provisions of Production Sharing Contracts (PSCs) signed under various rounds of New Exploration Licensing Policy (NELP) i.e. NELP-I to NELP- VII, Company (ies) are eligible for benefits available under the provisions of Income-tax Act, 1961 as applicable from time to time. Accordingly, the bidders had submitted bids and the awardee(s) had signed PSCs. A clarification issued by Ministry of Petroleum & Natural Gas on 27.6.2008 before receipt of bids on 30.6.2008 under seventh round of New Exploration Licensing Policy (NELP-VII) is Annexed.

Annex

Annex referred to in reply to parts (a) to (d) of Lok Sabha Unstarred Question No. 4604 for answer on 06.8.2009 regarding 'Tax Holidays on Oil and Gas Production.'

Clarification issued on 27.06.2008 regarding 7 year Income Tax Holiday on Commercial Production of Natural Gas

Under the New Exploration Licensing Policy (NELP) and Coal Bed Methane (CBM) Policy, the Ministry of Petroleum & Natural Gas, Government of India, has been assuring potential bidders of income tax rebate for a period of seven years from the beginning of commercial production. However, some Income Tax Authorities have disallowed the above relief in respect of production of natural gas due to lack of specific inclusion of the term Natural Gas under the related provision in the Income Tax Act. The matter is presently sub-judice before different authorities, including Tribunals and Courts.

The Notice Inviting Offer (NIO) and Petroleum Tax Guide for the NELP-VII bidding round, for which bids are due to be received on 30th June, 2008 holds out the same assurance as in the previous bidding rounds. The Ministry of Finance has clarified that income tax relief of seven years will be available only on commercial production of Crude Oil. In the light of the above clarification, Income Tax related provisions in the NIO and Petroleum Tax Guide issued by this Ministry for the NELP-VII bidding round may be read accordingly.

The Ministry of Petroleum & Natural Gas clarifies that all the potential bidders may submit their bids under NELP-VII, keeping the above clarification in mind.