

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:223

ANSWERED ON:22.02.2013

TAX INCENTIVES FOR PRODUCTION OF PETROLEUM AND NATURAL GAS

Gawali Patil Smt. Bhavana Pundlikrao ;Nagorao Shri Dudhgaonkar Ganeshrao

Will the Minister of FINANCE be pleased to state:

- (a) the details of the tax incentives given by the Government for production of petroleum and natural gas;
- (b) whether the Government proposes to provide exemption to petroleum and natural gas producing companies in Income Tax and other taxes;
- (c) if so, the details thereof; and
- (d) the time by which a final decision is likely to be taken in this regard?

Answer

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

(a): So far as direct taxes are concerned, the Income Tax Act, 1961 provides tax incentives to undertakings engaged in the production of mineral oil and natural gas vide provisions of sub-section (9) of section 80-IB subject to the conditions specified therein. The incentive is in the form of a deduction of hundred per cent of the profits arising from the commercial production or refining of mineral oil and natural gas for a period of seven consecutive assessment years. So far as indirect taxes are concerned, tax incentives by way of customs and central excise duty exemption available to production of petroleum and natural gas includes:

(i) Specified goods required in connection with petroleum operations undertaken under petroleum exploration licenses or mining leases or specified contracts under New Exploration Licensing Policy are fully exempted from all customs duties;

(ii) Specified goods required in connection with coal bed methane operations undertaken under specified contracts under Coal Bed Methane Policy are fully exempted from all customs duties;

(iii) Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off-shore oil exploration or exploitation are fully exempted from all customs duties;

(iv) Specified goods required for setting up crude petroleum refinery attracts a concessional rate of Basic Customs Duty @ 5%;

(v) Natural Gas other than Compressed Natural Gas (CNG) is fully exempted from Central Excise duty;

(vi) 50% exemption from all excise duties on petroleum products manufactured by the refineries located in North East India.

(b) to (d): The proposals in respect of legislative changes in direct and indirect tax laws can be considered through the Finance Bill during the Annual Budgetary exercise. The Budgetary exercise for the year 2013-14 is under progress. Government's response in this regard shall be reflected in the form of Finance Bill, 2013.