

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:456

ANSWERED ON:20.11.2009

TAX EXEMPTION TO BOOST THE PRODUCTION OF NATURAL GAS

Maadam Shri Vikrambhai Arjanbhai

**Will the Minister of FINANCE be pleased to state:**

- (a) the details of incentives given on production of petroleum and natural gas;
- (b) whether Government is considering to give exemption to petroleum and natural gas producing companies in income tax and other taxes in order to boost the production of natural gas;
- (c) if so, the details thereof; and
- (d) the time by when final decision in this regard is likely to be taken?

**Answer**

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

(a): Sub-section (9) of section 80-IB of the Income Tax Act, 1961 provides for deduction in respect of profits and gain 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 under production sharing contract 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 the 1st day of April, 2009 unless such undertaking fulfils certain conditions.

The provisions of sub-section (9) have been amended so as to allow them a further period of three years i.e. upto the 31st March, 2012 to begin refining of mineral oil and avail of the tax benefit. The new terminal date will be the same for both the public and private sector.

Further, the Income Tax Act has been amended so as to extend the tax holiday 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 and begin commercial production of natural gas on or after the 1st day of April, 2009. This amendment has taken retrospective effect from the 1st April, 2000 and will, accordingly, apply in relation to assessment year 2000-01 and subsequent years.

The details of incentives under indirect taxes given to various projects pertaining to petroleum and natural gas production are provided in the enclosed Annexure.

(b): The incentives provided in the law as described in (a) above are sufficient. No more incentives are under consideration.

(c) & (d): Does not arise in view of (b) above.