

Excise, VAT may stay after GST on fuel

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The goods and services tax (GST) Council is trying to build consensus among states over imposing the GST on petroleum products by allowing the Centre and states to levy existing taxes over a 28 per cent GST rate.

States have been averse to including fuel in the GST because levies on it account for 40 per cent of their revenue. They could change their mind if allowed to continue with value-added tax (VAT) and other imposts on fuel above the GST rate. The Centre, which is willing to impose the GST on fuel, may also be permitted to charge excise duty above the GST rate.

"Petroleum products account for 40 per cent of states' revenues. The Centre and states should be free to levy additional taxes over and above the GST rate," Bihar Deputy Chief Minister Sushil Modi said.

"This is a general principle taxing petroleum throughout the world. At least it will ensure companies receive input tax credit," he said, adding the objective was to keep tax revenue intact.

The GST allows states to impose additional taxes over the 28 per cent GST rate on movies to fund local bodies.

"It will be easier to reach consensus on petroleum if states are allowed to impose further tax-

es," an official said.

Finance Minister Arun Jaitley, who chairs the GST Council, on Tuesday said the Centre wanted to bring petroleum under the ambit of the GST and was awaiting responses from states on its proposal.

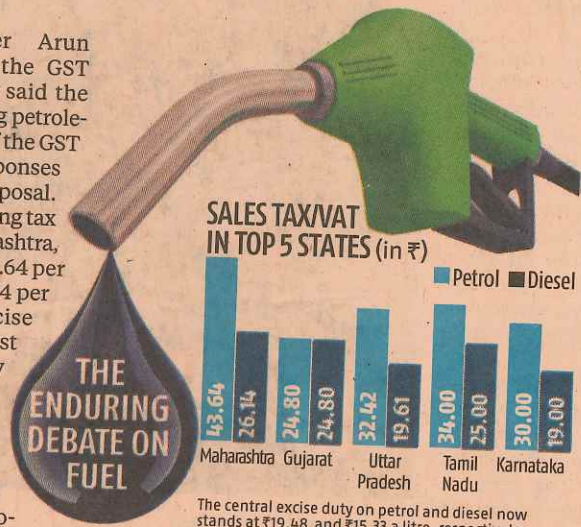
States impose varying tax rates on fuel. In Maharashtra, the VAT on petrol is 43.64 per cent and on diesel 26.14 per cent. The central excise duty is a specific impost and does not vary with prices.

Crude oil, diesel, petrol, natural gas, and jet fuel do not attract the GST. These are used as inputs in the petrochemical, fertiliser, and transport industries and these lead to a cascading of taxes. Naphtha and liquefied petroleum gas are included in the GST.

"Keeping petroleum outside the GST creates imperfections. If it were to be brought within the GST then in addition to the regular GST rate, there could be a subvention tax to meet the revenue considerations of the government," said Saloni Roy, senior director, Deloitte India.

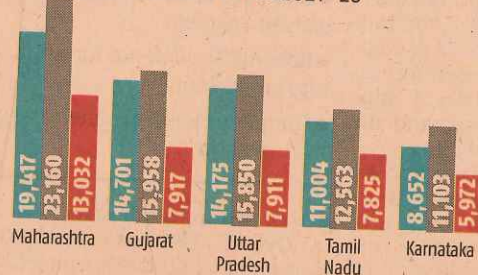
"Petroleum products need to be included in the GST, so that the base of the tax can be broadened. The GST and state VAT levies may continue simultaneously till the latter is phased out," said EY partner Bipin Sapra.

(With inputs from Shine Jacob)



The central excise duty on petrol and diesel now stands at ₹19.48 and ₹15.33 a litre, respectively

STATE-WISE COLLECTION OF SALES TAX/VAT ON PETRO PRODUCTS (TOP 5 STATES) (in ₹ cr)



CONTRIBUTION TO STATE EXCHEQUER (Sales tax/VAT in ₹ cr)



Source: Petroleum Planning & Analysis Cell