



Petrol, Diesel Should Come Under GST, Says Oil Minister: 5 Points

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There are two kinds of taxes on petroleum products - central excise and state VAT

The oil ministry has urged the Ministry of Finance to bring petroleum products under the ambit of Goods and Services Tax (GST) in the interest of consumers, a move, if implemented, would bring in "uniform tax mechanism" all over the country. "This is the proposal of the Ministry of Petroleum. We have appealed to all the states and finance ministry (to bring petroleum items under GST). Looking into the consumer interest, there must be tax rationalisation," Oil Minister Dharmendra Pradhan said.

Here are 5 things to know:

1) GST, which subsumed over a dozen state and central levies, came into effect from July 1 but some goods like alcohol

and petroleum products have been kept out of its purview.

2) There are two kinds of taxes on petroleum products. One is the central excise and the other one is state VAT.

3) Currently petrol and diesel prices are revised on a daily basis. Justifying the daily price mechanism which is in place for petrol and diesel, Mr Pradhan said states are getting 42 per cent share in whatever levy is being collected by the Centre and clarified domestic rates are determined by international prices. "There is no communication gap or mismatch (between domestic and global prices). Whatever is the international price we are passing exactly that to the Indian consumer," he said.

4) "Bringing petrol under GST is pragmatic as it harmonizes the tax structure. Ideally all commodities should be under GST and there should be no exception. However, given that states earn substantial money from petrol products there is reason for keeping them out," said Madan Sabnavis, chief economist at Care Ratings.

5) The minister also said that the centre needs funds for implementing various development and welfare projects in the country. "Don't you think we should build good roads. Don't you think we should give clean drinking water to citizens. See the spending of the Government of India. Previously, for the housing scheme (for the poor), the government was spending Rs. 70,000 per unit. Now we are spending Rs. 1.5 lakh. We are passing the money for the greater recycling of the economy through infrastructure projects," he explained.

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