

**LOK SABHA**

**UNSTARRED QUESTION NO.364  
TO BE ANSWERED ON 18<sup>TH</sup> DECEMBER, 2017**

**IMPACT OF TAXES ON PRICE OF PETROLEUM PRODUCTS**

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पेट्रो लयम और प्राकृतिक गैस मंत्री

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

- (a) whether the retail selling price of petrol and diesel increased by almost 100 per cent in comparison to its actual production cost due to imposition of higher taxes and if so, the details thereof along with the steps taken by the Government to reduce the prices of petroleum products;
- (b) whether the Government proposes to bring petroleum products under Goods and Services Tax and if so, the details thereof and if not, the reasons therefor;
- (c) whether petrol and diesel have been/are being sold to consumers in proportion to international crude oil prices during the last three years and the current year and if so, the details thereof;
- (d) the revenue and profit earned by the public sector oil companies from the sale of petrol and diesel by taking advantage of low international crude oil prices during the said period, company-wise;
- (e) whether the Government monitors the prices of various petroleum products including petrol and diesel fixed by the private companies to ensure that the prices are in conformity with the variation in the crude oil prices in the international markets; and
- (f) if so, the details thereof and the steps taken against private companies for not passing the benefit of low crude oil prices to the consumers and also to safeguard the interest of the consumers?

ANSWER

पेट्रो लयम और प्राकृतिक गैस मंत्री

(श्री धर्मेन्द्र प्रधान)

MINISTER OF PETROLEUM AND NATURAL GAS  
(SHRI DHARMENDRA PRADHAN)

(a) to (c): The prices of Petrol and Diesel have been made market determined by the Government effective from 26<sup>th</sup> June, 2010 and 19<sup>th</sup> October, 2014 respectively and since then their prices are being decided by the Public Sector Oil Marketing Companies (OMCs) in line with the changes in the international market prices. The Public Sector OMCs increase and decrease the prices on the basis of the price of respective products in the international market and not to that of crude oil.

Refining of crude oil is a process industry where crude oil is processed through several processing units. Each of these units produces intermediate products streams which results in difficulty in apportioning the total cost of individual refined products. Therefore, individual product-wise costs are not identified separately.

With an aim to reduce the prices of Petrol and Diesel and give relief to the consumers, the Central Government reduced the Central Excise duty on Petrol and Diesel by Rs.2 per litre effective from 4<sup>th</sup> October, 2017. The Central Government also requested the State Governments to reduce VAT imposed by them on Petrol and Diesel so as to give more relief to the consumers. Accordingly, three State Governments and one Union Territory have reduced the VAT on Petrol and Diesel.

The Goods and Services Tax (GST) has been implemented w.e.f. 1.7.2017. Five petroleum sector items viz., Crude Oil, Natural Gas, Petrol, Diesel and Aviation Turbine Fuel (ATF), are presently outside the scope of levy of GST, till such time as they are notified based on the recommendation of GST Council.

(d): The total revenue, Profit After Tax of the OMCs from all activities including sale of Petrol, Diesel and LPG during the last three years and current year is given as under:-

(Rs. crore)

Companies	2014-15	2015-16	2016-17	H1, 2017-18
<b>Revenue</b>				
IOC	4,36,390	3,49,321	4,38,692	2,33,506
HPC	2,06,380	1,79,281	2,13,489	1,14,044
BPC	2,37,905	1,89,098	2,41,859	1,30,673
<b>Profit After Tax</b>				
IOC	5,273	10,399	19,106	8,245
HPC	2,733	3,863	6,209	2,659
BPC	5,085	7,432	8,039	3,102

Source: PPAC

(e) & (f): Since the pricing of Petrol and Diesel is deregulated, the retail marketing companies, including the private oil companies, themselves decide the prices of Petrol and Diesel being sold from the Retail outlets run by them.

In order to protect the consumers from the fluctuations in the prices in the international market, the Government continues to modulate the RSP of Subsidized domestic LPG and PDS Kerosene.