

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
Lok Sabha
UNSTARRED QUESTION NO. : 182
(TO BE ANSWERED ON THE 2nd February 2023)
FUEL COST VS OPERATING COST

182. SHRI NARANBHAI KACHHADIYA

Will the Minister of CIVIL AVIATION

be pleased to state:-

- (a) whether the Government is aware that the fuel cost as a percentage of operating charges amounts to 45 per cent in the country as compared to the global average of 30 per cent;**
- (b) if so, the steps taken/proposed to be taken by the Government to depreciate/check the prices of fuel without affecting its consumption; and**
- (c) whether the Government has initiated any plan to lower the central as well as State taxes in the transaction cost of aviation sector and if so, the details thereof?**

ANSWER

Minister of State in the Ministry of CIVIL AVIATION
(GEN. (DR) V. K. SINGH (RETD))

(a) The operating costs of airlines are dynamic and their individual components vary in response to multiple factors which include, inter alia, price of Aviation Turbine Fuel (ATF) in international markets, foreign exchange rates, duties and taxes etc. In the case of scheduled Indian operators, the percentage share of aircraft fuel and oil expenses has been around 40% of total operating expenses.

(b) and (c): Prices of Aviation Turbine Fuel (ATF) have been made market determined by the Government with effect from 01.04.2001. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of ATF in line with international product prices and other market conditions. Government has consistently engaged in consultations with Airlines and OMCs on

the issue of ATF pricing. Taking cognizance of the high value added tax (VAT) on ATF levied by States, the issue was taken up with the States/ Union Territories. As a result, VAT on ATF has been reduced by 17 States/ UTs whose details are as below;

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(I) States which have reduced VAT on ATF in the range of 1-4%:

(i) Andaman & Nicobar Islands;

(ii) Uttarakhand;

(iii) Jammu & Kashmir;

(iv) Ladakh;

(v) Himachal Pradesh;

(vi) Tripura;

(vii) Madhya Pradesh;

(viii) Haryana;

(ix) Uttar Pradesh;

(x) Dadra and Nagar Haveli & Daman and Diu;

(xi) Arunachal Pradesh;

(xii) Manipur;

(xiii) Jharkhand;

(xiv) Mizoram ;

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(II) Other States which have reduced VAT on ATF:

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(xv) Gujarat - From 30% to 5%

(xvi) Goa - From 18% to 8%

(xvii) Karnataka - From 28% to 18%
