

LOK SABHA
UNSTARRED QUESTION NO. 45
TO BE ANSWERED ON 29 JANUARY, 2026

Rationalisation of Taxes and Duties on Fuels

45. SHRI MANI A:

पेट्रोलियम और प्राकृतिक गैस मंत्री

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

- (a) whether the Government is aware that the petroleum and natural gas sector is seeking rationalisation of taxes and duties on fuels and inputs citing high cumulative tax burden affecting transport costs, manufacturing and household budgets, if so, the details thereof;
- (b) whether the Government proposes to bring petrol and diesel under the Goods and Services Tax (GST) regime to enable uniform taxation and input tax credit benefits, if so, the details thereof;
- (c) whether any measures are under consideration to rationalise taxes on natural gas, LPG and aviation turbine fuel to support cleaner energy transition and industrial competitiveness, if so, the details thereof; and
- (d) the steps being taken to balance revenue considerations with the need to reduce energy costs for consumers and key economic sectors?

ANSWER

पेट्रोलियम और प्राकृतिक गैस मंत्रालय में राज्य मंत्री
(श्री सुरेश गोपी)

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS
(SHRI SURESH GOPI)

(a) to (d): Prices of petrol and diesel are market determined and Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of petrol and diesel. The final selling prices of petrol and diesel include excise duty fixed by the Central Government and State Value Added Tax (VAT)/Taxes fixed by the respective State Governments. The prices of petrol and diesel in the States across the country vary due to differing freight rates, VAT/local levies etc.

Central Government uniformly decreased the prices across the country by reducing excise duty in November 2021 and May 2022 of Rs. 13/litre and Rs. 16/litre on petrol and diesel respectively.

Government have made fiscal interventions whenever necessary to calibrate the tax structure applicable for petroleum products. In April 2025, excise duty on Petrol and Diesel was increased by Rs. 2 per litre each but this was not passed on to consumers. Currently excise duty is levied at Rs. 21.90 per litre and Rs. 17.80 per litre on petrol and diesel respectively.

PSU OMCs have also carried out an intra-state freight rationalisation. This has benefitted consumers located at remote areas, far from Petroleum Oil & Lubricants (POL) Depots in the form of reduced Petrol and Diesel prices in remote parts within the states. This initiative has also reduced the difference between the maximum and minimum retail prices of Petrol or Diesel within a state.

The GST Council in its 45th meeting held on 17th September 2021 had considered the inclusion of Petrol/Diesel and other petroleum products under the GST regime but the matter was deferred by the Council.

As far as LPG is concerned, India imports about 60% of its LPG requirement and accordingly prices of LPG in the country are linked to its prices in the international market. While the average Saudi CP (international benchmark for LPG pricing) rose by 35% (from US\$ 385/MT in July 2023 to US\$ 522/MT in January 2026), the prices of domestic LPG were reduced by about 22% (from Rs. 1103 in August 2023 to Rs. 853 in January 2026). For PMUY consumers, effective price for domestic LPG has been reduced by about 39% (from Rs. 903 in August 2023 to Rs. 553 in January 2026). Currently, domestic LPG attracts a GST rate of 5%, one of the lowest slabs of GST.

The retail selling price of a 14.2 Kg domestic LPG cylinder is currently Rs. 853 in Delhi. After a targeted subsidy of Rs. 300/cylinder to PMUY consumers, Government of India is providing 14.2 Kg LPG cylinders at an effective price of Rs.553 per cylinder (in Delhi). This is available to about 10.43 crore Ujjwala beneficiaries, across the country.

During the period 2020-21 to 2022-23, as the increase in international LPG prices was not fully passed on in retail prices, the Oil Marketing Companies (OMCs) suffered significant losses on domestic LPG. To compensate the OMCs for these losses, Government paid a one-time compensation of Rs. 22,000 crore to OMCs in January 2023.

The international prices of LPG again went up during 2024-25 and continue to remain high. However, to insulate consumers from fluctuations in international LPG prices, the increase in cost was not passed on to consumers of domestic LPG which led to significant losses for the three OMCs. To compensate the OMCs for these losses, Government has recently approved a compensation of Rs. 30,000 crore to the OMCs.

As far as Aviation Turbine Fuel (ATF) is concerned, its prices are market-determined with effect from 01.04.2001. The excise duty is levied at 11% on Aviation Turbine Fuel (ATF). However, Excise Duty is 2% in place of 11%, for supply to Scheduled Commuter Airlines (SCA) from the regional connectivity scheme (RCS) airports.

Government is committed towards security, affordability and accessibility of energy for every citizen. To achieve these objectives Government is promoting usage of alternate fuels like CNG, LNG, Hydrogen, biofuels including ethanol, electric vehicles, etc.

Government notified the National Policy on Biofuels - 2018 which laid out indicative target of 20% blending of ethanol in petrol and 5% blending of biodiesel in diesel by 2030 in the country. Subsequently, Government advanced the target of 20% blending of ethanol in petrol from 2030 to 2025-26. During the ongoing Ethanol Supply Year (ESY) 2024-25, Public Sector OMCs have achieved the average blending percentage of 19.24%. During the month of October, 2025, Ethanol blending of 19.97% has been achieved.

To promote the use of biofuels, various programmes such as Ethanol Blended Petrol (EBP) Programme, wherein Oil Marketing Companies (OMCs) sell petrol blended with ethanol, Biodiesel blending programme wherein biodiesel is blended with diesel, Sustainable Alternative towards Affordable Transportation (SATAT) initiative wherein Compressed Bio Gas (CBG) is marketed along with Compressed Natural Gas (CNG) have been taken up.
