



PETROFED

Ref. No.: PF/9

September 22, 2011

The Secretary
Ministry of Petroleum & Natural Gas
Shastri Bhavan
New Delhi

Sub: Inclusion of petroleum products in GST

Dear Sir,

This is further to our letter of even reference dated August 26, 2011 enclosing representations made earlier on the subject (copy attached without enclosures).

1. The proposed Constitution (One Hundred and Fifteenth Amendment) Bill 2011 excludes crude oil, MS, HSD, ATF and Natural Gas from the Goods & Services Tax (GST). This, we submit, would only increase the current stranding of taxes suffered by the oil & gas industry because the raw materials and services would be subject to GST at higher rates at the point of purchase which cannot be adjusted against excise duty and sales tax which will continue on crude oil, MS, HSD, ATF and Natural Gas.
2. The opposition of various State Governments to bringing crude oil, MS, HSD, ATF and Natural Gas within GST, probably stems from the fact that the taxes on these contribute significantly to the revenues of the State Governments and they do not want to lose their existing autonomy to change tax rates for balancing their budgets. This concern can be addressed, as was recommended by the Thirteenth Finance Commission, by allowing the State Governments to levy an additional tax, if necessary, (without any input tax credit) on these commodities in addition to GST, while bringing them within the ambit of GST.
3. It is submitted that if crude oil, MS, HSD, ATF and Natural Gas are excluded from the ambit of GST through a Constitutional Amendment, it would be extremely difficult or nearly impossible to bring these commodities back into GST at an appropriate time in

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the future because the same would require another Constitutional Amendment. As suggested in our earlier representation these commodities should not be excluded in the Constitutional Amendment Bill. The amendment to the Constitution should empower the Centre and the States to levy GST on all goods and services. By virtue of this power, based on the recommendation of the GST Council, the Parliament and Legislature can decide through taxation laws which goods should be included within GST. In this manner they could keep crude oil, MS, HSD, ATF and Natural Gas temporarily out of GST and bring them into the GST fold through resolutions in the GST Council at the appropriate time.

4. In view of the above, we seek the prompt intervention of the Ministry of Petroleum & Natural Gas in taking up this issue with the Ministry of Finance and also presenting the views of the sector before the Parliamentary Standing Committee on Finance which has sought views on the Constitutional Amendment Bill pertaining to GST.

We urge you to kindly take up this issue on priority.

Thanking you in anticipation,

Yours faithfully,


A. K. Arora

Director General

Encl.: as above


We have been seeking inclusion of petroleum products under the GST regime in-line with the stated objective for introduction of GST and the practice followed by many countries in the world.

It is imperative that the petroleum products (crude oil, petrol, diesel, aviation turbine fuel, natural gas) are not excluded in the Constitution Amendment Bill and that the Goods & Services Tax Council envisaged be permitted to decide the appropriate time, when consensus is reached, on bringing all petroleum products under GST.

We seek your personal intervention in taking up the case appropriately with the Ministry of Finance and the Standing Committee on Finance.

Thanking you in anticipation.

Yours faithfully,


A. K. Arora
Director General

Encl.: as above