

# **INDIAN OIL CORPORATION LIMITED**

## **UNDUE ENRICHMENT THROUGH RECOVERY OF TURNOVER TAX FROM CONSUMER**

**[BASED ON PARA NO. 2.1 OF C&AG REPORT NO. 14 OF 2021]**

**MINISTRY OF PETROLEUM AND NATURAL GAS**

**COMMITTEE ON PUBLIC UNDERTAKINGS  
(2025-26)**

## **TWENTY-FOURTH REPORT**

**(EIGHTEENTH LOK SABHA)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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**MINISTRY OF PETROLEUM AND NATURAL GAS**

**[Action Taken by the Government on the Observations/  
Recommendations contained in the Third Report (18<sup>th</sup> Lok  
Sabha) of the Committee on Public Undertakings on Para No.  
2.1 of C&AG Report No. 14 of 2021 relating to IOCL]**

*Presented to Lok Sabha on 11 December, 2025*  
*Laid in Rajya Sabha on 11 December, 2025*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
*December, 2025/ Agrahayana, 1947(Saka)*

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## COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2025-26)

**Shri Baijayant Panda - Chairperson**

### **Members**

#### **LOK SABHA**

2. Shri Tariq Anwar
3. Shri Sudip Bandyopadhyay
4. Shri Chandra Prakash Joshi
5. Smt. Kanimozhi Karunanidhi
6. Shri Kaushalendra Kumar
7. Shri Shankar Lalwani
8. Smt. Poonamben Hematbhai Maadam
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21. Shri Debashish Samantaray
22. Shri Arun Singh

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1. Shri Anjani Kumar - Joint Secretary
2. Smt. Mriganka Achal - Director
3. Shri Tenzin Gyaltzen - Deputy Secretary
4. Shri Dhruv - Under Secretary
5. Shri Chandan Kumar - Assistant Executive Officer

## **INTRODUCTION**

I, the Chairperson, Committee on Public Undertakings (2025-26) having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Fourth Report on Action Taken by the Government on the Observations/Recommendations contained in the Third Report of the Committee on Public Undertakings (18<sup>th</sup> Lok Sabha) on 'Undue enrichment through Recovery of Turnover Tax from consumer' relating to Indian Oil Corporation Limited (IOCL) [Based on Audit Para No. 2.1 of Report No.14 of 2021].

2. The Third Report of the Committee on Public Undertakings (18<sup>th</sup> Lok Sabha) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 18 December, 2024. The Action taken Replies to all the 10 recommendations contained in the Report were received from the Ministry of Petroleum and Natural Gas on 20 August 2025.

3. The Committee considered and adopted the draft Report at their sitting held on 05<sup>th</sup> December 2025. The Minutes of the sitting are given in Appendix-I.

4. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Third Report of the Committee (18<sup>th</sup> Lok Sabha) is given in Appendix -II.

**New Delhi;**  
**08 December, 2025**  
**17 Agrahayana, 1947(S)**

**Baijayant Panda**  
**Chairperson**  
**Committee on Public Undertakings**

# REPORT

## CHAPTER I

This Report of the Committee deals with the action taken by the Government on the Observation/Recommendations contained in the Third Report of the Committee on Public Undertakings (18<sup>th</sup> Lok Sabha) on “Undue Enrichment through Recovery of Turnover Tax from Consumer” relating to Indian Oil Corporation Limited (IOCL), based on Para No. 2.1 of C&AG Report No. 14 of 2021 which was presented to Lok Sabha on 18 December, 2024. It contained Ten observations/recommendations.

2. Action Taken notes have been received from the Government in respect of all the Ten observations/recommendations contained in the Report. These have been categorized as follows: -

- (i) Observation/Recommendations which have been accepted  
by the Government: (Total: 7)  
Sl. Nos.1, 2, 5, 6, 7, 8 and 9 (Chapter II)
- (ii) Observations/Recommendations which the Committee do  
not desire to pursue in view of the Government's replies:  
Sl. Nos. Nil. (Total: 00)  
(Chapter III)
- (iii) Observations/Recommendations in respect of which replies  
of Government had not been accepted by the Committee  
and which require reiteration:  
Sl. No. 3,4 and 10. (Total: 03)  
(Chapter IV)
- (iv) Observations/Recommendations in respect of which the  
Government has furnished interim replies and final replies  
are still awaited: (Total: 00)  
Sl. Nos. Nil (Chapter V)

**3. The Committee desire the Ministry of Petroleum and Natural Gas to furnish final Action Taken Notes/Replies in respect of observations/recommendations contained in Chapter I of the Report.**

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

## **VIOLATION OF THE ANDHRA PRADESH GENERAL SALES TAX ACT, 1957**

### **Recommendation (Sl. No. 3 and 4)**

5. The Committee in their Third Report, had recommended the following with regard to Violation of the Andhra Pradesh General Sales Tax Act, 1957:

“The Committee note that the C&AG highlighted a contradiction in the Andhra Pradesh General Sales Tax Act, 1957, which states that no dealer, including Oil Marketing Companies (OMCs), is allowed to collect Turnover Tax (TOT) from consumers, and doing so would result in a penalty. However, Indian Oil Corporation Limited (IOCL) argued that while they did not directly collect TOT from consumers, they had historically included the cost of irrecoverable state taxes in their pricing through a "State Surcharge" due to the administrative pricing mechanism in place before 2002. The MoP&NG issued guidelines allowing OMCs to recover such costs through retail prices, a practice continued after the dismantling of the Administered Pricing Mechanism (APM). The Irrecoverable Taxes Compensation Scheme, 2002, introduced by the Government of India, provided compensation for irrecoverable state taxes, including Andhra Pradesh Turnover Tax, by incorporating these costs into the state surcharge. MoP&NG further clarified that no compensation for TOT was to be paid beyond March 31, 2002, and that adjustments to retail prices were to cover these costs post-APM. The Committee further note that the MoP&NG's approach to handling the issue of irrecoverable taxes involved inter-ministerial consultations and legal advisories. The Ministry's adherence to guidelines and schemes post-APM reflects a structured process aimed at managing state tax impacts. However, the lack of direct consultation with the Andhra Pradesh government on these issues highlights a potential oversight in aligning federal tax compensation strategies with state-specific tax policies. In view of this, the Committee recommend that to address the discrepancies between the Andhra Pradesh General Sales Tax Act, 1957, and OMC practices, a thorough review of tax collection policies be conducted. The Government should ensure that OMCs adhere strictly to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge, this will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future.”

6. The Committee in their subsequent recommendation serial No.4, had recommended the following:

“The Committee would further stress on the fact that to improve the handling of irrecoverable state taxes and ensure fair compensation for Oil Marketing Companies (OMCs), the Government should establish a more transparent and direct compensation mechanism rather than incorporating these costs into retail prices. This approach could involve providing direct



financial reimbursements or any other such arrangements to offset irrecoverable state taxes, thereby reducing the burden on consumers. Additionally, enhanced coordination between the Central and State governments is essential. Therefore, the MoP&NG should engage in regular consultations with State governments to align State tax policies.”

7. The Ministry, in their action taken reply, have stated as follows:

“Various indirect taxes are levied by Central and State governments on manufacture or sale of products. By nature, these indirect taxes are cost to the manufacturer or seller, and are added to the cost of the product for the purpose of taking commercial decisions by such entities.

OMCs are also subjected to indirect taxes, viz. Custom Duty, Central Excise, VAT, GST etc. on import, manufacture and sale/ purchase of petroleum products.

Unlike VAT/ GST, which is levied on sale/ supply of products and can be separately recovered on invoices, Custom / Excise Duty are levied on import/ manufacture of products and are added to cost of the product while finalizing the pricing of the product. Thus, some indirect taxes can be recovered on invoice in terms of the provisions of statutes they are governed with while in other cases, these taxes are added to the 'price'.

At present, only the State of West Bengal & Bihar levy irrecoverable taxes in the name & style as Additional Tax and Surcharge respectively. The levy being indirect tax and take form of distribution cost of the product, is recovered through product pricing as State Specific cost (SSC) in line with MoP&NG Letter ref no. P-20023/2/2012-PP dt 2407.2012.

Forming SSC as a part of cost prevailed since APM period. Eliminating SSC from price build up will need to be compensated to sustain viability of marketing operations of oil companies in such States. Such cash compensation to oil companies will be huge financial burden on the exchequer.

Requests are regularly being made to respective State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.”

8. The vetting comments of the Office of C&AG on the aforesaid replies of the Government are as follows:

“The Committee have recommended that apart from carrying out a thorough review of tax collection policies, the Government should ensure strict adherence to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge. This will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future.

However, the Ministry has replied that Additional Tax and Surcharge being levied in the State of West Bengal and Bihar, being indirect tax in the form of distribution cost of the product, is recovered by the OMCs through product pricing as State Specific cost. Therefore, it appears that the OMCs/ Ministry has not ensured compliance of the recommendation of the Committee regarding non-recovery of indirect taxes through State Surcharge.

It is pertinent to mention that similar recovery was being made by IOCL in Andhra Pradesh where it recovered Turnover Tax by way of including the same in the Retail Selling Prices (RSP) which was in violation of AP GST Act as brought out in the para.”

**9. The Committee in their earlier recommendations stated that the Government should ensure that OMCs adhere strictly to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge, this will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future. The Committee had further recommended that to improve the handling of irrecoverable state taxes and ensure fair compensation for Oil Marketing Companies (OMCs), the Government should establish a more transparent and direct compensation mechanism rather than incorporating these costs into retail prices. The vetting comment of C&AG in line with Committee recommendations also states that apart from carrying out a thorough review of tax collection policies, the Government should ensure adherence to statutory requirements. The Committee while taking cognizance of the Ministry’s reply that certain irrecoverable State levies, such as the Additional Tax and Surcharge etc. are treated as part of distribution costs incorporated into product pricing, are of the view, that such an approach does not address the core issue of statutory adherence and fiscal transparency. Also, with regard to the Ministry’s contention that direct compensation may lead to financial strain, the Committee are of the view that the principle of legal compliance and consumer protection should take precedence, and desire that sustainable solutions must be found through policy reforms. The Committee therefore, reiterate that the Government may undertake a comprehensive review of tax recovery mechanisms and try to establish a uniform, transparent and legally compliant framework for**

handling irrecoverable State taxes including structured consultations with State Governments and the Ministry of Finance to design a direct reimbursement and fiscal adjustment mechanism. The Committee feel that these kind of mechanism will ensure adherence to legal mandates, prevent future disputes and promote fairness and accountability in petroleum product pricing. The Committee hope that Ministry will take action in this regard to improve for the better.

## **UNDUE ENRICHMENT TO IOCL**

### **Recommendation (Sl. No. 5)**

10. The Committee in their Third Report, had recommended the following with regard to Undue Enrichment to IOCL:

“While deliberating on the subject, MoP&NG and IOCL submitted before the Committee that while Company’s actions might have breached legal provisions, there was no financial enrichment to the Company as asserted in the C&AG report. The MoP&NG argued that any amounts collected through surcharges or penalties were ultimately paid to state governments, with no extra benefit accruing to IOCL. The Ministry further emphasized that the Company’s financial losses were addressed through compensatory mechanisms and not through direct enrichment. The Committee observed that all appellate authorities concurred on the violation of the Act, though not in its entirety. However, the Committee remained concerned about the implications of such violations on the overall regulatory framework and the precedent it might set for future cases, stressing the need for stricter compliance and clearer guidelines to prevent any potential misuse of legal provisions. The Committee note that the extra amounts collected were deposited to the States, and any additional penalties paid reflect compliance efforts rather than financial gain. Given the evidence, the Committee note that IOCL’s actions appear to have been a response to managing financial losses due to irrecoverable taxes rather than an attempt to unjustly enrich themselves. The Company’s practice of including TOT-related costs in their pricing structure, while legally contentious, was countered by compensatory measures and penalties rather than resulting in direct financial benefit. Thus, the Committee feel that it is more accurate to view the situation as a complex financial management issue rather than clear undue enrichment. However, the Committee recommend that ‘in future’ any such financial mismanagement or additional burden arising out of such complex financial situations should not be imposed on the common man, instead, it should be resolved through the adjustments in profit margins or under-recoveries of the respective Company’s balance sheet.”

11. The Ministry, in their action taken reply, have stated as follows:

“During the committee meeting, it was informed that there was no undue enrichment since the sum collected as a State specific surcharge was paid as Andhra Pradesh turnover tax and OMCs did not retain it.

As stated above, indirect taxes are integral part of the cost of product. Such taxes may be made irrecoverable and thereby putting embargo on their recovery as tax on the face of invoice, however, there can't be any restriction on recovery of cost of product.

Requests are regularly made to respective State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.”

12. The vetting comments of the Office of C&AG on the aforesaid replies of the Government are as follows:

As per AP GST Act, the Turnover Tax was not to be recovered from the customers and hence it was not supposed to be a component of the cost of product. Accordingly, the para had highlighted undue enrichment on the basis of the fact that it was IOCL, and not the consumers, which were recovered to bear the burden of Turnover Tax as per contention of the AP GST Act which is corroborated by the award by both Appellate Authority and Sales Tax Appellate Tribunal in the case.

However, reply is silent about the recommendation of the Committee that in future, additional burden arising out of such complex financial situations should not be imposed on the common man, rather, it should be resolved through adjustments in profit margins or under-recoveries.

**13. The Committee had noted in its original recommendation that the issue of undue enrichment by Indian Oil Corporation Limited (IOCL) under the Andhra Pradesh General Sales Tax Act (APGST), 1957, necessitates careful consideration of legal compliance, financial management and consumer protection. While the Ministry of Petroleum and Natural Gas (MoP&NG) and IOCL have maintained that no undue enrichment occurred since the State Surcharge collected was remitted to the State Government, the Committee had observed that this explanation does not fully address the concern raised by the Committee and Comptroller and Auditor General (C&AG). The Committee therefore recognized that such issues emerged from the complexities of the Administered Pricing Mechanism and State-level taxation frameworks. However, continued reliance on cost recovery point of view cannot validate**

deviation from statutory requirements. The Ministry has yet to engage with the Committee's concern that financial pressures stemming from these disputes ought not to affect the everyday citizen. In view of this, the Committee desire that in future, any similar financial implications or tax-related discrepancies should be managed through internal mechanisms, such as adjustments in profit margins, operational efficiencies and under-recoveries, rather than through price adjustments. The MoP&NG should also establish clear, transparent and legally compliant guidelines to ensure accountability, protect consumer interests and prevent recurrence of such issues.

## **IMPOSITION OF PENALTY ON IOCL**

### **Recommendation (Sl. No. 6)**

14. The Committee in their Third Report, had recommended the following with regard to Imposition of Penalty on IOCL:

"The Committee note that the Andhra Pradesh Government imposed a penalty on Indian Oil Corporation Limited (IOCL) for allegedly violating Section 5A (1-C) of the Andhra Pradesh General Sales Tax (APGST) Act, 1957. This section prohibits the collection of Turnover Tax (TOT) from consumers. The penalty of ₹262 crore was levied based on the price hike observed in Andhra Pradesh, which was perceived to be influenced by the imposition of a state surcharge. Despite IOCL's assertion that TOT was not collected as a separate charge but included in state-specific costs, the assessment led to substantial financial repercussions for the Company. The Committee observe that the stand of the Commercial Tax Department of the Government of Andhra Pradesh was that TOT was collected from consumers through the increase RSP though TOT was not reflected or mentioned in the Bill/Invoice. In this regard, the Committee strongly feel that all OMCs including IOCL must display clear cut price list including taxes, surcharges, etc. at an appropriate place in their outlets for the information of their consumers and also must be provided the detailed (original price of petrol/diesel, Central tax, State tax, etc.) and clear Bill/Invoice to every consumer in printed or electronically form via. email/sms/POS receipt. The Committee would like to recommend that a regular audit and compliance reviews should be conducted to ensure that oil marketing Companies adhere to legal requirements regarding tax collections and surcharges. These reviews can help to identify and address any discrepancies early, and thereby preventing large-scale penalties and disputes in the matters."

15. The Ministry, in their action taken reply, have stated as follows:

“Currently, the RSP of MS and HSD are displayed at the retail outlets of the OMCs. The taxes applicable on sale of product from IOCL to dealer are also shown in the invoice raised to dealer. Further, bill/ invoice is provided to the customers at retail outlets reflecting the price per litre.

This Ministry has advised OMCs to display clear cut price list including taxes at their retail outlets.

OMCs books of accounts are already being reviewed by statutory auditors, CAG, Sales tax/ VAT authorities, excise authorities, independent auditors, etc.”

16. The vetting comments of the Office of C&AG on the aforesaid replies of the Government are as follows:

“Details of the compliance action taken by the Ministry and OMCs as regards display of clearcut price list including taxes at Retail Outlets as per the recommendation may be provided.”

**17. The Committee note that the imposition of penalty on Indian Oil Corporation Limited (IOCL) by the Andhra Pradesh Government under Section 5A (1-C) of the Andhra Pradesh General Sales Tax Act, 1957, highlights the importance of transparency in the pricing and tax disclosure practices of Oil Marketing Companies (OMCs). The Committee while noting the replies of IOCL and the Ministry of Petroleum and Natural Gas (MoP&NG) stating that the Retail Selling Prices (RSPs) are displayed at the retail outlets and tax details are provided to dealers and consumers through invoices, are of the opinion that the current measures fall short of adequately addressing concerns related to the indirect recovery of Turnover Tax (TOT), particularly the lack of transparency for end consumers. Since, the issues that led to the penalty, including perceived hidden tax elements within pricing structures, underscore the need for enhanced transparency and proactive compliance. The Committee, are of the view that simply displaying RSPs and providing invoices does not adequately ensure that consumers are aware of the detailed price build-up, including base price, central taxes, state taxes, surcharges, transportation cost and dealer commission. Although the Ministry has encouraged OMCs to ensure transparent price displays, the reply lacks details regarding implementation measures, timelines, compliance oversight, and consistency in display formats at retail outlets. Further, the Committee note that although statutory and external audits are undertaken, these actions fall**

short of explicitly verifying retail-level price transparency and display compliance. In conclusion, the Committee going with the C&AG observations, desire that the Ministry ensure prominently displayed price boards at all retail outlets reflecting a complete price break-up along with OMCs providing consumers with itemized digital or printed invoices showing all cost components. Further, there is a need for a structured audit mechanism focused specifically on price transparency compliance with periodic reporting to the Ministry. These steps will ensure legal compliance; protect consumer rights along with preventing recurrence of disputes and penalties in future.

## **CONCLUSION**

### **Recommendation (Sl. No. 10)**

18. The Committee in their Third Report, had recommended the following with regard to conclusion:

“The Committee find that had the Company not collected the amount from the consumers, it would have to pay the entire amount of Rs.262.60 crore of TOT from its own coffer as stipulated in Sub-section 5A(1B) of the APGST Act, 1957. Thus, the Company saved Rs.196.95 crore out of the total amount of penalty after paying only Rs.65.65 crore. The Committee show their concern that now at this stage it is too difficult to identify and refund the money to the actual consumers who paid TOT on purchase of petroleum product at that time. Therefore, the Committee would suggest that the OMCs including IOCL and the Ministry of Petroleum and Natural Gas should find a reasonable way out to compensate consumers in the State of Andhra Pradesh/Telangana in the form of a suitable welfare schemes under their CSR activities which may include establishment of charitable clinics, hospitals, educational institutions, skill training centres, etc., especially in remote and under developed areas of these States.”

19. The Ministry, in their action taken reply, have stated as follows:

“IOCL has submitted that the amount collected from customers through pricing had been paid by IOCL to State Government of Andhra Pradesh and no amount has been withheld by IOCL. Moreover, in order to avoid the unnecessary and prolonged litigation and considering commercial prudence, IOCL further paid an additional 25% to Andhra Pradesh Government based on opinion of the Solicitor General without admitting the demand on merits.

Committee also acknowledged IOCL's actions that it appear to have been a response to managing financial losses due to irrecoverable taxes rather than an attempt to unjustly enrich themselves.

The entire amount of taxes was paid to the State which becomes part of Consolidated fund of the State. Said money is used by the State for the benefit of residents of the State on deemed appropriate by authorities.”

20. The vetting comments of the Office of C&AG on the aforesaid replies of the Government are as follows:

“As per AP GST Act, the Turnover Tax was not to be recovered from the customers and hence it was not supposed to be a component of the cost of product. Accordingly, the para had highlighted undue enrichment on the basis of the fact that it was IOCL, and not the consumers, which were recovered to bear the burden of Turnover Tax as per contention of the AP GST Act which is corroborated by the award by both Appellate Authority and Sales Tax Appellate Tribunal in the case.

Hence, the recommendation of the Committee regarding CSR activities, upto the amount of ₹196.95 crore saved by the Company, may be complied with.”

**21. The Committee note, while the Ministry and IOCL have stated that the collected surcharge was remitted to the State Government and that no financial gain was retained, the findings of the C&AG and the decisions of appellate authorities indicate that the burden of TOT was ultimately borne by consumers, contrary to the statutory mandate. In view of this, the Committee reiterate their earlier recommendation that the appropriate corrective action should focus on indirect restitution to the people/consumers. Although, the Ministry has stated that the funds deposited with the State have already entered the Consolidated Fund and been utilized for public expenditure but at the same time, this does not negate the responsibility of IOCL to address the benefit retained due to the partial waiver of the penalty. The Committee feel that equitable redress must balance commercial viability, legal finality and social responsibility. Therefore, in line with C&AG vetting remarks, the Committee desire that IOCL, in consultation with MoP&NG, design and implement targeted Corporate Social Responsibility (CSR) initiatives in the States of Andhra Pradesh and Telangana equivalent, as recommended earlier, in value to the amount retained under initiatives, which may include establishing or supporting healthcare facilities, skill development centres, educational scholarships and livelihood enhancement programmes, particularly in underserved and remote regions.**



## CHAPTER II

### OBSERVATION/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### OVERVIEW

##### Recommendation (Sl. No.1 to 2)

Indian Oil Corporation Limited is India's leading Company in oil, gas, petrochemicals and alternative energy sources. The Company has a refinery capacity of 70.05 million metric tons per annum and around 1789 operational CNG stations. The Company reported a profit after tax of Rs. 39,619 core in 2023-24. The present Audit para 2.1 of C&AG Report No. 14 of 2021, examined by the Committee pertains to "undue enrichment through recovery of turnover tax from consumer relating to IOCL". The Government of Andhra Pradesh (GoAP) imposed Turnover Tax through new sub-sections 5-A (1-A) to (1-C) under the Andhra Pradesh General Sales Tax Act, 1957 (APGST Act) w.e.f. 30 November, 2001. This sub-section mandated that every dealer would in addition to tax payable under section 5, 5-AA and 5-C, pay TOT @ 2 paise on every rupee *inter alia* in respect of petrol and diesel oil in the State. No dealer would be entitled to collect TOT from consumers. Any amount collection of TOT from consumers would attract equivalent amount penalty. On the issue, Oil Marketing Companies (OMCs) approached Ministry of Petroleum and Natural Gas, and the Ministry on 29 August, 2002 clarified that OMCs might recover the additional costs by appropriately revising the Retail Selling Prices (RSP) in Andhra Pradesh. Hence, IOCL and other OMCs during the next price revision included the impact of TOT w.e.f. 01.09.2002. The Committee note that the Commercial Tax Department of the Government of Andhra Pradesh imposed penalty on IOCL under sub-section 5-A (1-C) of the Act for recovering TOT from consumers in contravention to the Sub-section 5A (1-B) of the APGST Act, 1957 and raised the demands for the years 2002-03 (Rs.52.18 crore), 2003-04 (Rs.93.43 crore), 2003-04 (Rs.21.54 crore for erstwhile IBP) and 2004-05 (Rs.95.45 crore) in 31<sup>st</sup> March 2006, 31<sup>st</sup> March, 2007, 28<sup>th</sup> March, 2007 and 31<sup>st</sup> March 2008, respectively, aggregating a total amount of Rs.262.60 crore by imposing penalty. However, the collection of TOT was not reflected in the Bills of OMCs and TOT was abolished from w.e.f. 01.04.2005 with implementation of Value Added Tax (VAT). Thus, the provision of the APGST Act, 1957 for imposition and collection of TOT prevailed for the period between 30.11.2001 to 01.04.2005.

and

2. The Committee further observed IOCL appealed in various judicial platforms (i.e. State Tax Tribunal Appellate (STAT), Hyderabad High Court and Hon'ble Supreme Court) against the imposition of penalty by the Commercial Tax Department of Government of Andhra Pradesh. The Hyderabad High Court granted conditional stay on the payment of 10 per cent of penalty in August, 2014. This case remained pending till 2020. After the introduction of Goods and Service Tax (GST), the Government of Telangana (after the Andhra Pradesh Reorganization Act, 2014 came into existence) offered an out of court settlement and IOCL paid 25 per cent

(Rs.65.65 crore) including 10 per cent (Rs. 24.11 crore) already paid to the State Government. Thus, IOCL settled the case to pay only 25 per cent of the penalty and withdrew all appeals pending before various judicial forums. However, C&AG in their Audit Para objected that unlawful collection of TOT and through the out of court settlement, IOCL got undue enrichment of Rs.196.95 crore (Rs.262.60 crore minus Rs.65.65 crore). Before finalizing their observations and recommendations, the Committee reviewed the input from the C&AG, IOCL, and MoPN&G. Committee carefully considered the evidence provided by all stakeholders, including the information and clarifications submitted. Following thorough internal deliberation, the Committee reached their conclusions and formulated the suggestions detailed in the following paragraphs.

### **Reply of the Government**

The observation of the Committee and suggested measures thereon have been duly noted and have also been communicated across the decision makers within the organization for implementation.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **UNDUE ENRICHMENT TO IOCL Recommendation (Sl. No.5)**

3. While deliberating on the subject, MoP&NG and IOCL submitted before the Committee that while Company's actions might have breached legal provisions, there was no financial enrichment to the Company as asserted in the C&AG report. The MoP&NG argued that any amounts collected through surcharges or penalties were ultimately paid to state governments, with no extra benefit accruing to IOCL. The Ministry further emphasized that the Company's financial losses were addressed through compensatory mechanisms and not through direct enrichment. The Committee observed that all appellate authorities concurred on the violation of the Act, though not in its entirety. However, the Committee remained concerned about the implications of such violations on the overall regulatory framework and the precedent it might set for future cases, stressing the need for stricter compliance and clearer guidelines to prevent any potential misuse of legal provisions. The Committee note that the extra amounts collected were deposited to the States, and any additional penalties paid reflect compliance efforts rather than financial gain. Given the evidence, the Committee note that IOCL's actions appear to have been a response to managing financial losses due to irrecoverable taxes rather than an attempt to unjustly enrich themselves. The Company's practice of including TOT-related costs in their pricing structure, while legally contentious, was countered by compensatory measures and penalties rather than resulting in direct financial benefit. Thus, the Committee feel that it is more accurate to view the situation as a complex financial management issue rather than clear undue enrichment. However, the Committee recommend that 'in future' any such financial mismanagement or additional burden arising out of such complex financial situations should not be

imposed on the common man, instead, it should be resolved through the adjustments in profit margins or under-recoveries of the respective Company's balance sheet.

### **Reply of the Government**

During the committee meeting, it was informed that there was no undue enrichment since the sum collected as a State specific surcharge was paid as Andhra Pradesh turnover tax and OMCs did not retain it.

As stated above, indirect taxes are integral part of the cost of product. Such taxes may be made irrecoverable and thereby putting embargo on their recovery as tax on the face of invoice, however, there can't be any restriction on recovery of cost of product.

Requests are regularly made to respective State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

As per AP GST Act, the Turnover Tax was not to be recovered from the customers and hence it was not supposed to be a component of the cost of product. Accordingly, the para had highlighted undue enrichment on the basis of the fact that it was IOCL, and not the consumers, which were recovered to bear the burden of Turnover Tax as per contention of the AP GST Act which is corroborated by the award by both Appellate Authority and Sales Tax Appellate Tribunal in the case. However, reply is silent about the recommendation of the Committee that in future, additional burden arising out of such complex financial situations should not be imposed on the common man, rather, it should be resolved through adjustments in profit margins or under-recoveries.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG (Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **Comments of the Committee (Please see para 13 of Chapter 1 of the Report)**

## **IMPOSITION OF PENALTY ON IOCL**

### **Recommendation (Sl. No.6)**

4. The Committee note that the Andhra Pradesh Government imposed a penalty on Indian Oil Corporation Limited (IOCL) for allegedly violating Section 5A (1-C) of the Andhra Pradesh General Sales Tax (APGST) Act, 1957. This section prohibits the collection of Turnover Tax (TOT) from consumers. The penalty of ₹262 crore was levied based on the price hike observed in Andhra Pradesh, which was perceived to be influenced by the imposition of a state surcharge. Despite IOCL's assertion that TOT was not collected as a separate charge but included in state-specific costs, the assessment led to substantial financial repercussions for the Company. The Committee observe that the stand of the Commercial Tax Department of the Government of Andhra Pradesh was that TOT was collected from consumers through the increase RSP though TOT was not reflected or mentioned in the Bill/Invoice. In this regard, the Committee strongly feel that all OMCs including IOCL must display clear cut price list including taxes, surcharges, etc. at an appropriate place in their outlets for the information of their consumers and also must be provided the detailed (original price of petrol/diesel, Central tax, State tax, etc.) and clear Bill/Invoice to every consumer in printed or electronically form via. email/sms/POS receipt. The Committee would like to recommend that a regular audit and compliance reviews should be conducted to ensure that oil marketing Companies adhere to legal requirements regarding tax collections and surcharges. These reviews can help to identify and address any discrepancies early, and thereby preventing large-scale penalties and disputes in the matters.

### **Reply of the Government**

Currently, the RSP of MS and HSD are displayed at the retail outlets of the OMCs. The taxes applicable on sale of product from IOCL to dealer are also shown in the invoice raised to dealer. Further, bill/ invoice is provided to the customers at retail outlets reflecting the price per litre.

This Ministry has advised OMCs to display clear cut price list including taxes at their retail outlets.

OMCs books of accounts are already being reviewed by statutory auditors, CAG, Sales tax/ VAT authorities, excise authorities, independent auditors, etc.

[Ministry of Petroleum and Natural Gas O.M. No. P-  
11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

Details of the compliance action taken by the Ministry and OMCs as regards display of clear cut price list including taxes at Retail Outlets as per the recommendation may be provided.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG  
(Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **Comments of the Committee**

**(Please see para 17 of Chapter 1 of the Report)**

## **JUDICIAL IMPASSE AND AMICABLE RESOLUTION**

### **Recommendation (Sl. No.7)**

5. The Committee note that after the introduction of Goods and Services Tax (GST), all the OMCs settled the penalties throughout of court settlement which were offered/initiated by the Government of Telangana (carved out of erstwhile Andhra Pradesh in 2013 under the Andhra Pradesh Reorganization Act, 2014) after many long pending cases in various judicial platforms. Indian Oil Corporation Limited (IOCL) ultimately paid a penalty of ₹65.65 crores, as part of an out-of-court settlement to resolve the dispute regarding the collection of Turnover Tax (TOT) and related issues. The Committee find that this process was avoidable and led to wastage of public money, resources and valuable time of the stakeholders including IOCL, MoPNG and Courts. Therefore, to address delays in judicial proceedings which has an adverse impact on the functioning of various Central Public Sector Undertakings (CPSUs), the Committee would like to recommend for establishment of a specialized fast-track courts for CPSU-related cases, which would expedite cases involving large financial stakes and complex regulatory issues, thereby reducing the time and costs associated with prolonged litigation. The Committee would like to be apprised of the steps taken by the MoP&NG in this regard if any.

#### **Reply of the Government**

Noted. However, it is stated that commercial taxes are being governed by State Governments in accordance with the provisions under the respective Acts and vary from state to state and states have adequate existing forums for handling of disputes.

[Ministry of Petroleum and Natural Gas O.M. No. P-  
11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

#### **Vetting Remarks of the Office of C&AG**

Details of the steps taken by the MoP&NG as regards recommendation of the Committee for establishment of specialized fast-track courts for CPSU-related cases, to expedite the cases involving large financial stakes and complex regulatory issues, has not been provided.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG  
(Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

## **TAX STRUCTURES IN OTHER STATES AND UTS**

### **Recommendation (Sl. No.8)**

6. The Committee note that there were irrecoverable taxes levied by various State Governments during the period under review. The Irrecoverable Taxes Compensation Scheme of 2002, detailed in the Gazette Notification No/18/2001 dated January 16, 2003, outlines various taxes imposed by states on OMCs. These include turnover taxes, surcharges, and additional taxes varying significantly across regions. For example, Andhra Pradesh imposes a 2% turnover tax on MS/HSD, while Tamil Nadu levies an 18% entry tax on HSD and a 3% additional tax on SKO/LPG. Goa imposes a steep 25% additional tax on sales. IOCL's approach to these taxes involved adjusting retail selling prices (RSP) to recover costs, a practice adopted by all major OMCs, including BPCL and HPCL. Efforts by the MoPNG to persuade State governments to remove these taxes, yielded no results. The Government of Gujarat similarly imposed a Turnover Tax (TOT) but permitted Oil Marketing Companies (OMCs) to collect the tax from consumers without imposing any penalties. Conversely, the Andhra Pradesh government remained unyielding despite requests from OMCs and the Ministry of Petroleum and Natural Gas to allow the recovery of TOT from consumers due to their inability to absorb the cost. The Committee feel that both IOCL and the Ministry could have been more active in persuading Andhra Pradesh to withdraw the TOT, which persisted for three years. Action was only taken after Andhra Pradesh's Commercial Tax Department imposed a penalty of Rs. 262.60 crore. The Committee believes that the Ministry of Petroleum and Natural Gas should have initiated more proactive engagement and communication with OMCs, state governments, and other stakeholders to resolve such issues more effectively. Therefore, the Committee recommend that the Ministry of Petroleum and Natural Gas should establish a more efficient dialogue process to address and resolve conflicts between OMCs and State governments, thereby saving time and resources for all parties involved.

### **Reply of the Government**

MoP&NG regularly engages with respective states based on the issue involved.

Recently also requests have been made to some State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.

[Ministry of Petroleum and Natural Gas O.M. No. P-  
11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

Audit has no comments

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG  
(Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

## **GOODS AND SERVICE TAX ON PETROLEUM PRODUCTS**

### **Recommendation (Sl. No.9)**

7. The Committee observe that the taxation for Petroleum and Natural Gas in the Country has been marked by significant variations in tax rates across different States/UTs. This persisted even after the introduction of the Value Added Tax (VAT) on April 1, 2005. Consequently, the prices of Petroleum and Natural Gas exhibit differences from one States/UTs to another. Despite the implementation of the Goods and Services Tax (GST) from July 1, 2017, certain key petroleum items including Crude Oil, Natural Gas, Petrol, Diesel, and Aviation Turbine Fuel remained outside the ambit of GST. As a result, the Petroleum and Natural Gas sector continues to contend with a complex tax regime characterized by a mix of excise duty, State sales tax for non-GST items, and GST for the remaining products. The Committee opine that by having a uniform GST rate, the variability in fuel prices due to State-specific levies would be minimized. The Committee find that the disparity in tax rates across the Country has resulted in significant challenges like contravention of APGST Act. This move would enhance price transparency and reduce the financial burden on consumers. However, this transition requires the consensus of the GST Council and careful consideration of fiscal impacts on both the Central and State governments. Therefore, the Committee feel that the GST Council should address this issue (disparity in tax rates across the Country) and speed up the process to bring the Petroleum and Natural Gas under the GST. This step is essential to ensure consistency in the pricing of Petroleum and Natural Gas products across all States/UTs. Such a move would not only streamline taxation but also promote equitable pricing and facilitate smoother operations within the sector.

### **Reply of the Government**

Article 279 A (5) of the Constitution prescribes that the Goods and Service Tax Council shall recommend the date on which the goods and services tax be levied on High Speed Diesel, Motor Spirit (Petrol). Also, as per the section 9(2) of the CGST Act, inclusion of these products in GST will require recommendation of the GST Council. So far, the GST Council, in which all the states are represented, has not made any recommendation for inclusion of these goods under GST.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

The recommendation pertains to GST Council. Hence, no comment to offer on ATR on this recommendation.

However, the Ministry may consider taking up the matter with GST Council in line with the recommendation of the Committee.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG (Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **CHAPTER III**

#### **OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

**- NIL -**



## **CHAPTER IV**

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAD NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION**

#### **Violation of the Andhra Pradesh General Sales Tax Act, 1957**

##### **Recommendation (Sl. No.3)**

The Committee note that the C&AG highlighted a contradiction in the Andhra Pradesh General Sales Tax Act, 1957, which states that no dealer, including Oil Marketing Companies (OMCs), is allowed to collect Turnover Tax (TOT) from consumers, and doing so would result in a penalty. However, Indian Oil Corporation Limited (IOCL) argued that while they did not directly collect TOT from consumers, they had historically included the cost of irrecoverable state taxes in their pricing through a "State Surcharge" due to the administrative pricing mechanism in place before 2002. The MoP&NG issued guidelines allowing OMCs to recover such costs through retail prices, a practice continued after the dismantling of the Administered Pricing Mechanism (APM). The Irrecoverable Taxes Compensation Scheme, 2002, introduced by the Government of India, provided compensation for irrecoverable state taxes, including Andhra Pradesh Turnover Tax, by incorporating these costs into the state surcharge. MoP&NG further clarified that no compensation for TOT was to be paid beyond March 31, 2002, and that adjustments to retail prices were to cover these costs post-APM. The Committee further note that the MoP&NG's approach to handling the issue of irrecoverable taxes involved inter-ministerial consultations and legal advisories. The Ministry's adherence to guidelines and schemes post-APM reflects a structured process aimed at managing state tax impacts. However, the lack of direct consultation with the Andhra Pradesh government on these issues highlights a potential oversight in aligning federal tax compensation strategies with state-specific tax policies. In view of this, the Committee recommend that to address the discrepancies between the Andhra Pradesh General Sales Tax Act, 1957, and OMC practices, a thorough review of tax collection policies be conducted. The Government should ensure that OMCs adhere strictly to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge, this will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future.

##### **Reply of the Government**

Various indirect taxes are levied by Central and State governments on manufacture or sale of products. By nature, these indirect taxes are cost to the manufacturer or seller, and are added to the cost of the product for the purpose of taking commercial decisions by such entities.

OMCs are also subjected to indirect taxes, viz. Custom Duty, Central Excise, VAT, GST etc. on import, manufacture and sale / purchase of petroleum products.

Unlike VAT/ GST, which is levied on sale/ supply of products and can be separately recovered on invoices, Custom / Excise Duty are levied on import/ manufacture of

products and are added to cost of the product while finalizing the pricing of the product. Thus, some indirect taxes can be recovered on invoice in terms of the provisions of statutes they are governed with while in other cases, these taxes are added to the 'price'.

At present, only the State of West Bengal & Bihar levy irrecoverable taxes in the name & style as Additional Tax and Surcharge respectively. The levy being indirect tax and take form of distribution cost of the product, is recovered through product pricing as State Specific cost (SSC) in line with MoP&NG Letter ref no. P-20023/2/2012-PP dt 24.07.2012.

Forming SSC as a part of cost prevailed since APM period. Eliminating SSC from price build up will need to be compensated to sustain viability of marketing operations of oil companies in such States. Such cash compensation to oil companies will be huge financial burden on the exchequer.

Requests are regularly being made to respective State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

The Committee have recommended that apart from carrying out a thorough review of tax collection policies, the Government should ensure strict adherence to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge. This will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future.

However, the Ministry has replied that Additional Tax and Surcharge being levied in the State of West Bengal and Bihar, being indirect tax in the form of distribution cost of the product, is recovered by the OMCs through product pricing as State Specific cost. Therefore, it appears that the OMCs/ Ministry has not ensured compliance of the recommendation of the Committee regarding non-recovery of indirect taxes through State Surcharge.

It is pertinent to mention that similar recovery was being made by IOCL in Andhra Pradesh where it recovered Turnover Tax by way of including the same in the Retail Selling Prices (RSP) which was in violation of AP GST Act as brought out in the para.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG (Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **Comments of the Committee**

**(Please see para 9 of Chapter 1 of the Report)**

#### **Recommendation (Sl. No.4)**

2. The Committee would further stress on the fact that to improve the handling of irrecoverable state taxes and ensure fair compensation for Oil Marketing Companies (OMCs), the Government should establish a more transparent and direct compensation mechanism rather than incorporating these costs into retail prices. This approach could involve providing direct financial reimbursements or any other such arrangements to offset irrecoverable state taxes, thereby reducing the burden on consumers. Additionally, enhanced coordination between the Central and State governments is essential. Therefore, the MoP&NG should engage in regular consultations with State governments to align State tax policies.

#### **Reply of the Government**

Various indirect taxes are levied by Central and State governments on manufacture or sale of products. By nature, these indirect taxes are cost to the manufacturer or seller, and are added to the cost of the product for the purpose of taking commercial decisions by such entities.

OMCs are also subjected to indirect taxes, viz. Custom Duty, Central Excise, VAT, GST etc. on import, manufacture and sale/ purchase of petroleum products.

Unlike VAT/ GST, which is levied on sale/ supply of products and can be separately recovered on invoices, Custom / Excise Duty are levied on import/ manufacture of products and are added to cost of the product while finalizing the pricing of the product. Thus, some indirect taxes can be recovered on invoice in terms of the provisions of statutes they are governed with while in other cases, these taxes are added to the 'price'.

At present, only the State of West Bengal & Bihar levy irrecoverable taxes in the name & style as Additional Tax and Surcharge respectively. The levy being indirect tax and take form of distribution cost of the product, is recovered through product pricing as State Specific cost (SSC) in line with MoP&NG Letter ref no. P-20023/2/2012-PP dt 2407.2012.

Forming SSC as a part of cost prevailed since APM period. Eliminating SSC from price build up will need to be compensated to sustain viability of marketing operations of oil companies in such States. Such cash compensation to oil companies will be huge financial burden on the exchequer.

Requests are regularly being made to respective State Governments to subsume irrecoverable taxes into VAT or restructure them as pass-through levy. Latest communication sent to Chief Secretaries, States of West Bengal and Bihar are enclosed for reference.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

The Committee have recommended that apart from carrying out a thorough review of tax collection policies, the Government should ensure strict adherence to statutory requirements, avoiding indirect tax recoveries through mechanisms like the State Surcharge. This will not only help in aligning practices with legal mandates but also will prevent potential penalties or disputes in future.

However, the Ministry has replied that Additional Tax and Surcharge being levied in the State of West Bengal and Bihar, being indirect tax in the form of distribution cost of the product, is recovered by the OMCs through product pricing as State Specific cost. Therefore, it appears that the OMCs/ Ministry has not ensured compliance of the recommendation of the Committee regarding non-recovery of indirect taxes through State Surcharge.

It is pertinent to mention that similar recovery was being made by IOCL in Andhra Pradesh where it recovered Turnover Tax by way of including the same in the Retail Selling Prices (RSP) which was in violation of AP GST Act as brought out in the para.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG (Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **Comments of the Committee (Please see para 9 of Chapter 1 of the Report)**

### **CONCLUSION**

#### **Recommendation (Sl. No.10)**

3. The Committee find that had the Company not collected the amount from the consumers, it would have to pay the entire amount of Rs.262.60 crore of TOT from its own coffer as stipulated in Sub-section 5A(1B) of the APGST Act, 1957. Thus, the Company saved Rs.196.95 crore out of the total amount of penalty after paying only Rs.65.65 crore. The Committee show their concern that now at this stage it is too difficult to identify and refund the money to the actual consumers who paid TOT on purchase of petroleum product at that time. Therefore, the Committee would suggest that the OMCs including IOCL and the Ministry of Petroleum and Natural Gas should find a reasonable way out to compensate consumers in the State of Andhra Pradesh/Telangana in the form of a suitable welfare schemes under their CSR activities which may include establishment of charitable clinics, hospitals, educational institutions, skill training centres, etc., especially in remote and under developed areas of these States.

#### **Reply of the Government**

IOCL has submitted that the amount collected from customers through pricing had been paid by IOCL to State Government of Andhra Pradesh and no amount has been withheld by IOCL. Moreover, in order to avoid the unnecessary and prolonged litigation and considering commercial prudence, IOCL further paid an additional 25%

to Andhra Pradesh Government based on opinion of the Solicitor General without admitting the demand on merits.

Committee also acknowledged IOCL's actions that it appear to have been a response to managing financial losses due to irrecoverable taxes rather than an attempt to unjustly enrich themselves.

The entire amount of taxes was paid to the State which becomes part of Consolidated fund of the State. Said money is used by the State for the benefit of residents of the State on deemed appropriate by authorities.

[Ministry of Petroleum and Natural Gas O.M. No. P-11020(29)/7/2021-PP-Part(1) dated 20.08.2025]

### **Vetting Remarks of the Office of C&AG**

As per AP GST Act, the Turnover Tax was not to be recovered from the customers and hence it was not supposed to be a component of the cost of product. Accordingly, the para had highlighted undue enrichment on the basis of the fact that it was IOCL, and not the consumers, which were recovered to bear the burden of Turnover Tax as per contention of the AP GST Act which is corroborated by the award by both Appellate Authority and Sales Tax Appellate Tribunal in the case.

Hence, the recommendation of the Committee regarding CSR activities, upto the amount of ₹196.95 crore saved by the Company, may be complied with.

[The Controller & Auditor General of India Letter No.437/CA-III/C&AG (Energy)/COPUATR/IOCL/127-2024 dated 26.09.2025]

### **Comments of the Committee (Please see para 21 of Chapter 1 of the Report)**

## **CHAPTER V**

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE GOVERNMENT HAS FURNISHED INTERIM REPLIES AND FINAL REPLIES ARE STILL AWAITED**

-        **NIL**        -

**New Delhi;**  
**08 December, 2025**  
**17 Agrahayana, 1947(S)**

**Baijayant Panda**  
**Chairperson**  
**Committee on Public Undertakings**

**APPENDIX-I**  
**COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2025-26)**

**MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE**

The Committee sat on Friday, the 5<sup>th</sup> December, 2025 from 1000 hrs. to 1045 hrs. in Committee Room No. '2', Ground Floor, Extension to Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Baijayant Panda                      -                      Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri Tariq Anwar
3. Shri Chandra Prakash Joshi
4. Shri Kaushalendra Kumar
5. Shri Shankar Lalwani
6. Shri B.Y. Raghavendra
7. Shri Mukesh Rajput
8. Shri Sukhjinder Singh Randhawa
9. Shri Prabhakar Reddy Vemireddy
10. Shri Lalji Verma

**RAJYA SABHA**

11. Dr. John Brittas
12. Shri Neeraj Dangi
13. Shri Milind Murli Deora
14. Dr. Bhagwat Karad
15. Shri Surendra Singh Nagar
16. Shri Debashish Samantaray
17. Shri Arun Singh

**SECRETARIAT**

- |                         |                    |
|-------------------------|--------------------|
| 1. Shri Anjani Kumar    | - Joint Secretary  |
| 2. Smt. Mriganka Achal  | - Director         |
| 3. Shri Tenzin Gyaltsen | - Deputy Secretary |

2. The Hon'ble Chairperson briefly apprised the Members on the Eleven draft Reports. The Committee then considered and adopted the following draft reports, without any changes/modifications: -

- i. Sagarmala Finance Corporation Limited (SFCL) (Comprehensive Examination);

- ii. Rural Electrification Corporation Limited (REC Limited) (Comprehensive Examination);
- iii. Nuclear Power Corporation of India Limited (NPCIL) (Comprehensive Examination);
- iv. Review of Performance of Petroleum & Natural Gas Sector CPSUs (Horizontal Examination);
- v. "Para No. 2.4 of C&AG Report No. 14 of 2021 regarding 'Loss due to flaring of High-pressure gas' relating to Oil & Natural Gas Corporation (ONGC) Limited. (Audit Based Examination);
- vi. Action Taken by the Government on the Observations/ Recommendations contained in the First Report (18<sup>th</sup> Lok Sabha) on "Procurement of hardware/software item to the tune of Rs. 890.34 Crores through strategic alliance" relating to National Informatics Centre Services Inc. (NICSI)" [Based on Audit Para No. 6.1 of C&AG Report No. 03 of 2021];
- vii. Action Taken by the Government on the Observations/ Recommendations contained in the Third Report (18<sup>th</sup> Lok Sabha) on "Undue enrichment through recovery of turnover tax from consumer" relating to Indian Oil Corporation Limited (IOCL) [Based on Audit Para No. 2.1 of C&AG Report No. 14 of 2021];
- viii. Action Taken by the Government on the Observations/ Recommendations contained in the Ninth Report (18<sup>th</sup> Lok Sabha) on "Industrial Finance Corporation of India Limited (IFCI Ltd)";
- ix. Action Taken by the Government on the Observations/ Recommendations contained in the Tenth Report (18<sup>th</sup> Lok Sabha) on "Design and Development (D&D) in Hindustan Aeronautics Limited (HAL)" [Based on Chapter-II of C&AG Report No. 18 of 2023];
- x. Action Taken by the Government on the Observations/ Recommendations contained in the Eleventh Report (18<sup>th</sup> Lok Sabha) on "Reviewing timely submission of Action Taken Notes (ATNs) on C&AG Paras/Reports (Commercial) by the Ministries/Departments"; and
- xi. Action Taken by the Government on the Observations/ Recommendations contained in the twelfth Report (18<sup>th</sup> Lok Sabha) on "IREL (India) Limited".

3. The Committee authorized the Chairperson to finalize the draft Reports on the basis of factual verification as suggested by the concerned CPSUs/Ministry/Department/C&AG and presentation of the same during the current session of Parliament.

***The Committee, then, adjourned.***

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## APPENDIX II

(Vide para 4 of the Introduction)

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE REPORT OF COMMITTEE ON PUBLIC UNDERTAKINGS ON UNDUE ENRICHMENT THROUGH RECOVERY OF TURNOVER TAX FROM CONSUMER" RELATING TO INDIAN OIL CORPORATION LIMITED (IOCL)

(Based on Para No. 2.1 of C&AG Report No. 14 of 2021)

I.	Total number of recommendations	10
II.	Observations/Recommendations which have been accepted by the Government:	07
	Sl. Nos Percentage of total:	70%
III.	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies:	
	Sl. Nos. Nil	
	Percentage of total:	00
IV.	Observations/Recommendations in respect of which replies of Government had not been accepted by the Committee and which require reiteration:	
	Sl. No. 3,4 and 10	
	Percentage of total:	30%
V.	Observations/Recommendations in respect of which the Government has furnished interim replies and final replies are still awaited:	
	Sl. Nos. Nil	
	Percentage of total:	00