

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:3405
ANSWERED ON:15.12.2005
WAVING OF TAX DUES FROM OIL COMPANIES
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether oil refining companies have urged the Government to waive off almost Rs.1400 crore tax dues from these companies on account of irrecoverable taxes;
- (b) if so, the facts thereof;
- (c) the details of such irrecoverable taxes to which oil companies fail to recover;
- (d) whether a new strategy would be formulated to check such huge losses; and
- (e) if so, the details thereof ?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

- (a)&(b): On behalf of the members of the oil industry, the Petroleum Federation of India (Petrofed) has urged the Government to resolve the issue of irrecoverable taxes of oil companies. Petrofed has suggested various measures which include, inter alia, continuation of `The Irrecoverable Taxes Compensation Scheme, 2002`, introduction of Special Additional Duty (SAD), covering petroleum products under VAT and direct reimbursement to State Governments out of cess or increased excise duty.
- (c): Oil companies are unable to recover, through price, irrecoverable taxes like entry tax/octroi on crude, Central Sales Tax (CST) on inter state movement of products, purchase tax/turnover tax, etc. on products.
- (d) & (e): In order to facilitate the smooth transition from the Administered Pricing Mechanism (APM) to a market-determined pricing regime, the Government had notified `The Irrecoverable Taxes Compensation Scheme, 2002`. The scheme was valid only for the year 2002-03. A proposal to extend the validity of the scheme for the year 2003-04 is being examined by the Government.