

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

UNSTARRED QUESTION NO:505

ANSWERED ON:27.07.2006

ADDITIONAL REVENUE FROM PETROL/ DIESEL PRICE HIKE

Chinta Mohan Dr. ;Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal

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

- (a) whether the Government has made any assessment regarding the amount of additional revenue to be earned by the Union and State Governments as result of increase in the prices of petrol and diesel;
- (b) if so, the amount estimated to be earned during the year 2006-07;
- (c) whether the Government proposes to share this additional income with the petroleum consumers;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b): In the case of the Central Government, the additional revenue due to price increase is in the form of incremental excise duty. As a substantial portion of the excise duty on petrol and diesel is specific (fixed) the same does not vary with price revision. The incremental in Excise Duty as a result of the last price revision i.e. on 06/06/2006 works out to be approximately Re.0.25/litre and Re.0.13/litre in case of Petrol and Diesel respectively.

As regards sales tax, it is imposed by State Governments at different rates and is ad valorem in nature. However, based on the request made to the State Governments to moderate the impact of price rise on the common man, ten State Governments, namely, Andhra Pradesh, Delhi, Goa, Haryana, Himachal Pradesh, Maharashtra, Tamil Nadu (diesel only), Uttaranchal, Manipur and Assam, have reduced the sales tax on Petrol and Diesel to reduce the burden of the recent price hike.

(c)to(e): Government adopted the principle of equitable burden sharing amongst the three stakeholders, namely, the consumers, the PSU oil companies and the Government, to protect the interest of the common man and the vulnerable sections of society. Government along with oil companies has decided to absorb 87.5% of the burden of the escalated international prices of crude oil, amounting to Rs.73,500 crores, leaving only a balance of 12.5% to be borne by the consumers by way of increase in petrol and diesel prices.

Government has reduced the customs duty on petrol and diesel from 10% to 7.5% in June 2006. Government has also decided to issue bonds worth Rs.28,300 crores during 2006-07 to oil marketing companies to partially compensate for under-recoveries on sensitive petroleum products.