

GST & Issue of Taxation on Petrol and Diesel

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India is moving towards comprehensive GST regime 'one nation one tax'. At present 16 states have been passed for new GST bill. In this proposed new indirect tax regime, central indirect taxes i.e. central excise duty, custom duty, service tax, cess and state indirect taxes i.e. VAT, entry tax are subsumed but petroleum products, liquor, tobacco and electricity are kept out of GST. The main objectives of new GST model are removing cascading effects, easy compliance establishment of systematic input tax credit machinery and reduction of cost of production. India is third largest petroleum product consuming nation in the world. In 2014-15, consumption of petroleum products was 164.987 thousand metric tonne. The pricing of petroleum products in our country plays an important role in the economy as more than 70 per cent of the crude oil demand is fulfilled through import in international market are highly volatile and it also adversely affected the fiscal position of the country. As far as the taxes are concerned, total 5 central and states indirect taxes are imposed on petroleum products by central and state governments and these products generates significant amount of revenue for central and states governments. In 2014-15 excise duty revenue collected from petroleum products was 78194 crore. Petroleum products are used in almost all industries as raw material or part processing material. High prices and cascading effects are making Indian industries less competitive in the global market. By keeping petroleum products out of GST the three main objectives of new GST regime i.e. abolishment of cascading effects cost reduction and easy compliance will not be fulfilled.

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production cost. As the tax component of petroleum products especially the Petrol and Diesel is very high and these products are out of GST, the benefit of this biggest indirect tax reform will not be extended to the products which are very important to faster economic growth. The issue of exclusion of Petrol and Diesel from GST has been examined in this paper.

Petroleum industry contributes significant role in the Indian economy as crude oil and its extracts are used in many industries mainly in transport, fertilizer, cosmetic and power generation as input. 'The oil and gas industry is part of India's six core industries.' Petroleum products are also used directly or indirectly in many economic activities. (Jain A.S. & Patil N. S. 2015) A substantial part

of the tax revenue of Central and State Governments comes from petroleum products. It is important that indirect tax component of petroleum is just equal to its base price and this fact reflects that the tax policy on petroleum products is neither fair nor favourable to the growth of various sectors of the economy. The consumers of petroleum products in India are also increasing day by day. In 2008, India was at fifth position among the crude oil consuming nation in the world and it reached at third position in 2016. The consumption of petroleum products in India has increased faster than the expectation because the growth pattern adopted needs more and ignorance towards alternative sources of energy. About 70% of our crude oil requirement

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