

Bring petrol, diesel under GST to ease inflationary burden: PHDCCI

Prices are set to be raised further given the sharp jump in crude oil prices in the international markets.



New Delhi: Retail price of petrol and diesel has been increased by Rs 3.2 per litre in the last five days. Prices are set to be raised further given the sharp jump in crude oil prices in the international markets. It will have a cascading impact on the prices of other items and lead to inflationary pressure and hurt growth.

It is high time that petroleum products including petrol, diesel and aviation turbine fuel (ATF) are brought under the single nationwide Goods and Services Tax (GST) regime."Bringing petroleum products under GST will help a lot. It is good for everyone. It is good for the economy," Pradeep Multani, President, PHD Chamber of Commerce and Industry, told ANI in an interview.

He noted that the hike in the prices of petroleum products like petrol and diesel have a huge cascading effect on a number of sectors, ultimately impacting the common people, especially the poor, the most."

Bringing petroleum products in GST will minimise the cascading effect. Companies can avail of the input tax credit. Ultimately the prices will come down," said Multani, who is also the chairman of Multani Pharmaceuticals Limited. The 45th meeting of the GST Council, chaired by Finance Minister Nirmala Sitharaman, in September last year, discussed the issue of bringing petroleum products under the GST. However, the Council decided to continue keeping the petroleum products out of the GST purview.

The central government has said on multiple occasions that it is open to the possibility of bringing petroleum products under the GST. However, several states including Maharashtra, Kerala and Karnataka have been strongly opposing the idea to bring petrol and diesel under GST saying it would lead to revenue losses.

When the Goods and Services Tax regime was introduced across the country in July 2017, five commodities, crude oil, natural gas, petrol, diesel and aviation turbine fuel, were kept out of the GST purview.

Article 279A (5) of the Constitution provides that GST Council shall recommend the date on which goods and services tax shall be levied on petroleum crude, high-speed diesel, motor spirit, natural gas and aviation turbine fuel. Thus while, petroleum products are constitutionally included under GST, the date on which GST shall be levied on such goods, shall be as per the decision of the GST Council.

As per the section 9(2) of the CGST Act, inclusion of all excluded petroleum products, including petrol and diesel in GST will require recommendation of the GST Council. All the States and Union Territories (UT) with Legislature are represented in the GST Council by their Minister-in-charge of Finance or Taxation or any other Minister nominated by the State/UT.

Several states have been opposing the idea of bringing petroleum products under the GST saying it will lead to a significant loss in revenue.

Taxes on petroleum products in India are among the highest in the world. The central government impose excise duty while the states levy value-added tax (VAT) on sales of petrol, diesel and other petroleum products.

The government's revenue from the taxes on petrol and diesel has gone up sharply over the years. The central excise duties, including cesses collected from petrol and diesel, stood at Rs 2,10,282 crore in 2018-19. It rose to Rs 2,19,750 crore in 2019-20 and surged to Rs 3,71,908 crore in 2020-21, the union finance minister said in a written reply to a question in the Rajya Sabha. Excise duty on petrol rose from Rs 19.48 per litre on 5th October 2018 to Rs 27.90 a litre on November 4, 2021, while on diesel it increased from Rs 15.33 a litre to Rs 21.80 a during the same period. Value-added taxes levied by states have also gone up sharply during this period.

Bringing petrol and diesel under GST would mean subsuming the current excise duty and VAT into one national rate. Excise duty and VAT account for more than half of the retail prices of petrol and diesel. The highest tax slab for GST is 28 per cent. So it is brought under the GST purview, the price of diesel and petrol would come down substantially.

On loss of revenue, Multani said initially there would be some loss of revenue but it would be more than compensated in the form of gains easing inflationary pressure and boost in consumption.

"Our estimates show that maybe for 3-4 months revenue will be impacted. But there are a lot of benefits. Inflation will come down. Consumption will rise. It will be good for the overall economy," said Multani.

The headline inflation as measured by the Consumer Price Index (CPI) has crossed the upper limit of the Reserve Bank of India (RBI) tolerance band. It rose to 6.07 per cent in February, as per the latest official data. The retail inflation stood at 6.01 per cent in January. Wholesale Price Index (WPI) based inflation surged to 13.11 per cent in February.

Inflation rose sharply in the first two months of the 2022 calendar year despite a freeze on the retail prices of petroleum products. The recent hike in petrol and diesel prices are expected to put further pressure on the general price level. Also Read: [Microsoft Bribery Case: Whistleblower claims firm paid hundreds of millions in bribes](#)

Petrol and diesel prices have been hiked by Rs 3.2 per litre in the last five days. It will have a cascading effect on the prices of other items. Also Read: [Aadhaar Card Update: Here's how to change name on Aadhaar card after marriage](#)