Bringing Fuel Prices under GST.

Why in news?

\n\n

Union government is planning to bring petrol and diesel under GST to check prices.

\n\n

What is the current taxation process for fuels?

\n\n

\n
- In the current structure, both the central and state governments levy a tax on petrol, diesel, crude, and natural gas.
\n
- The Centre charges excise duty, while each state has its own Value Added Tax (VAT).
\n
- Added to these are the dealer commissions, all of which inflates the price that consumers pay at the retail pumps.
\n

\n\n

What are the advantages of bringing fuel prices under GST?

\n\n

\n
- Bringing petroleum products under GST would mean a single rate (18% or 28%) in place of excise duty and state VAT, which will lower fuel prices at pumps.
\n
- Reduced fuel prices will lead to lower transport costs for industries who benefit from increased production and competitiveness.
\n
- Idea of a ‘single nation, single tax’, will be implanted firmly which is aimed at improving production and employment while taxing consumption.
\n
- Disadvantages caused to firms due to exclusion of fuel prices under GST will

be resolved and the firms can claim input tax credit.
\n

\n\n

What are the concerns with bringing fuel prices under GST?

\n\n

\n
- Since, petroleum products are huge revenue earners, the state and union government will be at a loss of revenue.
\n
- Therefore, revenue considerations, will likely drive the decision on bringing petroleum products under GST.
\n
- The decision will be taken by the GST Council, in which states have a major say.
\n
- And if they agree to have petrol, diesel and other products under GST, they will still have the autonomy to levy an additional or top-up tax, which can vary across states.
\n
- Even in this case, the union government would have to compensate states for any shortfall in revenues for five years.
\n
- Thus, the governments must be well equipped to handle the consequences of bringing fuel prices under GST.
\n

\n\n

\n\n

Source: The Indian Express

\n

