# Taxing petrol and diesel

## Why in news?

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Union government is planning to bring all petroleum products under the ambit of GST.

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## What are the petroleum product taxed under GST?

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- Kerosene, liquefied petroleum gas including domestic cooking gas, naphtha, and furnace oil are covered under the GST.
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- Several other products such as crude oil, aviation turbine fuel, petrol, diesel, and natural gas continue to remain outside the purview of GST.
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- According to official statements union government is half way to bring petrol and diesel products under GST.
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## What is the significance of new plan?

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- Bringing petrol and diesel products under the GST poses no legislative hurdle as it just requires the GST Council’s nod.
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- It will address the problem of varying fuel prices and ensure similar petroleum across the nation.
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- Customers can claim their Input tax credit for the petrol and diesel.
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- It will reduce the cascading of taxes on intermediate products.
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- Maintaining the GST value chain will also provide significant efficiency gains.

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## What are the challenges involved petroleum GST?

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- Petroleum products account for over 63 per cent of the central excise collections and about 29 per cent of the sales tax and VAT collections by the states.
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- A large portion of these tax collections comes from petrol and diesel.
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- For instance, the central excise on petrol is as high as 65 per cent and the states' average VAT rate is 48 per cent.
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- Similarly, diesel attracts a central levy amounting to 51 per cent, while the average state VAT is a little lower at 27.5 per cent.
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- Reducing these rates to fit into the existing tax slabs under the GST could be a nightmare for the states and the Centre.
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- Union government is already facing the pressure for reducing the number of tax slabs and addressing several other implementation challenges.
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- In spite of this, the proposed GST regime for the petroleum sector will create more complications and confusion for trade and industry.
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**Source: Business Standard**

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