

Second review of windfall taxes in a day or two: Bajaj

FE BUREAU
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THE GOVERNMENT WILL likely review the windfall taxes on domestic crude and exports of diesel and aviation turbine fuel in a day or two, revenue secretary Tarun Bajaj told FE on Monday.

On July 20, in the first review since the windfall taxes were imposed on July 1, the government lowered the taxes on domestic crude and exports of diesel and aviation turbine fuel and removed the tax on overseas shipment of petrol, as global crude prices moved to a lower "band" and refining spreads of domestic fuel companies have declined. It also cut the new cess on domestically produced crude by 27%. It also exempted exports from SEZ units from the export taxes, a move that will benefit Reliance Industries, as half of its petroleum products exports are from its Jamnagar SEZ.

The taxes will move either way depending on crude prices and crack spread. Crack margins refer to the difference between the purchase price of crude oil and the selling price of finished products, such as diesel, that a refinery produces from the crude oil. While crude prices have been stable with Brent at around \$100-103/barrel, cracks have changed.

"While in absolute terms,



Revenue secretary Tarun Bajaj

the windfall taxes are still high, we believe steady normalisation in local fuel availability (a key energy security concern for government), stability in oil prices, more normalised global fuel margins and currency stability, will help further reduction in windfall taxes under fortnightly review," said Morgan Stanley in a report recently.

The taxes were imposed to corner a share in super normal profits of oil companies and ensure adequate availability of the transport fuels in the local market.

On July 20, the Centre scrapped a ₹6 a litre export duty on petrol and reduced the taxes on the export of diesel and jet fuel by ₹2/litre each to ₹11 and ₹4, respectively. It slashed the cess on domestically produced crude oil to ₹17,000/tonne from ₹23,250, a move that will benefit state-run ONGC, Oil India and Vedanta's Cairn & Gas.