

Excise duty on petrol, diesel raised by ₹2 a litre after 34 months

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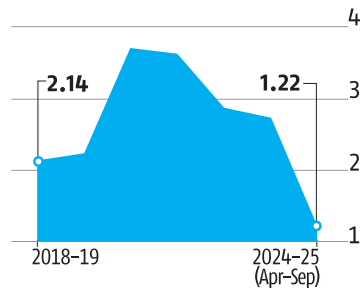
The Union government on Monday hiked excise duty on both petrol and diesel by ₹2 per litre each after a gap of 34 months but the latest hike will be absorbed by oil marketing companies (OMCs). On the other hand, in what is seen as a good news for consumers, Petroleum and Natural Gas Minister Hardeep Singh Puri said that retail rates of both the fuels may be slashed going forward if the low international prices hold.

Global crude prices have been in freefall since the unveiling of reciprocal tariffs by the Donald Trump administration in the US.

However, both subsidised and non-subsidised consumers will have to shell out more for domestic Liquefied Petroleum Gas (LPG) cylinders, the

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Excise duty collection from the petroleum sector (₹ trn)



Source : PPAC

price of which was increased by ₹50. The hike applies to both Pradhan Mantri Ujjwala Yojana (PMUY) beneficiaries and non-beneficiaries.

To be implemented through a rise in the Special Additional Excise Duty

(SAED) on both petrol and diesel with effect from April 8, the effective excise duty will increase to ₹13 per litre for petrol, and ₹10 per litre for diesel. State governments further levy local taxes on both the fuels.

The latest increase in excise duty has been done to shore up government revenue, officials indicated. In the first half of the financial year 2024-25 (FY25), the petroleum sector contributed ₹1.22 trillion to the exchequer through excise duty. This is 48 per cent of the full-year collection of ₹2.74 trillion in FY24. OMCs will be able to absorb the additional tax burden without raising retail fuel prices, given that they are currently managing inventories based on crude oil purchased earlier at higher rates. Turn to Page 6 ▶

▶ **COOKING GAS BECOMES DEARER BY ₹50 PER CYLINDER**

OMCs will have headroom even if prices go up to \$65 per barrel

Since April 2, both global benchmark Brent crude prices as well as US benchmark WTI prices have fallen to four-year lows over weak industrial demand and concerns of oversupply. On Monday, Brent crude futures stood at \$64.53 per barrel at the time of writing this report.

“The inventories being held by OMCs are 45 days old, and very clearly (bought) at a much higher price. My expectation is that crude oil prices,

even if they increase beyond \$60 per barrel, are unlikely to go back to beyond \$75 per barrel. Even if the prices go up to \$65 per barrel, the OMCs will have the headroom to look at downward price reduction,” Puri said.

The last reduction in fuel prices had come just before the Lok Sabha elections in March 2024 when OMCs had slashed the same by ₹2 each for petrol and diesel after a record 22 months.
