

Govt rules out bringing oil products under GST for now

Feels Centre, States Not Yet Ready For Expansion Of List

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New Delhi:

The Centre has virtually ruled out including petroleum products within the ambit of GST immediately, turning down repeated demands from the aviation sector and oil companies.

Even the petroleum ministry had taken up cudgels for the sector that has been arguing that benefit of GST is not accruing to them as companies cannot claim input tax credit. The credit can only be claimed if the entire chain from inputs to the final product pays GST.

The Centre is, however, of the view that the change in the regime may not pass muster with the states, which want to retain flexibility in taxing a few items that they have control over. Stamp duty on real estate, excise on alcohol and petroleum products are among the handful of items on which states still have control after the introduction of GST.

At the time of the introduction of GST two years ago, the states and the Centre had decided to pool their powers, which now vests with the GST Council. The panel headed by the Union finance minister now decides the rates and the indirect tax regime, leaving only a few items with the state FM.

In any case, the overall levy is not going to reduce significantly as the government will impose cess above the 28% rate on petrol and diesel to ensure that there is no loss to the exchequer.

Besides, sources told **TOI**, politically too the Centre is not keen on moving to GST for products such as aviation turbine fuel (ATF) or jet fuel, despite the high-decibel lobbying unleashed by airlines.

The government believes that the taxes on ATF, which airlines say is among the highest in the world, is passed on to consumers. To ensure that the transition to GST is tax-neutral, the Centre and the states will have no option but to raise the levy on air tickets. "There will be no change for the flyers," said a source.

Over the past two years, the government has discussed the possibility of shifting to a GST regime for sectors such as real estate, where under-construction units face the levy but on receipt of completion certificate, stamp duty is levied. But the Centre and the states have refrained from expanding the ambit, opting for the new tax mechanism to settle down.

WAIT GETS LONGER

Key items outside the ambit of GST

Petrol, diesel



Alcohol



Real estate



Why oil products may stay out

➤ It will result
in a cess
being imposed

➤ Will only benefit
companies, no significant
gain for consumers

➤ States
not keen
on transition