



Bringing Fuel Prices under GST.

Why in news?

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

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What is the current taxation process for fuels?

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- In the current structure, both the central and state governments levy a tax on petrol, diesel, crude, and natural gas.

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- The Centre charges excise duty, while each state has its own Value Added Tax (VAT).

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- Added to these are the dealer commissions, all of which inflates the price that consumers pay at the retail pumps.

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What are the advantages of bringing fuel prices under GST?

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- 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.

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- Reduced fuel prices will lead to lower transport costs for industries who benefit from increased production and competitiveness.

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- Idea of a 'single nation, single tax', will be implanted firmly which is aimed at improving production and employment while taxing consumption.
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- Disadvantages caused to firms due to exclusion of fuel prices under GST will be resolved and the firms can claim input tax credit.
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What are the concerns with bringing fuel prices under GST?

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- Since, petroleum products are huge revenue earners, the state and union government will be at a loss of revenue.
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- Therefore, revenue considerations, will likely drive the decision on bringing petroleum products under GST.
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- The decision will be taken by the GST Council, in which states have a major say.
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- 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.
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- Even in this case, the union government would have to compensate states for any shortfall in revenues for five years.
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- Thus, the governments must be well equipped to handle the consequences of bringing fuel prices under GST.
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Source: The Indian Express

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