

Panchratnas cry for Equal rights under GST

GST - One Nation One Tax is an initiative by the Government to eliminate various indirect taxes and incorporate all of them into one, thereby reducing the tax complexity. But five products viz petroleum crude, high-speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel - the “*Panchratnas*” were not lucky enough to be given the opportunity to taste the fruits of this simple tax regime.

In this regard, reference may be made to Section 9(2) of the [CGST Act, 2017](#) which states that the central tax on the supply of petroleum crude, high-speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

A perusal of the above indicates that the Government may bring these five petroleum products into the GST regime in future, but presently they have been denied the benefits of this new system. What disturbs the public is the question that why the *panchratanas* have not been brought into the GST net?

The reason for this *inequality* being that the States earn loads of revenue from the petroleum products, and bringing them into GST would make the Legislatures lose the same. But is this even a reason enough to keep these *panchratanas* out of GST? What about the oil industries who are facing immense trouble due to this decision? What about the consumers who are paying much more than what they will be required to pay if GST is levied on these products? What about the inflationary impact on the economy as a whole, due to ever rising prices of these products?

As usual, the major sufferers of this partiality are the ultimate consumers (often called as the *king of the market*, but who always become the *slave of the market!*). Hard to believe, but the fact is that if the *panchratanas* are levied to GST, their prices would be reduced to almost half. If we look into the present situation of the economy, petrol prices recently touched Rs. 80/litre in Mumbai, Rs. 74/litre in Kolkata while it is over Rs. 70/litre in Delhi and Bangalore. According to the data released by the Indian Oil Corporation BSE for the petrol price build up in Delhi, the fuel costs only Rs 26.65 at the refineries. Dealers get a litre of petrol at Rs. 30.70 which is sold at Rs 70.39/litre in Delhi. This means that Rs. 39.69 is charged as tax component and dealer's commission on every litre of petrol sold (More than even the purchase price of the dealer!) So we are being looted in the name of taxes!

Worse than that, the Oil companies are suffering since the day GST has got implemented. They have been left at the mercy of their accountants since dealing in different kinds of taxes at the same time has become a major challenge. Complying with all the tax laws (new and old) for each transaction is making them work like never before.

For instance, suppose a company is producing LPG along with crude oil, it has to pay GST on LPG while Excise Duty and VAT on crude oil. Moreover, if they use common inputs for the two, credit will be available on the portion of inputs used for LPG production while no credit would be allowed on that used for crude oil. Now, assuming that it transports the crude oil produced by it through its own pipelines, GST will get levied on the pipeline transportation service of crude oil. Now, how do such a company distinguish between the portion of inputs used for transportation of oil, and not for production of the same oil. To make my point clearer, say it uses a tank for storage of crude oil after production, and then transportation begins from that point itself. Then, will it reverse the credit on such tank as it was an input to the production of crude oil, or will it avail the credit on the note that it was used for storage which is an essential part of transportation. How do such issues get resolved? Had it been a *One-Tax* regime, such a situation would not have arisen.

As per the latest report, petrol pumps across the nation have threatened to go on a 24 -hour strike on 13th October'17 due to long pressing demands being ignored, one of them being their inclusion in the GST regime. If the strike really happens, the loss of revenue to the economy would be magnificent. Is this really worth it, I mean, in an economy which calls itself a republic, people have to go on strike to get their demands met!

With all such problems creeping in, there is still a ray of hope that the *Panchratnas* are brought into the GST regime as soon as possible. If the Government wants to give Diwali gifts in the real sense, then will it not be better to first start with lowering the prices of *oil* and then extending benefits to the *batti* which cannot be lit without the oil!

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