

GST Applied on Petrol and Diesel and Its Impact on Its Price

Pastagiya Pratik Ketankumar

Alumnus, Sir K.P. College of Commerce, Surat, Gujarat (India)

ARTICLE DETAILS

Article History

Published Online: 13 March 2019

Keywords

GST, Petrol and Diesel Price build up mechanism before and after GST

*Corresponding Author

Email: pastagiya.pratik[at]gmail.com

ABSTRACT

In the present time there was many changes in Indirect tax reform in India established on the nation of "One Nation, One Market, One Tax" is finally here. To make India as a financial super power, after the GST. Only a registered dealer can collect GST on the taxable value of goods and services made by him and take Input tax credit. After GST product selling price changed and supplier collected input tax by customers. GST is changing in the whole current indirect tax system. GST is likely to merge the entire multiple and complex taxes under one roof and will make a business very easily. However, petroleum products were kept out of GST framework in order to preserve the revenue acquired by the state. This study gives an overview of applied GST on Petrol and Diesel price before and after.

1. Introduction

The word "Tax" is come from the Latin word "taxare" meaning to estimate. A tax is not compulsory to charge by every person but tax is charged by government to legislative authority. In India GST was introduced on 1st July 2017. Tax is the major source revenue to any of the country. First time GST was planned by Congress government in April 2010, but postponed due to Political issues and finally followed GST on 1st July, 2017 by BJP government. GST is a vast concept of indirect tax.

Petroleum products have become very necessary part of our daily life, and we can't imagine our life without it. But the petroleum prices are very high. The high price of petrol and diesel directly or indirectly affects all the major sectors. Generally Before GST petrol and diesel prices are changed in two times in a month but after GST petrol and diesel price change at 6 a.m. every morning. But today petrol and diesel price are daily up down. Petroleum Minister Dharmendra Pradhan saying that inclusion of petroleum under GST is a simple way for rational pricing and also provides relief to the customers.

1.1. Types of Tax

In India government collected two types tax from people.

- (1) Direct Tax: - The Direct taxes are basically collected by government on the Income of an Individual. Ex. Income Tax, Gift Tax etc.
- (2) Indirect Tax: - Indirect taxes are basically collected by government on the expense incurred by the Individual.

This tax is basically charged by seller of goods or provider of service from the end consumer. Ex. Service Tax, Customs Duty, Excise Duty, Vat, Securities Transaction Tax (STT), Stamp Duty, Entertainment Tax, GST.

2. Research Methodology

The Research paper is based on the exploratory research. Secondary data collected from newspaper, National and International Journals, articles published in the Magazines, reports of Petroleum Planning and Analysis Cell (PPAC) and other secondary sources.

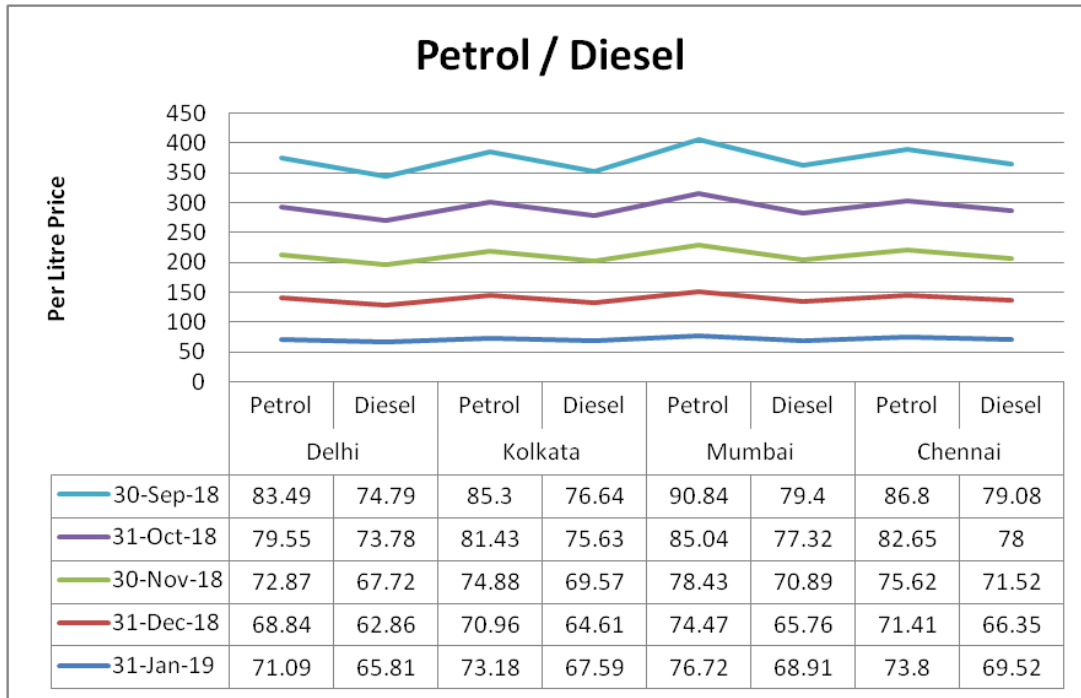
3. Objectives

- To study the current movements of petrol and diesel prices in India.
- To know what is major problem government not applied GST on petrol and diesel.
- To analyze what changes of petrol and diesel price under GST.

4. Statement of problem

Petrol and Diesel highly price will affect almost all the sectors and also put a burden on consumers in India. Excise duty and VAT are the main components for price increments. While most of taxable products covered under the GST, but petrol and diesel are under VAT system because different states charged different rates of VAT applicable on petrol and diesel and it is main revenue of every state.

Figure 1: Movement of Petrol and Diesel Prices in Metro cities in India for the last 5 months (September 2018 to January 2019)



Above this graph showing that the movement of petrol and diesel prices in four metro cities in India from September 2018 to January 2019. This graph clearly shows that in September 2018 petrol and diesel prices are very high against the January 2019.

Petroleum products tax income is a most important income form Indian government. So they are not covered petroleum products under GST. If GST would have covered petrol and diesel, State governments would have lost major revenues. The minister of petroleum said that 42% of central tax income to give every state by central government.

5. Reasons behind of petrol and diesel from the ambit of GST

Table 1:- Price Calculation of Petrol and Diesel in New Delhi 3rd January 2019.

Note: - (1) 1 Barrel = 159 Liters. (2) Exchange Rate 1\$ = 70.22 INR. (3) Raw Crude Oil in INR R.s.3967/159 Liter = R.s.24.95 Per Liter approx. 1 Barrel = 56.5\$. 56.5\$*70.22 R.s = 3967 Rs.

Elements	Petrol Price	Diesel Price
International Price of Crude Oil with Ocean Freight	56.5\$ or Rs. 3967 per Barrel	56.5\$ or Rs. 3967 per Barrel
1 Barrel of Crude Oil	159 Liter	159 Liter
Crude Oil – Cost per Liter	Rs. 24.95 per Liter	Rs. 24.95 per Liter
Basic OMC Cost Calculation :-		
Refinery Processing Charge, OMC Margin, Transportation Cost	Rs. 7.16 per Liter	Rs. 11.74 per Liter
Basic Cost of Fuel after Refinery Processing Charge	Rs. 32.11 per Liter	Rs. 36.69 per Liter
Add. Excise Duty & Road Cess as	Rs. 17.98 per Liter	Rs. 13.83 per Liter
Pricing Charged from Dealers before VAT	Rs. 50.49 per Liter	Rs. 50.89 per Liter
Calculating Dealer Retail Price-Base Location Delhi :-		
Petrol Pump Dealers Commission	Rs. 3.57 per Liter	Rs. 2.53 per Liter
Fuel Cost Before VAT	Rs. 54.06 per Liter	Rs. 53.42 per Liter
Add. 27% State VAT	Rs. 14.59 per Liter	Rs. 9.24 per Liter
Final Retail Price as on 3rd January 2019	Rs. 68.65 per Liter	Rs. 62.66 per Liter

Source:- Price Build-up of Petrol at Delhi at BPCL Retail Pump. Out lets, <https://www.bharatpetroleum.com>

The above table shows the price buildup of retail selling price of petrol and diesel in Delhi as on 3rd January 2019. Petrol retail price was Rs. 68.65/Ltr. In this price includes Rs. 36.14/Ltr. Of Excise duty, Dealer's commission and VAT. So we have to paid Rs. 32.11/Ltr. Excess amount on the basic price of petrol. Retail selling price of Diesel was Rs. 62.66/Ltr. In this

price includes Rs. 25.6/Ltr. Of Excise duty, Dealer's commission and VAT. So we have to paid Rs. 36.69/Ltr. Excess amount on the basic price of diesel.

Now we have to know that main reason for hike in petroleum price is amounts paid on Excise duty, Dealer's commission and VAT by different States.

Table 2:- Tax Percentage on Petrol and Diesel Price

Sr.	Particulars	Petrol	Diesel
1	Retail Selling Price	68.65	62.66
2	Total Tax = State VAT + Excise Duty	32.57	23.07
3	Price without including TAX	36.08	39.59
4	Tax percentage = (2)/(3)*100	90.27	58.27

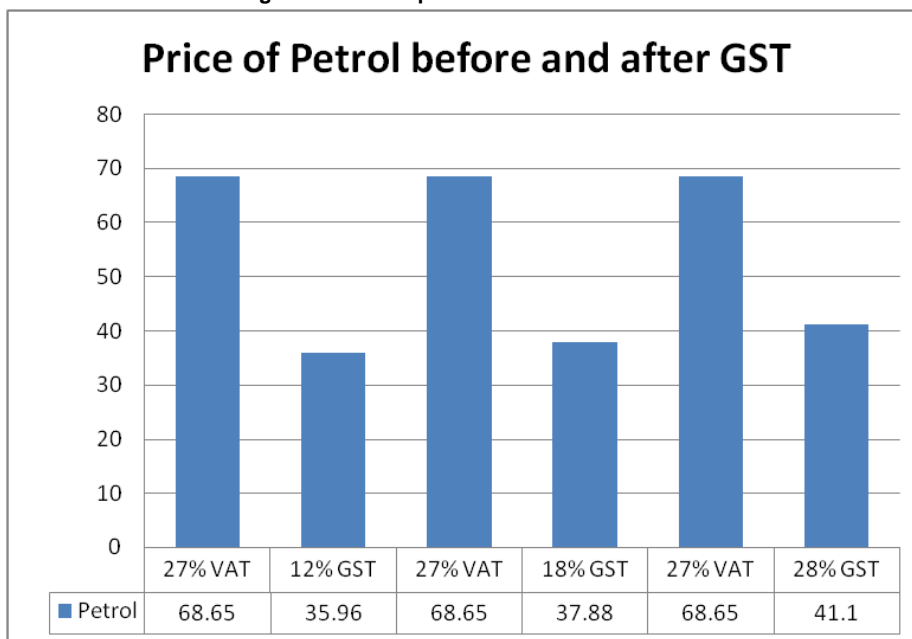
From the above table it is clear that the consumers have to pay 90.27% and 58.27% by way of tax on petrol and diesel basic price.

Now we have to know below this table retail price of petrol and diesel after including petroleum products under GST at different slabs.

Table 3:- Calculation of Petrol prices after GST

Sr.	Particulars	Unit	GST Slabs		
			12%	18%	28%
1	Basic Cost of Fuel after Refinery Processing Charge	Rs./Ltr.	32.11	32.11	32.11
2	Add GST	Rs./Ltr.	3.85	5.77	8.99
3	Retail Selling Price at Delhi	Rs./Ltr.	35.96	37.88	41.10

Figure 2: Price of petrol before and after GST



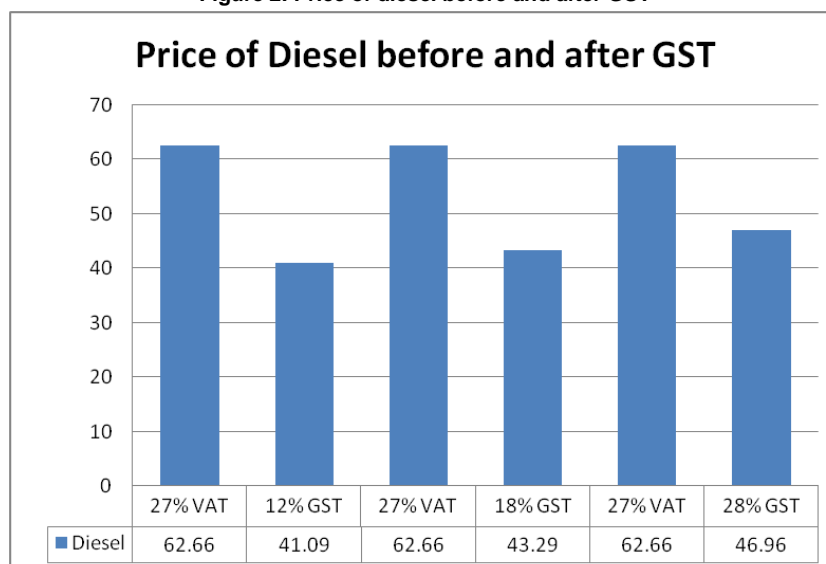
Government applied GST on Petrol though petrol prices fall down very low. If 12% GST rate applied on petrol price will come down to Rs. 35.96 per Liter in Delhi against Rs. 68.65 per Liter VAT rate. While at 18% GST rate applied on petrol price

will come down at 37.88 Rs. per Liter in Delhi against Rs. 68.65 per Liter VAT rate. While 28% GST rate applied on petrol price will come down at 41.10 Rs. per Liter in Delhi against Rs. 68.65 per Liter VAT rate.

Table 4:- Calculation of Diesel prices after GST

Sr.	Particulars	Unit	GST Slabs		
			12%	18%	28%
1	Basic Cost of Fuel after Refinery Processing Charge	Rs./Ltr.	36.69	36.69	36.69
2	Add GST	Rs./Ltr.	4.40	6.60	10.27
3	Retail Selling Price at Delhi	Rs./Ltr.	41.09	43.29	46.96

Figure 2: Price of diesel before and after GST



Government applied GST on Diesel though diesel prices fall down very low. If 12% GST rate applied on diesel price will come down to Rs. 41.09 per Liter in Delhi against Rs. 62.66 per Liter VAT rate. While at 18% GST rate applied on diesel price will come down at 43.29 Rs. per Liter in Delhi against Rs. 62.66 per Liter VAT rate. While 28% GST rate applied on diesel price will come down at 46.96 Rs. per Liter in Delhi against Rs. 62.66 VAT rate.

This four reasons to include of Petrol and Diesel in GST is must

- Similar taxation format and cancel to other indirect taxation.
- Lower Revenue Neutral Rate (RNR).
- To check inflation rate before and after applied GST in India.
- To increase the GDP by 2%.

6. Positive Effects

- It would introduce single tax system in One Country.
- GST is expected to reduce the price of Petrol and Diesel after GST.
- GST will remove all other indirect tax from the Indian economy. Simple tax system to attractive many investors and more productive investment for growth.
- If the manufacturing is done at full capacity industry will be benefited by comparative cost advantage.
- GST would introduce corruption free taxation system.
- It would create business friendly environment and increase tax GDP ratio.

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- After GST we will easily doing to business in International market.
- The overall tax burden removed on Petrol and Diesel and price is decrease by customer side.

7. Negative Effects

- Central and state governments will be lost own income.
- Less money for spending on developments, security and public amenities.
- Consumers will be gainer.
- There will be more crowds on roads.

8. Conclusion

Petroleum is the captain of Indian economy. Now petroleum products are the earning son of every state as well as for centre in from of excise, custom, VAT etc. It is not wise to include petroleum from under GST. It will affect social commitments of the government. In India, 50% of the revenue is earned by States from indirect taxes charged on Petroleum and other related products. The main purpose of this is the extra charges on petroleum like Excise duty, dealer's commission and VAT. If the government decided to include petrol and diesel under GST the price will be reduced to half of what is paid by the customer at present. If petrol is not put under GST then it will increase inflation and burden will be on general public. If the price of petrol is low, we will be similar but if will be a bigger scramble.