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India raised the duty on gold to restrict imports and imposed a windfall tax on crude oil producers and refiners to curb shortages and stanch a slide in the rupee, which has hit record lows as global economic uncertainties and high energy prices prompt a flight to the dollar.

The government increased the effective import duty on gold to 15% from 10.75% to tamp demand in the world's second-largest consumer of the precious metal. India hopes pricier gold will reduce consumption and help narrow the burgeoning trade deficit that is pressuring the local currency.

In addition, a cess or windfall tax of 23,250 per tonne has been imposed on crude oil exports and a special additional excise duty of 6, 13, and 6 per litre has been imposed on exports of petrol, diesel, and jet fuel, respectively. However, small crude oil producers with an annual production of fewer than two million barrels have been exempted from this windfall tax.

With this, the government hopes to curb fuel shortages in some parts of the country and restrict imports of costly global oil. Many Indian refiners cut domestic sales and boosted fuel exports to benefit from bumper global margins after Western sanctions on Russia following its invasion of Ukraine. Reliance Industries Ltd's stock plunged 7.14% to 2,408.95 on BSE.

“These are extraordinary times. Oil prices internationally are unbridled," finance minister Nirmala Sitharaman said on Friday, while adding that the government will review its decision on the duty every 15 days. “We do not want to discourage exports but want domestic availability to increase," she added.

Friday's decisions underscore the government's challenges as it deals with high crude prices and investors pulling billions of dollars from the country's stock and bond markets, sending the rupee plummeting against the dollar. The rupee continued its slide on Friday, breaching the 79-per-dollar mark as investors fled to the dollar. Investors dump riskier emerging markets assets during periods of economic uncertainty. Crude prices have risen sharply in recent months, with Brent crude currently trading at $108.72 per barrel.

Restrictions on supplies from Russia, one of the world's largest oil producers, led to a sharp rally in global crude prices, affecting countries that rely on imports.

India imports about 85% of its oil requirements.

The country's trade deficit in May widened to a record $24.29 billion as India imported gold worth $6.03 billion in May, an increase of over nine times from a year earlier, and pricier crude oil.

The move to increase taxes on fuel exports was also prompted by fuel shortages in several states, including Rajasthan, Madhya Pradesh, Gujarat, and Tamil Nadu.

“Crude prices have risen sharply in recent months. Domestic crude producers sell crude to domestic refineries at international parity prices. As a result, domestic crude producers are making windfall gains. Taking this into account, a cess of 23,250 per tonne has been imposed on crude. Import of crude would not be subject to this cess," the finance ministry said in a statement on Friday and added, “this measure would not impact crude prices or the prices of petroleum products and fuels."

“Also, to incentivize an additional production over the preceding year, no cess will be imposed on such quantity of crude that is produced in excess of last year’s production by a crude producer," the statement said.

Meanwhile, the Directorate General of Foreign Trade has also imposed a condition wherein fuel exporters will be required to declare that 50% of the quantity mentioned in the shipping bill has been or will be supplied in the domestic market during the current fiscal year.

Gireesh Chandra Prasad contributed to the story.

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