

CENTRE SLASHES FUEL TAXES, SETS RS. 200 SUBSIDY

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

A subsidy of Rs. 200 per gas cylinder for up to 12 cylinders a year, will be granted to over nine crore beneficiaries of the PM Ujjwala Yojana. "This will help our mothers and sisters and have a revenue implication of around Rs. 6,100 crore a year," she said.

Petroleum and Natural Gas Minister Hardeep Singh Puri said that the LPG subsidy relief is "in addition to the fact that despite a 43% rise in Saudi CP (our LPG import benchmark) in the past 7 months, our LPG prices had gone up by just 11%".

"The welcome reduction in excise duty will help to cool the inflation trajectory going ahead, and complement monetary policy," said ICRA chief economist Aditi Nayar, who expects inflation to ease to the range of 6.5%-7% in May.

"The fiscal cost can be absorbed by higher than budgeted revenues through other taxes. We now estimate the tax revenues of the central government to surpass the budget estimates by at least Rs. 1.3 lakh crore even after the excise reduction," she added. Customs duties on raw materials and intermediaries for plastic products where import dependence is high, is also being cut to help reduce final product prices and assist micro, small and medium enterprises.

To arrest steel prices, the government is reducing the import duty on some raw materials and levying an export duty on some steel products. Measures are also being taken to improve cement supplies and spruce up logistics to reduce cement costs.

K.E. Raghunathan, convenor of the Consortium of Indian Associations, appreciated the Centre's move and said States like Tamil Nadu should also follow suit by reducing their levies on petroleum products. "What is important is to aid and support middle- and lower-income groups," he said.

Setting the context for the current inflationary pressures, Ms. Sitharaman said the world is passing through difficult times with the Ukraine conflict triggering supply chain challenges and shortages of various goods.

"This is resulting in inflation & economic distress in a lot of countries... Despite the challenging situation, we've ensured that there are no shortages/scarcity of essential goods. Even a few developed countries couldn't escape some shortages/disruptions. We are committed to ensure that prices are kept under control," the minister asserted.

(With PTI inputs)

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