

MANY STATES RELUCTANT TO CUT FUEL TAXES

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Private transport is turning unaffordable due to the ever-increasing fuel prices. G. RAMAKRISHNARAMAKRISHNA G

Telangana Finance Minister T. Harish Rao termed the Centre's partial reduction of the cess levied on petroleum products "bogus" and "humbug" and joined his Tamil Nadu counterpart P.T.R. Palanivel Thiaga Rajan in calling for further cuts in the Union taxes as they had been hiked sharply since 2014.

After Saturday's excise duty cuts on petrol and diesel of Rs. 8 and Rs. 6 per litre on Saturday, Finance Minister Nirmala Sitharaman had reiterated Prime Minister Narendra Modi's plea for States that had not cut their taxes since November 2021 — when the Centre announced the last round of tax cuts — to do so now.

Mr. Thiaga Rajan termed this an "unfair and unreasonable" expectation, in an elaborate statement on the issue on Sunday, while Rajasthan Chief Minister Ashok Gehlot pointed out that the Centre's excise duty cuts were followed by "a sudden increase" in petrol prices by 71 paise per litre on Sunday. "The reduction will become irrelevant if the fuel prices are increased," Mr. Gehlot said.

Karnataka Chief Minister Basavaraj Bommai said he would consider if duty cuts were feasible, while the Aam Aadmi Party (AAP), which now administers Delhi and Punjab, and the Trinamool Congress did not issue any official communiques on their stance. In response to the Prime Minister's plea for States to cut taxes, West Bengal Chief Minister Mamata Banerjee said last month that would be possible only if Centre cleared its pending dues of about Rs. 97,000 crore.

Cascading effect

Both Mr. Gehlot and the Tamil Nadu Finance Minister pointed out that States were already losing revenues due to the Centre's tax cuts, which had a cascading effect on their effective levies.

"The Centre should reduce the excise duty on petrol and diesel to the level at the time of the UPA government to provide relief to the common people in the real sense, as such a decision would bring down the fuel prices to less than Rs. 70 per litre," Mr. Gehlot said.

The Centre still levied a cess of Rs. 7.40 a litre on diesel and Rs. 16.40 a litre on petrol and the State would appreciate if it rolled back the cess on diesel to Rs. 3.46 a litre which prevailed in March 2014, Mr. Rao asserted. By contrast, his government had left the VAT on these products unchanged since assuming office in 2014, he pointed out.

"It was neither fair nor reasonable to expect the States to reduce their taxes on fuel since the Union government had never consulted them while increasing the taxes multiple times," said Mr. Thiaga Rajan, noting that the reduction in Central excise duties would result in an additional loss of around Rs. 800 crore in annual revenue to the State, in addition to the Rs. 1,050-crore loss from the cuts announced in November.

Though the DMK government inherited a precarious fiscal position and incurred an additional expenditure towards COVID-19 relief activities, it reduced the VAT on petrol in a few months

after assuming office even before the Centre's November 2021 reductions.

Manifold increase

In the past seven years, the Union government's levies on petrol had gone up substantially, resulting in a manifold increase in its revenues, but the States did not see a matching increase in their revenues. "This is because the Union government has increased the cess and surcharge on petrol and diesel while reducing the basic excise duty that is shareable with the States," the Minister said.

With the recent cuts, the Union government's taxes on petrol were Rs. 19.90 a litre and Rs. 15.80 a litre for diesel, but was still higher than the 2014 rates by Rs. 10.42 a litre on petrol (Rs. 9.48 a litre in 2014) and Rs. 12.23 a litre for diesel (Rs. 3.57 a litre in 2014), he said, adding that there was a "strong case" for the Union government to further reduce its taxes.

"It is pertinent to point out that the Union government had never consulted the States when it increased the taxes multiple times. The exorbitant increase in taxes by the Union government has been only partially reduced through the cuts, and the taxes continue to be high, compared with the 2014 rates," Mr. Thiaga Rajan said.

'Not enough'

AAP spokesperson in Punjab, Malwinder Singh Kang, said the Centre's reduction of excise duty on diesel and petrol was not enough and demanded a further reduction in the excise duty. "Punjab is already under a severe financial crisis," he told *The Hindu*.

The Maharashtra government said it expects to lose Rs. 80 crore on petrol and Rs. 125 crore on diesel a month due to the VAT cuts, which will translate into an annual revenue loss of Rs. 2,500 crore.

(With inputs from Pune,

Hyderabad, Chennai, Jaipur, Chandigarh, Kolkata)

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