

FIPI

Ref. No. PF/9
May 8, 2017

Shri P K Jain
Chief Commissioner (AR),
CESTAT, West Block 2
Sector 1, R.K. Puram
New Delhi

Dear Sir,

Sub: GST and the concerns of Oil & Gas sector

We refer to our letter No PF/9 dated 17.04.2017, wherein we had brought to your kind attention the concerns of the oil & gas sector with regard to GST. While we do hope that necessary steps are being taken by Govt to suitably address these concerns, we would like to submit following additional information with regard to the suggestion made by us for the downstream sector.

Indian refineries suffer from structural cost disadvantages compared to other real refining hubs in the making like Middle East, US Gulf Coast (USGC) or even Singapore in reaching potential markets. The disadvantages amounts to \$2 to \$3 /bbl, which is 1/3rd of the total gross margin available to the industry. Indian refineries have to incur higher shipping and port charges (for similar distances to other refining hubs) due to the limited flexibility to charter shipping lines to transport crude. It is subjected to an additional inland transportation cost (with almost 20 to 25 per cent of refining capacity located inland).

Refining margins are further eroded because of tax disadvantages (irrecoverable taxes like Central Sales Tax on MS, HSD and ATF, Vat of domestic crude, Tax on input goods and services).

While the general perception is that the refineries enjoy a duty protection to the extent of BCD on petroleum products, from the workings enclosed, it can be seen that effectively the refineries do not enjoy any protection. To the contrary, the protection is negative and is estimated to be around USD 198 Million (equivalent to Rs. 1293 Crores).

The lack of tariff protection favours imports vis- a -vis domestic production which not only puts Indian refiners to a competitively disadvantageous position but would ultimately adversely impact the 'make in India' objective of the Govt.

Thus, there is need an urgent need to provide relief to the downstream sector in the form of removal of stranding of taxes, which will help in an improving the competitiveness of the Indian refineries.

Thanking you,

Yours faithfully,



Rajiv Bahl

Director (Finance Taxation & Legal)

Encl. as above

Federation of Indian Petroleum Industry

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	FOB AG (2015-16)	Assessable value for customs duty	Tariff	Customs duty including NCCD	Product Price Including Customs Duty	Industry Production (excl RIL SEZ) TMT (2015-16)	Value of Products (incl duty)	Duty Protection
	\$ / MT	\$ / MT	%	\$/MT	\$/MT	TMT	\$ MM	\$ MM
Indegenious Crude	334.85	341.13	0.00%	0.76	341.89	34100	11658	26
Imported Crude	334.85	341.13	0.00%	0.76	341.89	161667	55272	123
Sub - total						195767	66931	150
LPG	394.71	428.96	0.00%	0.00	428.96	8600	3689	0
MS Domestic	524.62	538.45	2.58%	13.87	552.32	18400	8130	204
MS (Exports)	524.62	538.45	0.00%	0.00	538.45	6841	3683	0
Naphtha - non-fertiliser	420.14	433.43	5.15%	22.32	455.75	9495	4327	212
Naphtha - Fertiliser	420.14	433.43	0.00%	0.00	433.43	205	89	0
Naphtha (Export)	420.14	433.43	0.00%	0.00	433.43	5419	2349	0
Other LE	524.62	538.45	5.15%	27.73	566.18	6815	3859	189
ATF	440.11	452.49	0.00%	0.00	452.49	6100	2760	0
ATF (export)	440.11	452.49	0.00%	0.00	452.49	3727	1686	0
SKO	440.11	452.49	0.00%	0.00	452.49	7400	3348	0
HSD Domestic	409.90	421.52	2.58%	10.85	432.38	74600	25804	648
HSD (export)	409.90	421.52	0.00%	0.00	421.52	8001	3373	0
LDO	357.47	368.57	10.30%	37.96	406.53	400	163	15
Other MD	409.90	421.52	5.15%	21.71	443.23	3442	1525	75
FO - Non Fertiliser	235.13	267.78	5.15%	13.79	281.57	7360	2072	101
FO Export	235.13	267.78	0.00%	0.00	267.78	2121	568	0
FO Fertiliser	235.13	267.78	0.00%	0.00	267.78	140	37	0
HPS/LSHS	245.13	277.88	5.15%	14.31	292.19	400	117	6
Bitumen	225.13	257.68	5.15%	13.27	270.95	5200	1409	69
Other HE	235.13	267.78	5.15%	13.79	281.57	12868	3623	177
Sub - total						187534	72613	1696
Stranding of taxes on Refinery								
CST On Crude								93
VAT on Crude								253
NCCD on Crude								150
CST on MS, HSD, ATF								244
Duties and tax on goods and services used in refining of MS, HSD & ATF								821
Duties and tax on goods and services used in marketing of MS, HSD & ATF								333
Total Stranding								1894
Net Duty Protection								-198
Net Duty Protection (Rs. In Crores)								-1293

Exchange rate assumed @ Rs. 65.46 to USD 1