FIPI

Federation of Indian Petroleum Industry

PRE-BUDGET MEMORANDUM

UNION BUDGET 2027-28



EXECUTIVE SUMMARY

A. DIRECT TAX

I) Income Tax

Upstream

Amendment

1. **INTERNATIONAL TAXATION - Significant Economic Presence (SEP)- Income-tax Act, 2025: section 9(9)(d); Income-tax Rules, 2026: rule 13.**

   Summary: The inclusion of transactions in goods under Significant Economic Presence (SEP) provisions creates uncertainty regarding withholding tax on ordinary physical imports, including crude oil, from non-residents having no business presence in India. It is suggested that such imports be explicitly excluded from Section 9(9)(d) to provide tax certainty and reduce withholding-related disputes.

2. **Withdrawal and Utilization of amount deposited as per Site Restoration Fund Scheme (Section 33ABA read with Site Restoration Fund Scheme, 1999). (Section 49 under the New Income Tax Act 2025)**

   Summary: The Site Restoration Fund Scheme, 1999 restricts withdrawals to abandonment and restoration activities undertaken upon expiry/termination of agreements or relinquishment of contract areas. This prevents withdrawal of funds for planned abandonment activities carried out during the subsistence of contracts. It is suggested that Para 8 of the Scheme be amended to permit withdrawals for such activities irrespective of expiry, termination or relinquishment, subject to the approved abandonment plan and applicable safety and environmental requirements.

3. **Rationalization of allowances in respect of Exploration & Production (E&P) expenditure under section 54 of the Income-tax Act, 2025 (section 42 of the Income-tax Act, 1961)**

   Summary: Section 54 of the Income-tax Act, 2025 provides for special allowances for prospecting, extraction or production of mineral oils. The scope of deduction is restrictive and does not fully cover the spectrum of costs incurred in the oil & gas exploration sector. It is suggested that exploration and drilling expenditure, both capital and revenue, be allowed in the year in which it is incurred, with development and production expenditure treated as per the relevant provisions.

Downstream

Amendment

1. **Applicability of Significant Economic Presence (SEP) under Income Tax Act to digital businesses only**

   Summary: The language of the SEP provisions is broad and is likely to impact conventional transactions even if they are not carried out in a digital form. The Oil Industry PSUs be exempted from applicability of these SEP provisions. Section 9 may be amended retrospectively to ensure that the provisions are limited to digital commerce rather than commerce involving physical goods. Till the rules are in place, there should not be any obligation to deduct tax.

2. **Special exemption to Refineries for waiver of penal interest for deferment of advance tax**

   Summary: Refinery profitability is highly dependent on volatile international crude oil and product prices, making precise estimation of annual profits and advance-tax instalments challenging and potentially resulting in interest for deferment of advance tax. It is suggested that a specific exemption/waiver from penal interest on deferment of advance tax may be provided to oil refining companies. Alternatively, the existing waiver mechanism may be retained with a prescribed time limit for disposal of genuine waiver applications.

3. **Exemption of storage income on natural gas**

   Summary: Income of a foreign company on account of storage of crude oil in India and sale of such crude oil to any person resident in India is exempt. It is recommended to extend this exemption to Indian Companies which are engaged in the business of storage of natural gas in India.

4. **Rationalization of applicability of curtailed depreciation under section 33 of the Income-tax Act, 2025 (second proviso to section 32(1) of the Income-tax Act, 1961)**

   Summary: The restriction of depreciation to 50% applies only in the year of acquisition of the asset, if put to use for less than 180 days. The ITR and audit reporting mechanism mechanically applies the 50% restriction, creating avoidable disputes and litigation. It is suggested that the ITR forms and Tax Audit Report formats be aligned with section 33, with full allowance of depreciation in case of asset acquired in year earlier to the previous year.

General

New Provisions

1. **Suggestion on improvement in Income Tax Audit Report - GST Related Reporting - Clause 44 of Form 3CD**

   Summary: Form 3CD contains clause 44 seeking 'Break-up of total expenditure under the GST'. There is extensive reporting and compliance mechanism with respect to GST framework in place, and reporting again the GST data in Tax Audit Report in Form 3CD overburdens the assessee with duplicity of compliance work. Since the GST Registration is PAN based, requisite data for the same can be made available

2. **Weighted deduction for R&D under New tax regime u/s 115BAA**

   Summary: Section 115BAA restricts companies opting for the concessional tax regime from claiming specified deductions under Section 35, thereby reducing the tax incentive for investment in R&D and innovation. It is suggested to allow a 200% weighted deduction for eligible R&D expenditure incurred by companies opting for Section 115BAA, subject to prescribed safeguards.

3. **Higher Depreciation for Net Zero projects under new tax regime u/s 115BAA**

   Summary: Section 115BAA does not permit additional depreciation under Section 32(1)(iia). This reduces the tax incentive for capital-intensive Net Zero and decarbonization investments. It is suggested to provide accelerated depreciation of up to 80% in the first year, or alternatively an additional depreciation of 20%–40%, for eligible new assets deployed exclusively in Net Zero, decarbonization, renewable energy, green hydrogen, energy-efficiency and carbon-abatement projects.

4. **TDS u/s 393(1) [Table: S.No. 8(ii)]: Exemption in respect of inter government companies' transaction.**

   Summary: Clause 393(1), Table S. No. 8(ii) of the Income-tax Act, 2025 requires TDS on purchase of goods exceeding ₹50 lakh from a resident seller, including transactions between PSUs. This results in additional compliance for inter-PSU transactions, despite such transactions being fully traceable under GST. It is suggested that inter-PSU transactions may be exempted from TDS under Clause 393(1), Table S. No. 8(ii), similar to the treatment under the GST TDS framework.

5. **TDS credit to be allowed irrespective of the Assessment Year**

   Summary: TDS credit is currently linked to the year in which the corresponding income is considered to have been offered to tax. Where TDS is deducted and reflected in Form 168 in a subsequent year, credit may be denied or deferred. It is suggested that TDS credit may be allowed in the year in which the TDS is actually deducted and reflected in Form 168, irrespective of the Assessment Year.

6. **Social and community welfare expenses – allowance under section 34 as business expenditure**

   Summary: Section 34 provides that expenditure on the activities relating to CSR shall not be allowed as deduction. It is mandatory for specified companies to spend 2% of their average profits towards Corporate Social Responsibility. It is suggested that the CSR expenses listed in Schedule VII to the Companies Act, 2013, may be allowed u/s 34, as these expenses are all connected to social and charitable causes and not for any personal benefit or gain.

7. **Lowering of Income tax rate with deductions.**

   Summary: Companies opting for the lower tax rate under Section 200 are required to forego deductions under Section 141, which include investment-linked incentives. This may discourage fresh investment and expansion by companies opting for the concessional tax regime. It is suggested that

profit/investment-linked incentives under Section 141 may be reintroduced and also made available to companies that have opted for the concessional tax regime under Section 200.

8. **Income-tax Act, 2025: section 45(2) read with sections 200 and 201.**
   Summary: The in-house R&D deduction under section 45(2) is not available to companies opting for the concessional corporate tax regimes, reducing the tax incentive for innovation-intensive expenditure. It is suggested to carve out section 45(2) from the restrictions under sections 200/201 and allow an enhanced deduction, preferably 200% for approved in-house R&D, with a minimum investment threshold if considered necessary.
9. **Consideration of interest for granting refunds u/s. 244A (Section 437 of the New Income Tax Act 2025)**
   Summary: Absence of ample clarity as to whether the interest u/s. 244A is payable only on the amount of tax refund OR interest, penalty and other components of refund would also be covered within the ambit thereof leads to avoidable litigation. It is, therefore, suggested that a suitable clarificatory provision may be inserted in section 244A of the Act in this regard.
10. **Rationalizing the provisions of TDS under section 193 on Securities. (Section 393 of the New Income Tax Act 2025)**
    Summary: TDS is now deductible on interest on securities at the time of credit of such income to the payees or at the time of actual payment thereof whichever is earlier. Debentures may pass hands before the actual payment of interest is made. It is suggested that a new clause (x) may be provided in proviso 1 to section 193 to allow exception from TDS where payee is not ascertainable.
11. **Exemption under section 133 is not available to Companies claiming deduction under Section 200 and 201**
    Summary: Companies which have opted to pay tax under Section 200 and 201 are not allowed to claim deduction under Section 133 (deductions in respect of donations to certain funds, charitable institutions, and specified trusts). It is recommended to extend benefit of Section 133 deductions to all Companies irrespective of tax rate option which they exercise.
12. **Reinstatement of beneficial tax rates under section 201 of the Income-tax Act, 2025 (section 115BAB of the Income-tax Act, 1961) for businesses aligned with India's Net Zero commitment**
    Summary: Section 201 (section 115BAB) was introduced to provide a concessional tax rate of 15% to new domestic manufacturing companies, and has now sunset. This creates an uneven playing field for new SPVs undertaking identical business activities. It is suggested that section 201 be reinstated to companies incorporated on or after 01.04.2024, newly created SPVs and an existing company setting up a new undertaking, by extending the time limit till 31.03.2035 or introducing a new concessional tax provision.

Amendments

1. **Introduction of year-wise E-Ledger system for crediting TDS/TCS and advance tax payments which can be adjusted against the income-tax due**
   Summary: There are several instances of mismatches between TDS claimed and TDS allowed while processing a return. It is suggested that a year-wise E-ledger mechanism, similar to the one implemented in respect of the Goods and Services Tax (GST), be introduced for income-tax payments also. The year-wise income-tax e-Ledger would capture all advance tax payments made and the TDS/TCS credits adjusted against the tax due; balance credit may be refunded or carried forward.
2. **Protection and Effective Utilization of MAT Credit under the Income-tax Act, 2025**
   Summary: The amendment introduced through Budget 2026 now permits utilisation of eligible MAT credit under the new regime, subject to a restriction of 25% of the tax payable in a year. The transitional provisions may be suitably amended to clarify that MAT credit validly available and unutilised as on the date of transition shall continue to remain available from Tax Year 2026-27 onwards. The restriction of 25% may be reconsidered and preferably enhanced to 50%.
3. **Exclude windfall profits (section 38) and interest on tax refunds from advance-tax shortfall interest under section 425**

Summary: Section 425, dealing with interest levied for non-payment or short payment of quarterly instalment of advance tax. Unpredictable and windfall profits as mentioned under section 38 and Interest income leads to difficulty in reasonable estimation of taxable profit. It is suggested to also consider the profits as mentioned under section 38 and Interest income on Tax refunds in the exclusion list under first proviso of section 425.

4. **Enable multiple logins per PAN/TAN and restore bulk-upload for Form 15CA for large corporates**

   Summary: Only single login is allowed (PAN/TAN) for the Income Tax E filing portal, large corporates/assesses having branches/locations spread across India facing hardships. Further, the bulk-upload facility for Form 15CA has not been consistently available, requiring taxpayers to fill Form 15CA online field-by-field for each remittance. Multiple login may be allowed in the form of Sub-user for single PAN/TAN, as similar facility is also available for GST login.

5. **Enable delegation of return-signing authority under section 265 to officers other than the Managing Director**

   Summary: In case of company, the return is required to be verified by the managing director (MD) thereof, and big corporate are facing difficulties in getting all the documents signed by their MD. Provision of the section 265 may be suitably amended. Board of Directors of the Company may be allowed to delegate such power to any authorized person for this purpose.

6. **Capex deduction- Section 46 Income tax Act**

   Summary: Section 46 of the Income-tax Act provides a 100% deduction of capital expenditure incurred on specified businesses. However, businesses such as LNG infrastructure, CBG projects, and strategic energy infrastructure, do not qualify as specified businesses and are therefore unable to avail this incentive. Investments in LNG regasification infrastructure, LNG dispensing stations, CBG plants, should be included within the ambit of businesses eligible for 100% capital expenditure deduction.

7. **Information in Part A of Form 145**

   Summary: Remitters are required to file Form 145 to provide information about remittances made to non-residents. The threshold for furnishing information in Part A of Form 145 should be increased from INR 5 lakh to at least INR 10 lakh, given the significant increase in international transactions, cross-border remittances and overall transaction values over the years, the existing threshold has become relatively low.

8. **Tax Loss Carry back**

   Summary: Business losses are generally allowed to be carried forward for set-off against future profits, but there is no general provision for carrying back current-year tax losses against profits of preceding years. This can create significant tax and cash-flow stress for cyclical and commodity-based sectors such as oil and gas. It is suggested that a Tax Loss Carry Back mechanism may be introduced, subject to appropriate safeguards and a defined time limit.

9. **Ease the requirement of section 499 to seek prior permission before creating a charge on business assets**

   Summary: Section 499 requires an assessee to obtain the permission of the assessing officer before creating a charge on certain assets. One of the conditions prescribed, “there is no demand outstanding and there is no likelihood of demand arising in the next six months”, has created significant inconvenience. We suggest to provide some relaxation by fixing some quantum of default/pending demands; amount exceeding the quantum fixed would require assessee to pay off or clear the pending demands.

10. **Provide large taxpayers/PSUs a lumpsum upfront option under section 395 in lieu of TDS, to cut reconciliation burden**

    Summary: Reconciliation of TDS with the tax credit appearing in Form 26AS is cumbersome and consuming many man hours for large corporates especially Public Sector undertakings. Suitable provisions may be inserted u/s 395(1) for PSUs or any other large taxpayer by providing an option to apply of Nil rate of TDS certificate by depositing lumpsum amount on the basis of previous TDS

liability. This will provide ease from TDS reconciliation and generate upfront revenue to the department.

11. **Certain deduction to be restored for the taxpayers opted to pay tax u/s 200**

    Summary: Section 46 provides benefit of 100% deduction for laying and operating a cross country natural gas or crude or petroleum oil pipeline network. However, such deduction has been done away with the introduction of new tax regime. It is requested to reinstate deduction u/s 46 for laying of pipeline asset, as these projects take substantial time and are not viable during the initial stage. We also suggest providing Section 46 deduction pipeline wise to PSUs.

    Summary: Any domestic company opting for Concessional Tax Regime under section 200 cannot claim deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M. To encourage the values of bestowment, deduction u/s 108 may be allowed to the assesses opting to pay tax u/s 200 for the contributions made towards PM Relief /CARES & CM Relief funds at least.

12. **Deem rectification requests under section 287 (erstwhile section 154) automatically accepted if not acted on within 6 months**

    Summary: Section 287(9) provides that the authority shall pass an order within a period of six months. It is recommended that where action on rectification application is not carried out within a period of six months, such application should be deemed to have been allowed. It is also requested that in cases of tax refunds due, the time-limit of four years for rectification should be waived off.

13. **Exempt genuine, authority-approved share transfers from fair-market-value deeming rules**

    Summary: Determination of fair market value based on the prescribed rules may result into genuine hardship in certain cases where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination. CBDT should prescribe such transactions, to which the provisions of section 92(2)(m) and section 79 shall not be applicable, such as (a) Assets acquired through bidding process, (b) Transaction of Government companies or PSUs.

14. **Raise the section 22(2) (erstwhile section 24(b)) housing-loan-interest deduction cap of Rs. 2 lakh and enable carry-forward of unused interest**

    Summary: A taxpayer may claim deduction of interest on housing loan up to a limit of INR 2 lakh only, and in case of self-occupied property, carry forward of unabsorbed interest in not allowed. In view of rising prices of properties limit of Rs. 2,00,000/- is inadequate amount. It is suggested to revise the amount of Rs. 200000/- and also allow the carry forward of unabsorbed interest in case of self-occupied property.

15. **Interest on Refunds paid to the assessee**

    Summary: Interest payable by the Department on tax refunds is currently 0.5% per month (6% p.a.), whereas interest charged from the assessee is 1% per month (12% p.a.). Consequently, the effective post-tax return may fall below 4% p.a. It is suggested that the rate of interest payable on tax refunds may be aligned with the 1% per month (12% p.a.) rate applicable to interest charged from the assessee.

16. **Perpetual Offshore Income Exemption for IFSC Units**

    Summary: The existing 10-year limitation under Section 80LA (1A) places Gujarat International Finance Tec-City (GIFT City) at a competitive disadvantage. Suggestion: Permanent Offshore Income Exemption – full exemption on profits derived outside India, dividends received from foreign entities, capital gains arising from overseas investments; abolish the existing 10-year restriction; zero withholding on dividend repatriation, interest and royalties to non-residents; and one-time, tax-neutral transfer of assets and operations from domestic entities in India to IFSC units.

17. **Proviso to section 115BAA – Adding of Unabsorbed additional Deprecation to the Block of Assets:**

    Summary: As per proviso to section 115BAA, an assessee who opts for new regime is eligible to add the unabsorbed depreciation pertaining to additional depreciation to block of assets in AY 2020-21 only. It is a genuine cost incurred by the assessee for purchase of capital assets. The same may be extended to the assessee who opts for new regime in any FY.

18. **Income-tax Act, 2025: section 273; Income-tax Rules, 2026: rule 176; e-Filing e-Proceedings specifications. - Faceless assessment**

    Summary: The e-Proceedings system currently permits 5 MB per attachment, up to 10 attachments and 50 MB in aggregate. It is suggested to increase the single-file limit substantially, preferably to 50 MB, and provide a secure bulk-upload/ZIP facility. Assessment units may be directed to simplify the process by adopting qualitative approach in assessment, seek specific information and rely on sampling techniques. Sufficient time to be given to assesses in order to file the reply.

19. **Income-tax Act, 2025: sections 356 to 360, particularly section 359(5)- APPEALS - CIT(A) / Procedure**

    Summary: The one-year disposal period for first appeals is qualified by the words 'where it is possible'. It is suggested to make the one-year period under section 359(5) mandatory, extendable by up to six months for recorded reasons. CBDT also should prescribe oldest cases first priority, consolidation of identical recurring grounds through a lead appeal, and fast-track disposal of issues squarely covered by the Supreme Court, jurisdictional High Court or an accepted CBDT position.

20. **Income-tax Act, 2025: sections 287(9), 289 and 411; relevant electronic demand/refund provisions- ASSESSMENT - Procedural aspects / TAX ADMINISTRATION**

    Summary: A taxpayer-filed rectification application remains pending for long period. Even after payment, rectification or appellate relief, incorrect/outdated demands continue in the system until separately reconciled. It is suggested to reduce the disposal period for taxpayer rectification applications to 90 days, with automatic supervisory escalation thereafter. Create a single demand ledger that auto-updates from assessment, appeal, OGE, rectification and payment systems; unreconciled items older than 30 days should move to a designated resolution queue.

21. **Income-tax Act, 2025: section 411(12)- TAX RECOVERY**

    Summary: Recovery action can continue while a stay application is pending because treatment of the assessee as "in default" during first appeal is discretionary. It is suggested to provide automatic interim protection from coercive recovery from the date of a valid stay application until its disposal. Require a speaking order on the stay request within 30 days, subject to safeguards for demonstrated revenue risk.

22. **Income-tax Act, 2025: section 17(1)(h) and Schedule II, Table Sl. Nos. 3 and 4- PENSION / SALARY**

    Summary: The Rs. 2.5 lakh employee-PF contribution threshold and the Rs. 7.5 lakh aggregate employer-contribution ceiling are fixed rupee limits and losing real value as salary levels and inflation rise. It is suggested to increase the employee-PF threshold to Rs. 5 lakh or 12% of salary, whichever is higher, and periodically index it. Similarly, periodically revise the Rs. 7.5 lakh aggregate employer-contribution ceiling and retain a single consolidated limit across PF/NPS/superannuation.

23. **Income-tax Act, 2025: sections 16(k), 17(1)(a) and (b), and 124; Income-tax Rules, 2026: rule 15(2) and rule 15(8)(k)- SALARY - Housing perquisite**

    Summary: Rule 15(8)(k) excludes employer contribution to provident fund & other retiral benefits from the salary base but does not exclude employer contribution to the notified pension scheme. This creates an avoidable cascading effect and unequal treatment. It is suggested to amend rule 15(8)(k) to exclude employer contribution to a pension scheme referred to in section 124 from the salary used for valuation of accommodation perquisite, at least to the extent eligible for deduction under section 124.

24. **Income-tax Act, 2025: section 2(49)(w) read with section 39(1)(d) and (3)- CORPORATE TAXATION - Tax treatment of PLI incentives**

    Summary: Production Linked Incentive (PLI) receipts are Government assistance and may be taxable as income under section 2(49)(w). PLI should not be taxed or adjusted with cost of assets. It is suggested to insert a specific exclusion in section 2(49)(w) for incentives received under PLI schemes notified by the Central Government. Correspondingly clarify that such exempt PLI incentive shall not reduce actual cost under section 39.

25. **Requirement of TDS certificates:**

Summary: With the provision of TDS on purchase of goods becoming applicable, the number of TDS certificates received are huge and it becomes practically impossible for the large corporates to maintain the list of certificates received. TDS credit is made available in 26AS/ Annual Information Statement. Income tax can amend the act to do away with the need for TDS certificates. This will bring lot of saving in time and manpower for the industries.

26. **Changes in section 234C of the Income-tax Act, 1961 (Interest for deferment of advance tax) (Section 425 of the New Income Tax Act 2025)**

    Summary: Section 234C provides for levy of interest where there is shortfall in any instalment of advance tax. It is suggested that upstream oil & gas companies may be exempted from the rigours of section 234C, or no interest shall be leviable on shortfall of installment of advance tax to the extent attributable to fluctuations in the international prices of Crude Oil, movements in the Exchange Rates for foreign currencies, or Government directives on subsidy sharing.

27. **Allow Payment of Premium of Leasehold Land as a Revenue Expenditure**

    Summary: Upfront premium payments for leasehold land do not generate any capital asset and hence are purely revenue in nature. However, in multiple rulings, upfront premium paid on lease of land has been held to be capital expenditure. Appropriate clarity should be provided to the effect that upfront premium payments for leasehold land, shall be allowed as deductible expenditure under the Act in the year of its debit to the statement of Profit and Loss.

28. **Taxability of Payments to nominee/legal heir of the deceased salaried employees (either in service or after superannuation) (Section 15 of the New Income Tax Act 2025)**

    Summary: Income shall be chargeable under the head salary only if it's due to an employee from employer or former employer. Payments such as medical facilities/reimbursements, financial assistance etc. are being made to the dependent nominees of the employees after demise of the employee. It is suggested that a new clause may be provided in section 10/56 to provide for suitable taxability of such incomes to nominees/legal heirs.

29. **Availability of deduction u/s. 36 in respect of contribution made to Trusts etc., set up for employees' welfare. (Section 29 of the New Income Tax Act 2025)**

    Summary: Section 40A(9) disallows any deduction in respect of any sum paid by an employer towards any fund, trust, company etc., except to the extent provided by section 36. Assessing Officers are disallowing funds allocated for Post-Retirement Medical Benefits (PRMB). Clause (9) of section 40A may be modified to except any sum paid as required by or under any other law or in order to comply with pay revision guidelines issued by Department of Public Enterprises.

30. **Restriction on adjustment of demands exceeding 20%, pending disposal of appeal filed against the order**

    Summary: Assessing officer shall grant stay of demand till disposal of first appeal on payment of 20% of the disputed amount. However, in practice, demands raised and collected by the assessing officers often exceed 20% of total disputed amount. Suitable provisions may be inserted in section 245 or section 220 restricting the assessing officers to raise and collect demands exceeding 20%, which may be raised and recovered only with prior approval of Chief Commissioner of Income-tax.

31. **Dichotomy in methods of grossing-up of income subject to tax u/s. 44BB for TDS and assessment purposes (Section 61 of the New Income Tax Act 2025)**

    Summary: It has been held by the Hon'ble Uttarakhand High Court that the provisions of section 44BB admit of only single stage grossing up, and the issue has attained the finality. Section 195A requires multi-stage grossing up of income for TDS purposes. Suitable amendment may be made in section 195A so as to provide that, where income of the non-resident is taxable u/s. 44BB, the same would be subject to single stage grossing-up for TDS purposes also.

32. **Allowance of Deduction under section 133 of the Income-tax Act, 2025 (section 80G of the Income-tax Act, 1961) for the purpose of sections 200 and 201 (sections 115BAA and 115BAB)**

    Summary: Deduction under section 80G even for contribution made to charitable trust and institutions, which are of national importance such as Prime Minister National Relief Fund, Prime

Minister Drought Relief fund etc. will not be allowed as deduction u/s 115BAA and 115BAB. It is suggested that deduction under section 133 (section 80G) of Chapter VIII (Chapter VI-A) should be allowed while computing the total income under section 200 (section 115BAA) and Section 201 (section 115BAB).

33. **Removal of requirement of Inventory valuation**

    Summary: Companies already subject to statutory Cost Audit are required to provide certain information in Form 6C, which substantially overlaps with information already examined and reported under the Cost Audit framework, resulting in duplication of compliance. Companies covered under the statutory Cost Audit framework may be exempted from Form 6C, or alternatively, the reporting requirements may be suitably relaxed to the extent the information is already available through the Cost Audit report.

34. **Exemption sought for Gratuity under Income Tax in line with DPE guidelines for CPSE employees- Section 19(1) of the Income Tax Act, 2025. (Section 10(10) of the Income Tax Act, 1961)**

    Summary: The maximum exemption from tax for Gratuity is restricted to INR 20.00 lakh in respect of CPSE employees which is not in parity with Central Government / State Government etc. employees. The updated Gratuity ceiling limit under DPE Guidelines is INR 25.00 lakh, thereby INR 5.00 lakh becomes taxable. Section 19(1) be suitably modified for exemption upto monetary ceiling prescribed in DPE Guidelines for CPSE employees, without a significant revenue burden on the Exchequer.

35. **Restrictive Exemption under Income Tax for Leave Encashment at the time of Superannuation / Separation- Section 19(1) of the Income Tax Act, 2025. (Section 10(10AA) of the Income Tax Act, 1961)**

    Summary: Leave encashment received by an employee who is not a Central Government or State Government employee is restricted due to computation of entitlement of earned leave not to exceed thirty days for every year of actual service and maximum limit of INR 25.00 lakh. Section 19(1) be suitably modified to remove the restrictive cap of computation on number of days per year of actual service within the cap of INR 25.00 lakh.

36. **Minimum Alternate Tax- Restructuring of MAT framework (Finance Act 2026)**

    Summary: Restructuring of MAT framework (Finance Act 2026), eliminated the carry forward/future utilization of MAT. This converts MAT into a final tax, adversely impacting foreign companies engaged in oil and gas exploration. It is suggested to extend to foreign companies an equivalent opportunity to opt for the new tax regime under Section 200 of Income Tax Act, 2025 and abolish MAT for foreign companies in alignment with taxation provisions for domestic companies.

37. **Higher Rate of Depreciation on Assets resulting in reduction of emission**

    Summary: The normal rate of depreciation on Plant and Machinery should be increased to 25% p.a. Depreciation on renewable energy devices, air pollution control devices, energy saving devices should be increased from 40% to 60% p.a. The list should be amended to include Vapor recovery unit, 2 G and 3G ethanol plants and other equipment's which result into reduction of emission. A new entry may be introduced in Appendix I covering plant and machinery enabling India's net-zero transitions.

38. **Raise the section 153 (erstwhile 80TTA/80TTB) savings-interest deduction from Rs. 10,000 to Rs. 20,000 and extend it to fixed/recurring deposits**

    Summary: Section 153(2)(a) provides deduction up to Rs. 10,000 p.a. only with respect to the interest from savings bank accounts. The existing scope of the said section needs to be expanded in order to cover other types of interest such as interest on bank / post office term deposits, recurring deposit etc. Such threshold limit of Rs. 10,000 also needs to be enhanced to Rs. 20,000.

Clarification

1. **Rationalizing TDS Provisions - TDS if amount is credited unilaterally.**

   Summary: Where the identity of the payee and the amount payable are not known and only an ad-hoc liability is provided, the requirement to deduct tax at source causes hardship to assessee. It is suggested that similar dispensation may be provided to all assessee, to apply only if the credit is

afforded unilaterally i.e., without any invoice, not credited to any particular payee's account, and the entire amount reversed at the beginning of the succeeding accounting period.

2. **Restoration of weighted Deduction on R&D Activities and inclusion of expenditure incurred on Bio-fuels – section 45 of the Income-tax Act, 2025 (Section 35 (2AB) and 35(2AA) of the Income-tax Act, 1961)**

   Summary: The weighted deduction on in-house R&D expenditure under section 35 (2AB) and on contribution to National laboratory, University or IIT etc. under section 35(2AA) has been reduced from 200% to 150% and thereafter no weighted deduction is available. To promote innovation in technology through research activities, deduction under section 45 of the Income-tax Act, 2025 should be restored to 200% and allowed for the purpose of Section 200 and 201 also.

3. **Basis of cost to be certified by DSIR for depreciation at 40% on plant and machinery using indigenous know-how – Rule 25 of the Income-tax Rules, 2026 (Rule 5(2) of the Income-tax Rules, 1962)**

   Summary: The rule does not prescribe the methodology to be adopted by DSIR for determining the cost of plant and machinery, and the amount certified is at times substantially lower than the cost capitalised. It is suggested that the rule should clarify that the cost shall be deemed to be the actual cost as capitalised in the books of account. The role of DSIR may be limited to certifying the use of the indigenous technology or know-how.

4. **Withdrawal of capital gains exemption on listing of wholly owned subsidiary – sections 70 and 71 of the Income-tax Act, 2025 (sections 47(iv) and 47A of the Income-tax Act, 1961)**

   Summary: The exemption is withdrawn where, before the expiry of 8 years, the parent ceases to hold the whole of the share capital of the subsidiary. Section 71 may be amended to provide that dilution pursuant to a public issue / listing shall not result in withdrawal, so long as the parent continues to hold more than 50% of the share capital. Alternatively, the lock-in period may be reduced from 8 years to 5 years or less.

5. **Fix double taxation of employer's NPS contribution under section 23/section 102 (erstwhile 17(1)(viii)/80CCD(2)) - taxed once as salary, again as perquisite**

   Summary: Employer's contribution to the NPS account of the employee is includible in the taxable income as 'salary', and the amendment in the definition of 'perquisite' is apparently capable of leading to double taxation. To avoid double taxation, the amount may be included either as salary or as perquisite, at the option of the assessee. This ambiguity will also continue to discourage employees from opting into NPS where it is not mandatory.

B. INDIRECT TAX

I) Excise Duty

Upstream

Amendments

1. **Abolish/Review rate of Oil Industry Development (OID) cess on oil production in the Pre-NELP Exploration Blocks/Nomination regime**

   Summary: OID Cess is levied @ 20% on crude oil produced from nominated blocks and Pre-NELP Exploratory Blocks, and only on crude oil produced domestically. Thus, it places domestic crude oil producers at a significant disadvantage vis-à-vis imported crude oil. Abolition of OID Cess in respect of nomination / pre-NELP blocks is well justified. In case, Cess is not abolished, it is proposed to levy OID Cess based on a fair graded system linked to crude oil prices.

2. **Tapering of Royalty rates**

   Summary: The royalty on production from nomination blocks is levied @ 20% and 10% of well head price in respect of onland and offshore areas respectively. Tapering of Royalty rates as proposed in Resolution dated 17 Mar'03 should be implemented and royalty on production from onland

nominated blocks should be brought to the level of 12.50% that is equal to Royalty rates applicable to crude produced from NELP Blocks.

3. **NCCD – Crude Imports**

   Summary: National Calamity Contingent Duty (NCCD) of Rs.50 per metric tonne has been imposed on domestic as well as on imported crude oil to support the relief work in the areas affected by natural calamity. However, the levy is continued till date. It is suggested to remove National Calamity Contingent Duty on Crude Oil levied @ Rs.50/MT.

4. **Custom duty exemption on LNG, propane, butane & LPG import against Certificate of Origin from UAE**

   Summary: Notification exempting customs duty on imports of LNG, Propane, Butane and LPG, provided such goods are of UAE origin, is subject to submission of a valid Certificate of Origin (CoO), which shall be valid for twelve months. Various difficulties were being faced by the industry during the initial phase in obtaining CoO, hence benefit should be allowed for imports till 31.03.2024 where CoO has been issued even after 12 months.

5. **Upfront Exemption of Duties of Excise on HSD used for upstream petroleum operations**

   Summary: Excise duty was exempt for HSD procured under ICB conditions for the E&P sector. Post introduction of GST, the said exemption notification was withdrawn. Levy of Excise duties on HSD is adversely affecting the cash flows of the companies and increasing the burden of documentation on E&P companies. To restore the exemptions from the duties of excise on HSD procured for the petroleum operations under ICB conditions to bring the upstream sector at par with pre-GST regime.

Downstream

Amendments

1. **Ethanol - For Captive Consumption within the state – Excise Exemption**

   Summary: Stock transfers of ethanol within state is not leviable to GST, however exemption under Excise is available to EBMS only if GST paid ethanol is blended in MS. The current excise exemption for EBMS excludes in-house ethanol of OMCs, raising costs. Suitable amendment in exemption notification under the Central Excise law, by removing the condition of blending of GST paid ethanol in MS, will promote 2G ethanol use.

2. **HSN Code for E22, E25, E27 and E30 EBP under Central Excise Tariff (Fourth Schedule):**

   Summary: Exemption from central excise duties is provided for 22%/25%/27% and 30% ethanol blended petrol. However, separate HSN codes for E22, E25, E27 and E30 are not yet included in Central Excise Tariff (Fourth Schedule). Central Excise Tariff (Fourth Schedule) may be modified to include separate HSN codes for E22, E25, E27 and E30.

3. **Levy of Special Additional Excise Duty (SAED) / Road and Infrastructure Cess (RIC) on export of refined petroleum products**

   Summary: Levy of Special Additional Excise Duty (SAED) / Road and Infrastructure Cess (RIC) on export of refined petroleum products affects the net realization and competitiveness of Indian Refineries. Windfall tax may be considered for removal because exceptional refining margins are market driven and inherently volatile. A predictable and stable tax regime would enable refiners to retain greater resources for capacity expansion, modernization, energy security, and the transition toward cleaner energy.

4. **Non availability of Zero-Rated Supply Benefits**

   Summary: Zero-Rated Supply Benefits are not extended to inputs and capital goods procured by SEZ Unit for its authorized operations but delivered outside the SEZ area, so GST becomes payable, leading to an increased cost of procurement. It is suggested that the benefit of zero-rated supply be extended to goods including capital goods procured by an SEZ Unit even where such goods are required to be delivered outside the SEZ premises, subject to appropriate documentation and verification.

5. **Restriction on refund of input tax credit in respect of capital goods in respect of SEZ Unit**

Summary: GST paid on Capital goods installed outside SEZ Area for authorized operation is not eligible for Refund, and accumulated Input Tax Credit remains unutilized as well as non-refundable, resulting in the GST component effectively becoming an additional cost to the SEZ Unit. A provisions allowing refund of such GST paid on capital goods to SEZ Unit or to transfer such credit to other unit with same PAN would resolve the issue.

6. **Definition of export in Rule 18 of Central Excise rule, 2017**

   Summary: The definition of exports is only given in rule 18 of Central excise rules. However, rule 19, which provides for export of excisable goods without payment of duty, does not contain any definition of export. Whenever any new excise authority takes charge, it becomes a challenge to satisfy them. It is suggested that definition of export under rule 18 should be extended to Rule 19 so as to avoid any ambiguity with respect to its interpretation.

7. **Exemption to CNG from payment of excise duty/GST**

   Summary: Central Excise duty is applicable on CNG, and the process of compression of Natural Gas into CNG is also liable to GST. Thus, the conversion process is now suffering double taxation, thereby increasing the overall cost of CNG. Credit of GST paid on input/input services/ capital goods is not available to producers and suppliers of CNG. The conversion of Natural Gas into CNG may be exempted from levy of Central Excise Duty and/or GST.

8. **RCS supplies at 1% VAT in MPVAT based on MOU**

   Summary: As per MOU Clause 4.2.2 State government shall reduce VAT rate to 1%. Entity has supplied ATF at 1% VAT rate. During the VAT assessment, Department has denied the concessional rate stating that no official Notification was issued under MP State VAT Act, and has levied VAT demand. It is suggested that notification effective retrospective be issued under MP State VAT act for supply of ATF to RCS flights at RCS airports at concessional 1% VAT rate.

9. **Amendment of wording in entry no. 9A of Notification No. 11/2017 – Blending of CNG with CBG**

   Summary: Entry no. 9A of Notification No. 11/2017 refers to “Compressed Natural Gas (CNG) when blended with Biogas or Compressed Biogas (CBG)”. The wording "CNG" is operationally restrictive as in practicality, blending is done with Natural Gas and not CNG. Exemption notification should be amended to include blending with Natural Gas. It is proposed that blending — and the corresponding excise exemption — be accounted for on an aggregate basis at the GA level.

10. **Sr. No 10 of Notification 11/2017- CE dt 30.06.2017**

    Summary: Sr. no 10 of the notification provides for Nil rate of basic excise duty for products falling under 2710 12 41 other than goods which are mentioned at Sr. no. 2,4 and 5. This technically implies that unblended MS falling under Sr. no. 2A may also attract “Nil” basic excise duty, which is contradictory to the specific entry. The entry at S.no 10 may be suitably amended to include Sr. no. 2A to remove ambiguity.

11. **Different excise duty prescribed for unblended HSD intended for retail customers.**

    Summary: Govt. of India increased the basic excise duty of Rs 2 per liter on the Unblended HSD intended for retail sale, and the date has now been deferred till 31.03.2028. In view of the non-availability of bio diesel and various operational/commercial issues, the said notification may be withdrawn, instead of deferring the levy from year to year. Further, the requirement of certification by Statutory auditor for clearances of MS/ HSD may also be dispensed.

12. **Tariff 2710 12 90 Other in Central Excise Fourth Schedule -**

    Summary: Tariff 2710 12 90 – Other, provide for tariff of 14% + Rs. 15.00 per litre, though the effective rate of tax is ‘nil’. This entry gives impression that there could be certain products which may fall in this entry and leviable to Central Excise and not GST. Notification ref. 8/2019-CE(T) to be amended to remove the rate of excise duty prescribed for tariff 2710 12 90 as same is subject to GST.

Clarifications

1. **Clarification on SAED applicability of supply of ATF to Foreign Going Aircrafts**

   Summary: Exemption from SAED on ATF has been provided to all clearances except goods cleared for “export”. However, “export” is not defined in this notification, unlike notification 10/2026, so field

formations may deny the benefit of exemption on fuel supplied to foreign-going aircrafts. It is requested that Notification No. 09/2026 be suitably amended to incorporate a clear definition of "export" in line with Notification No. 10/2026, to avoid unnecessary litigation.

2. **Relief on Service Tax Demand on trade margin w.r.t. supply of CNG**

   Summary: The Hon'ble Supreme Court has held that the price differential/margin arrangement between OMCs and CGD entities for supply of CNG constitutes an agency arrangement and not a sale. The ruling may lead to substantial retrospective tax demands, interest, and penalties. It is submitted that the Central Government/CBIC should issue a clarificatory Circular laying down clear criteria to distinguish a "sale" from a "Principal-Agent" arrangement, with a comprehensive review of the relevant transactions.

3. **Exemption of Blending of ATF (IS 1571) with renewable feedstock/synthesized hydrocarbons resulting in Blended Aviation Turbine Fuel conforming to IS 17081**

   Summary: Blending ATF with renewable feedstock constitutes a manufacturing process under the Central Excise regime, resulting in the emergence of Blended Aviation Turbine Fuel, which becomes liable to excise duty. Levying Excise Duty on Blended ATF results in an element of double taxation, as both constituent inputs have already suffered tax. It is recommended that Blended Aviation Turbine Fuel (BATF) be exempted from Excise Duty, on lines similar to the exemption granted to Ethanol Blended Motor Spirit (EBMS).

4. **Clarification with respect to period of excise exemption to Aviation Turbine Fuel (ATF) drawn by the selected airline operators or cargo operators for the RCS flights from RCS-UDAN airport/heliport/water drome.**

   Summary: Sl.No.7 of Notification 11/2017-CE allows exemption valid up to the expiry of three years from the date of commencement of operations of the RCS airport. A confusion lies as to whether the 3-year period starts from the date of commencement of operations of RCS airport or each RCS flight. A suitable clarification may be issued by the Ministry of Finance on similar lines as issued by the Airport Authority of India.

5. **Clarification on goods for Tariff classification covered under Motor Spirit (commonly known as petrol) and High-Speed Diesel**

   Summary: GST law does not define Motor Spirit (commonly known as petrol) and High- Speed Diesel. Clarity is required as to which tariff would be covered under GST and which would be outside the ambit of GST. Clarity may be provided by suitable modification to fourth Schedule so as cover only those products namely petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel which are outside the ambit of GST.

II) Customs Duty

Upstream

Amendments

1. **Customs duty exemption on import of critical equipment deployed for petroleum operations (List 33 under Sr. No. 404 of Notification No. 50/2017-Cus dated 30 June 2017)**

   Summary: Customs duty exemption for certain items under Sr. No. 404 of Notification No. 50/2017-Cus has a sunset date, which is reviewed and extended typically every 2 years. This short-term review creates tax uncertainty for investors, and two-year extensions are not in alignment with the lifecycle of these capex intensive projects. It is suggested to provide a long-term exemption/removal of the sunset clause on customs duty exemption on import of critical equipment deployed for petroleum operations.

2. **Insertion of HSN in List-33 of Customs Notification 50/22017 and Pruning of List-33**

   Summary: Customs HSN Codes was incorporated in the list along with the description of goods, and the list of eligible items was significantly pruned, so merit rate of duty is being charged. The reference of HSN Code may be removed or may be maintained at Chapter Level. Items which are not manufactured in India may be re-added. Concessional rate of IGST at 5% be restored.

3. **Removal of Sunset clause from Serial No. 229 of the Customs Notification No. 45/2025-Cus dt. 24.10.2025 (as amended)**

   Summary: E&P Sector is eligible for concessional rate of Customs Duty (BCD-Nil) in terms of Sl. No.229 to the Customs Notification No.45/2025-Cus on import of specified goods. A sunset clause for the concessional rate was introduced and extended to 31.03.2028. Without the concessional rate, imports would attract merit rate of duty, adversely impacting project economics. It is requested to remove the Sunset Clause from Serial No. 229 of the Customs Notification No. 45/2025-Cus.

Clarifications

1. **Clarification required on unused obsolete goods on which import exemption was claimed under Serial No. 229 of the Customs Notification No. 45/2025 - Cus dt. 24.10.2025**

   Summary: Customs duty shall be applicable on the transaction value of imported goods sought to be disposed in unserviceable form or as scrap. However, no clarification is provided on goods which remain unused and become obsolete. Customs duty on unused goods may also be applied on the Transaction Value if they are held for more than a specified number of years. Alternatively, Customs Duty can be levied on disposal based on notional depreciated value.

Downstream

Amendments

1. **Rationalization and simplification of Customs Duty Structure**

   Summary: The multiplicity of rates and exemptions can result in classification disputes, compliance complexity and, in certain cases, inverted duty structures affecting domestic value addition. A comprehensive review and rationalization of the Customs duty structure may be considered with a view to reducing the number of tariff slabs and consolidating/streamlining exemption notifications, progressively aligned towards a limited number of core rates, while addressing inverted duty structures.

2. **Renewal of Authorized Economic Operator (AEO) status & other matters**

   Summary: The procedure for renewal of AEO Tier 2 & AEO Tier 3 status includes all the checks, including factory visit, as required for initial grant of the status. The current procedure causes substantial delay in renewal. When all the necessary checks have been done at the time of initial grant, the same may not be again verified during renewal. Renewal may be granted basis a self-declaration that the entity continues to maintain the required standards.

3. **Removal of Customs Duty on RLNG**

   Summary: RLNG is an important cleaner fuel and its increased use supports reduction in carbon emissions. However, imported RLNG currently attracts customs duty, increasing its procurement cost, while crude oil attracts nil customs duty. It is suggested that customs duty on imported RLNG may be reduced to Nil.

4. **Specific Rate of Excise Duty on ATF Stock Transfers**

   Summary: The effective rate of excise duty on Aviation Turbine Fuel and Blended Aviation Turbine Fuel is prescribed at ad valorem rates of 11% / 2%, whereas MS and HSD attract specific rates of duty. In case ATF continues under the excise duty regime, it is suggested that a specific rate of excise duty may be prescribed for ATF, similar to the mechanism applicable to MS and HSD.

5. **Export of MS / HSD / ATF – extension of exemption from export levy (SAED / RIC) to African countries and procedure for clearances under Rules 18 and 19 of the Central Excise Rules, 2017**

   Summary: The Government has levied Special Additional Excise Duty (SAED) and Road and Infrastructure Cess (RIC) on export of MS, HSD and ATF. The existing exemption from SAED / RIC on exports of MS / HSD / ATF by public sector OMCs may be extended to exports to identified African countries. A clarification / notification may be issued prescribing the procedure for clearance and movement of goods for export to countries other than the specified countries.

6. **Rationalization of Customs Duty and GST on Imported Refinery Catalysts**

   Summary: Specialized catalysts used in refinery processes attract Basic Customs Duty (BCD) at 7.5% and IGST at 18%. The GST paid on such common inputs is not fully available as input tax credit, so the

GST component, together with BCD, becomes an irrecoverable cost. It is recommended that GST be reduced from 18% to 5% and BCD reduced to Nil or a concessional rate, restricted to specialised catalysts imported by eligible petroleum refineries/actual users.

7. **Relaxation of Export Warehousing Procedures for Petroleum Products**

   Summary: Circular No. 804/01/2005-CX permits OMCs to store export-bound ATF in common intermediate storage tanks. However, this facility has not been extended to other petroleum products such as MS and HSD. Neither the Circular nor Notification No. 46/2001-CE (N.T.) provides for multi-stage movement of export goods through more than one intermediate export warehouse. Extend the storage relaxation to all petroleum products exported through export warehouses; amend the Notification to expressly permit duty-free movement between export warehouses.

8. **Time-bound Customs Dispute Resolution and Clearance of Legacy Litigation**

   Summary: Customs disputes may remain pending for prolonged periods, resulting in blockage of working capital, continued uncertainty and avoidable litigation costs. A structured, time-bound mechanism may be introduced for disposal of Customs disputes at adjudication and appellate stages. In addition, the Government may consider a one-time dispute-resolution/amnesty scheme for eligible long-pending legacy Customs disputes. E-filing, electronic tracking and periodic monitoring of pending appeals may also be strengthened.

9. **Simplification of custom procedures relating to SEZ – DTA transactions**

   Summary: The differential treatment and procedural requirements for SEZ–DTA transactions can result in additional compliance burden and transaction costs. The Customs and SEZ framework may be reviewed to simplify and rationalize procedures governing movement of goods between SEZ and DTA, particularly for recurring/inter-unit supplies and essential utilities. A simplified, technology-enabled and risk-based procedure may be prescribed for compliant SEZ units, without compromising revenue safeguards.

10. **Rationalization of Penalty Provisions for Procedural / Bona-fide Lapses**

    Summary: Penalty proceedings may arise in cases involving procedural, documentation or inadvertent compliance lapses, even where there is no intent to evade duty or cause revenue loss. The penalty framework may be suitably rationalized to ensure proportionality. A distinction may be provided between deliberate or fraudulent evasion and bona-fide/inadvertent procedural or clerical lapses. Appropriate monetary thresholds or reduced penalties for minor procedural violations may be considered.

11. **Custom duty on import of Hydrogen especially from SEZ unit to DTA**

    Summary: Hydrogen produced by some Industry is not practicable to be either sold to small suppliers or exported, and becomes a national waste, but can be used by other large industrial units. Hydrogen is not technically tenable for extensive transportation except local pipeline transfers. Hydrogen movements locally especially SEZ to DTA may be charged with ZERO Custom Duties.

12. **Custom duty is applicable on supply of electrical energy by an SEZ unit to DTA.**

    Summary: The Gujarat High Court's judgment in the Adani Power case, confirmed by Supreme Court has held that imposition of Customs duty on electricity generated in SEZ and supplied to DTA is ultra vires. Applicability of customs duty on supply of electrical energy by an SEZ unit to DTA may be kept in abeyance till legislative changes in the charging section are enacted.

13. **Exemption / Concessional rate of Social Welfare Surcharge**

    Summary: Social Welfare Surcharge (SWS) has been made applicable on import of various goods, and the rate of such surcharge is as high as 10%. Under pre-GST regime, the rate of cess applicable on import of LNG was 3%. The SWS has increased the cost of procurement for LNG sector as such Surcharge is not adjustable with any other duty. It is thus submitted that an exemption or concessional rate of SWS on import of LNG.

14. **Custom duty exemption on import of Liquefied Natural Gas (LNG)**

    Summary: Import of LNG is subject to Custom Duty, which increases the landed cost of imported LNG for domestic and industrial consumers. Import of LNG for generation of electric energy for public

distribution is exempt, however other important sectors like fertilizer, LPG, CNG, PNG, and Petrochemical bears the burden of Custom duty. It is suggested that LNG Import may be exempted from payment of custom duty to provide relief to gas-based industries and domestic consumers.

15. **Anti-dumping duty on petrochemicals**

Summary: The rampant dumping of bitumen into the country is causing margin erosion for domestic Bitumen manufacturers. Absence of Anti-dumping duty on Iso Nonyl Alcohol (INA) makes it a cheaper alternate in Indian Market. This has impacted 2EH manufacturers like BPCL. It is suggested to impose Anti-Dumping Duty on Bitumen and INA imports through Ministry of Finance, DGTR in order to incentivise Indian producers.

16. **Customs duty on Base Oil**

Summary: The import of base oil has increased significantly in recent times. The imported base oil is hampering 'Make in India' initiative and hindering Indian producers of base oil. An increase in the customs duty rate can help boost local production of base oil, leading to fair competition and supporting the Make in India initiative; or Antidumping Duty may be imposed on Import of base oil.

Summary: Section 65A has been inserted in the Customs Act, which provides for payment of IGST while depositing goods in a licensed warehouse. It is requested to exempt petroleum refining & petrochemicals industry from the purview of Section 65A. If given effect, taxpayers would be liable to discharge IGST on imported goods and the benefit of duty deferment would be substantially curtailed. The same may result in substantial cash flow issue.

18. **R&D – Imports**

Summary: Original notification is withdrawn w.e.f 1st April 2024, resulting in withdrawal of benefit of concessional rate of custom duty on import of R&D equipment. It is suggested to continue the notification no 51/96 dated 23rd July 1996 as amended time to time. Retaining this notification is essential to ensure affordable access to advanced research tools, promote industry-wide innovation, and strengthen India's global competitiveness.

19. **Digitization and Integration of Warehousing & Bond Management Processes**

Summary: ICEGATE warehousing processes are digitised, but significant manual reconciliation of Into-Bond BOEs, Ex-Bond BOEs, quantities, duty payments and bond balances continues. It is proposed to develop an integrated real-time Warehousing and Bond Management System. A system may be developed to automatically update bonded quantities, duty discharged and bond utilisation/balance upon each Ex-Bond clearance. API integration with importers' ERP systems may also be enabled for automated reconciliation.

20. **All Industry Rate (AIR) of Duty Drawback for Petroleum Products**

Summary: While CBIC has notified AIR in respect of certain petroleum products, no such AIR has been notified in respect of MS, HSD, ATF, LPG, Furnace Oil, LDO, among others. Exporters are constrained to avail drawback exclusively through the Brand Rate fixation mechanism, which is procedurally onerous and time-intensive. CBIC may consider notifying All Industry Rates of duty drawback in respect of the aforementioned petroleum products.

21. **Procedure for removal of capital goods under the Manufacture and Other Operations in Warehouse Regulations, 2019 (MOOWR)**

Summary: While the Regulations prescribe the procedure for removal of resultant goods, there is no specific provision prescribing the procedure for removal of capital goods imported and warehoused under section 65. It is suggested that the MOOWR Regulations, 2019 be amended to insert a specific provision prescribing the procedure for removal of capital goods. The provision should clearly cover removal for home consumption, re-export, inter-unit transfer, job-work, testing, repair, and disposal.

22. **One-time dispute resolution (amnesty) scheme for legacy Customs disputes**

Summary: SVLDRS and the 'Direct Tax Vivad Se Vishwas' schemes proved very effective in substantially reducing the volume of pending litigation and in generating revenue. However, no similar dispute resolution scheme has been introduced under the Customs Act, 1962. It is suggested that a time-bound one-time dispute resolution scheme for legacy Customs disputes be introduced, on

the lines of SVLDRS, providing for settlement of disputed duty with waiver of interest and penalty and immunity from prosecution.

23. **Rationalization of Stamp Duty**

Summary: There are fragmented state-wise stamp duty rates, the Indian Stamp Act, 1899 is outdated, and there is lack of digital processes and central oversight. It is requested to amend Indian Stamp Act, 1899 to harmonize rates across states (0.1–0.25%), update Section 3(2), insert a new Section 11A providing nil stamp duty on instruments executed pursuant to a scheme of merger, demerger, amalgamation, or reconstruction, mandate a central e-stamping portal, and establish a Stamp Duty Coordination Committee.

III) Central Sales Tax

Downstream

Amendments

1. **Amendment in Section 6(2) of the CST Act to enable Pipeline-based in-transit sales of Natural Gas**

   Summary: In the case of Natural Gas transported through pipelines, conventional transport documents are not generated, making compliance with Section 6(2) practically difficult and resulting in multiple taxation through levy of CST/VAT on successive transactions. It is proposed that Section 6(2) of the CST Act, 1956 be amended to specifically recognize transit sales of Natural Gas transported through pipelines and allow exemption where ownership is transferred through industry-recognized documents such as delivery receipt notes.

2. **Inclusion of Definition of Motor Spirit (Commonly Known as Petrol) and High-Speed Diesel under Section 2 CST Act, 1956**

   Summary: The term Motor Spirit (Commonly Known as Petrol) and High-Speed Diesel (HSD) has not been defined under the CST Act, 1956, whereas certain State VAT/Sales Tax laws are having varied meaning of term. In order to avoid ambiguities in classification of products at field formation level, it is felt necessary that term Motor Spirit and HSD be defined. Meaning of term to be provided under CST Act, 1956 to ensure uniformity in classification.

3. **Removal of CST on Petroleum Products**

   Summary: The Centre and the States had decided that the tax will be completely withdrawn once the proposed GST is introduced. MS, HSD and ATF are outside GST and are subjected to Excise, VAT and CST. Levy of CST is impacting the bottom-line of Oil Companies. As originally planned, phase out CST on petroleum products, which are outside GST ambit, by reducing rate from 2% to NIL.

4. **Reduction/Removal of VAT/CST on Crude Oil**

   Summary: Domestic crude oil continues to attract VAT/CST, while imported crude oil attracts nil customs duty. The tax on domestic crude therefore increases the cost of domestic crude procurement and can create an inverted cost structure, particularly as the VAT/CST is not available as input tax credit under GST. It is suggested that VAT/CST on crude oil may be substantially reduced or brought down to Nil.

Clarification

1. **Clarification on Implementation of Amendment in Section 8(3)(b) of CST Act on Inter-state Procurement of Crude Oil and Natural Gas by Petroleum Refineries**

   Summary: One of the unintended consequences of the amendment is incorrect interpretation by the tax authorities that C form eligibility will be proportionate to the extent of manufacture of only NON-GST goods (MS, HSD & ATF). A clarification may be issued to the effect that Refiners will be eligible to purchase crude oil/Natural Gas against C-Form for manufacture of non-GST goods, irrespective of the fact that some joint/by products may also emerge, which may be subject to GST.

2. **Issuance of C Form for interstate sale of Petroleum products (Natural Gas, Crude, Petrol, Diesel and ATF)**

   Summary: The benefit of 2% CST against Form-C would not be available on inter-state sale of gas and petroleum products to the power generating companies, mining companies and manufacturing

companies. Since there is no credit of CST available, the cost will increase significantly. It is requested that roll out of an Amnesty Scheme/One time settlement scheme for the Union Territories should be considered under VAT and CST Laws.

3. **Form 'F' for interstate movement (Branch Transfer) of MS and HSD**

   Summary: The requirement to file Form 'F' for interstate movement (Branch Transfer) of MS and HSD is subject to the assessing authority's approval, which discourages the ease of doing business. Provision be made for the Crude oil refineries for transfer of MS and HSD from Refinery to Branch/Depot on inter-state basis against Form F as final and binding on the Assessing Authorities.

4. **Central Sales Tax (CST) paid on inter-state purchase of Petroleum crude and Natural Gas (Non-GST Product).**

   Summary: Purchase of Crude oil / Natural gas on inter-state basis entails levy of CST, which is not available for any set off/input credit and thereby increases the product cost. Petroleum crude and Natural Gas to be covered under GST mechanism to avail input tax credit, or exemption of CST be granted to the Refineries/Petroleum sector for their use in the Refining operations.

IV) GST Tax

Upstream

New Provision

1. **Levy of nominal GST on excluded petroleum products or declaring their turnover as "Zero rated", or inclusion under GST at revenue-neutral rates.**

   Summary: Credit of input GST is not allowed when used in supply of non-GST goods, resulting in higher stranding of taxes in the hands of the petroleum industry. It is pertinent that these excluded products are also levied nominal GST. Alternatively, supply of these products may be considered as "Zero Rated Supplies" under section 16 of IGST Act. As a long-term solution, the excluded products may be brought under GST at revenue-neutral rates.

Amendments

1. **Concessional rate of GST for goods used in upstream petroleum operations under Notification no. 3/2017-Central Tax (Rate)**

   Summary: Concessional rate of GST @ 5% was available to the goods specified in list annexed in Notification no. 3/2017-Central Tax (Rate) required in connection with Petroleum operations. The Concessional rate of 5% had been increased to a higher 12% and subsequently to 18%. GST exemptions originally provided to Oil & Gas companies for all the goods specified in list annexed in Notification no. 3/2017-Central Tax (Rate) should be reinstated at 5%.

2. **Concessional rate of GST on Support Service to Exploration, Mining or Drilling and need for Clarity on Scope of Support Service to Exploration, Mining or Drilling**

   Summary: E&P Industry was allowed concessional rate of 12% GST on Support Services to exploration, mining or drilling, which has been increased to 18%, significantly escalating costs due to tax stranding. It is earnestly requested that GST@5% may be considered on procurement of exploration, mining and drilling services required for petroleum operations. A suitable clarification may be issued on applicability of 5% GST on the services availed by the E&P sector which are required for 'Petroleum Operations'.

Clarifications

1. **Input Credit on Imported and domestic leasing/renting/hiring of Vessels/ Rigs**

   Summary: Upstream service providers pay GST @ 5% at the time of import of vessels and rigs. By subsequent amendment in GST legislation, the GST paid on such imports has been put in negative list u/s 17(5) (aa) of CGST Act, so the service providers will have to pay the GST twice resulting into cascading effect. A suitable clarification may be issued clarifying the position for availability of ITC, to remove the avoidable disputes with Department.

2. **Clarification under Service Tax/GST to the effect that consortium members including operator and the consortium formed under PSC are not two distinct persons**

Summary: The consortium formed under PSC is not an Association of Persons (AoP) and operator does not provide any service to its consortium members or vice-versa. A clarification may be issued that the transactions between members and the consortium should not be treated as service provided by one person to another for levy of Service Tax/GST. The consortium members including operator and the consortium should not be treated as distinct persons under GST Law.

3. **Clarification under GST/Service Tax on operator's own share under UJV on supply of services through its own resources**

   Summary: Under GST law, the department considers operators and UJV as distinct person and demands GST on provision of services for petroleum operations for the UJV through operator's internal resources. Industry is of the view that since UJV is not a distinct person, the Service Tax/GST is not payable to the extent of Operator's own share in such UJV as it equates to service provided/supplied to self. A clarification may be issued in this regard.

Downstream

Amendments

1 **GST on Intermediate Products - Refineries**

Summary: Intermediate products are shared between Refineries to ensure full capacity utilization of secondary units of the refineries. These streams are taxed under GST at 18% (ITC is ineligible to the extent of Non-GST Goods ratio). Supply of intermediate streams amongst refineries/OMCs for further manufacturing of non-GST goods may be kept at lower GST Rate of 0.1% to minimize the impact of loss of input tax credit to downstream sector.

2 **Ethanol Plant - Inverted Duty Structure**

Summary: In case of 2G ethanol plant, the inputs are charged at 18% and output Ethanol is at 5%. As 2G ethanol plants are setup under the Guidance of MOPNG to meet the Government's target of Ethanol blended petrol, Concessional rate @ 5% GST for 2G ethanol plants on inputs, Input services and capital goods will reduce the cost of the Plant.

3 **Blocked Input Tax Credit (ITC) on supply of Vessel Services**

Summary: Company utilizes the Vessel services to carry out supervision operations / maintenance activities for its Single Point Mooring (SPM) systems at Sea, the GST paid thereon is cost to the company as ITC is not available in view of blocked credit provisions of GST. It is suggested that the restrictive provisions of blocked credit in respect of supplies of Vessel services should be removed to enable availment of ITC.

4 **Clarification on applicability of 5% GST on LPG cleared in bulk by refiners/ fractionators (like ONGC) to OMCs for supply to household domestic consumers**

Summary: The CBIC vide Circular No. 80/54/2018-GST clarified that GST @ 5% would be applicable to LPG supplied by fractionators like GAIL/ONGC to OMCs from 25.01.2018. It is requested to issue a clarification that supply of LPG in bulk by refiners/ fractionators (like ONGC) to OMCs for ultimate supply to household domestic consumers during the period from 01.07.2017 to 24.01.2018 is covered under Sl. No. 165 and is subject to 5% GST.

5 **Relief by way of exemption /lower rate of GST on input used in refining and marketing of petroleum products.**

Summary: The input taxes paid on input, capital goods and input services is not available for set off to downstream sector. It is suggested for granting exemption / lower GST rate on procurement of major Capital Goods, input and input services for use in Refining, Marketing & Distribution of petroleum products, like Regasification of LNG – from 18% to 5%, Transportation of Natural Gas through Pipeline-from 12% to 5%, and Works Contract Services-from 18% to 12%.

6 **Taxability of supply of Ethanol (E-IOO)**

Summary: Bioethanol (E-100) sold as Standalone fuel or blended with MS/Additives denaturant wherein Ethanol is more than 30%, would be classified as GST product under HSN 22072000. State Authorities may on their own wisdom classify the same as MS/Petrol. Clarification to be issued that

sale of bioethanol (E-IOO) as Standalone fuel or blended with MS/Additives denaturant wherein Ethanol is more than 30%, would be classified as GST product under HSN 22072000.

7 **Relief for huge Input Tax Credit Accumulation**

Summary: There is huge Input Tax accumulation amounting to over Rs.700 crores. This ITC Accumulation results in blockage of huge amount of working capital. It is suggested that OMCs should be granted refund of ITC accumulation, with suitable amendments in refund provisions under section 54 of GST Act and Rule 89 of CGST Rules, or allowed to cross utilize the accumulated ITC among its other states.

8 **Amendment in definition of 'Exports' under GST**

Summary: ATF/HFHSD supplied to a foreign going aircraft/vessel may not get covered directly within the definition of export of goods to treat them as zero-rated supply. Amendment sought in export of goods definition u/s 2(5) of IGST Act to include supply of Aviation Turbine Fuel/HF HSD to a foreign going aircraft/vessel. Alternatively, the definition of Zero-Rated supply under Section 16 of IGST Act may be amended to include such supplies.

9 **Non-GST Turnover – Exemption for subsequent stock transfers**

Summary: Petroleum products manufactured in oil refineries are stock transferred out of the State to other States. Since, GST is a State specific levy, every State has to apply its reversal ratio. The above provision is resulting into reversal of ITC on account of same goods in multiple States. Since, the product has already suffered ITC reversal in the manufacturing State, the same should not be included in turnover of the subsequent States.

10 **Non-GST Turnover -CVD/RIC (equivalent to Excise Duty) in case of Imports**

Summary: The aggregate value of exempt supplies and the total turnover shall exclude the amount of any duty or tax levied under entry 84 [and entry 92A], which does not include Customs Duty on Import equivalent to excise duty. Entry No. 83 of List I of the Seventh Schedule may be inserted in Rule 42 and Rule 43 of CGST Rules, 2017 to exclude CVD equivalent to domestic Excise Duty.

11 **Supply of Furnace Oil i.e. Bunker Fuel to Foreign Vessels to be zero rated in GST**

Summary: Bunker Fuel is a GST product which attracts GST rate of 5%, whereas in the earlier regime it attracted Nil Central Excise Duty as it was termed as deemed export. The charge of GST on supply of Bunker Fuel has led the Foreign Vessels to avoid refueling in India. It is suggested that necessary amendments are to be introduced in GST Act for treating the supply of Bunker Fuel zero rated.

12 **Transfer of Crude Oil (raw material) from Port States to Refineries in different states, should not be deemed as Exempt/Non-Taxable Supplies for the purpose of Rule 42/43 of CGST Rules.**

Summary: Crude Oil requirement of all the Refineries is pooled together and sourced at 2 ports, and such crude is transferred to respective refinery in different states. Such transactions may be deemed as exempt supply, and negatively impact the GST Input Tax credit of transferring state applying Rule 42. Necessary amendments may be made in CGST Act/Rules so that such transfer of crude oil, is not deemed at Exempt/non-taxable supplies for the purpose of Rule 42/43.

13 **Cross utilization of GST Input Tax Credit against Excise duty/Sales Tax**

Summary: Input credits can be claimed only if the output is also under GST. Therefore, purchases for MS, HSD & ATF will not be entitled for input tax credit. Hence, this will lead to double taxation of same products and cascading effect of tax. The ITC of CGST/IGST and respective SGST paid on purchases should be allowed to utilise against output liability of excise duty and sales tax on these products respectively.

14 **Rationalization of excise exemption framework for Ethanol Blended Motor Spirit (EBMS) – captive ethanol, BIS tolerance limits and tariff classification of higher blends**

Summary: Exemption for EBMS may be denied merely because ethanol manufactured in an OMC's own 2G plant has not suffered GST. Exemption notifications specify blending in exact ratios, without reference to any tolerance limit. No tariff item has been specified for E22, E25, E27 and E30 blends. The exemption notification may be amended by removing the condition of blending of GST-paid

ethanol, and to allow blending within the tolerance limits. The Fourth Schedule may prescribe specific tariff items.

15 **Specifications for intermediate petroleum products under the Central Excise / Customs Tariff**

Summary: Products such as Light Naphtha, Heavy Naphtha, Full Range Naphtha, Kerosene Intermediate, Gas Oil and Vacuum Gas Oil are specified in the tariff without any BIS specification or Supplementary Note describing their characteristics. In order to avoid ambiguity in classification, suitable Supplementary Notes or clarifications may be issued specifying the characteristics / specifications of goods to be classified under each of the above tariff items.

16 **Classification of MD15 (Methanol blended diesel)**

Summary: MD15 is a composition of a non-GST product, i.e., Diesel, and GST products, which is proposed to be blended at selected refinery premises. There is currently no IS specification for MD15, and it appears classifiable as a GST product. A specific tariff classification / clarification may be issued for MD15, specifying the applicable levy, so as to provide certainty before commercial roll-out of the product.

17 **Mixed bonding at intermediate storage installations for ATF / bunker fuels supplied to foreign-going aircraft and vessels**

Summary: Para 6.1 of CBEC Circular No. 581/18/2001-CX allows ATF intended for supply to foreign-going aircraft and FO / LDO / HSD intended for supply as bunker fuel to foreign-going vessels to be received through dedicated tanks in intermediate storage, but clarifies that mixed bonding of duty paid goods with non-duty paid goods is not permitted. Suitable amendment may be made in the circular to permit mixed bonding, subject to appropriate accounting and control procedures.

18 **Rationalization of GST rate on goods and services for construction of cross-country petroleum and gas pipeline and allowance of ITC on pipelines laid outside factory premises**

Summary: Inward supplies for construction of cross-country petroleum and natural Gas pipeline are not eligible for input tax credit as per section 17(5) and attract GST up to 18%. It is requested that GST rate on such goods and services should be rationalized and be exempted or considered at lower rate of 5%. The Explanation to section 17 may be amended to provide that input tax credit on pipelines laid outside the factory premises shall be admissible.

19 **Supply of LPG by refiners/fractionators to OMC during 01.07.2017 to 24.01.2018 for ultimate supply to Domestic Household and NDEC customers**

Summary: There was an ambiguity on applicability of GST rate on supply by refiners /fractionators to OMCs for ultimate supply to household domestic consumers. Circular No. 80/54/2018-GST doesn't include supply of LPG to OMCs under S.No. 165 for ultimate supply to both NDEC and domestic consumers upto 24.01.2018. The Circular may be amended suitably as under: LPG supplied in bulk will attract a GST rate of 5%, under S.No. 165 and S.No. 165A retrospectively w.e.f. 01.07.2017.

20 **Reduction in GST rate on inward supplies in the supply chain of domestic LPG**

Summary: Public sector OMCs market LPG, which is taxable at 5% GST. The supply chain involves procurement of capital goods and services, mainly consisting of empty cylinders, blending services, bottling services and transportation services, which attract GST at 18%. The GST rate on the above inward supplies may be reduced from 18% to 5%. The proposal would not impact Government revenue, as the final tax would continue to be paid by OMCs.

21 **GST on bunker fuel – zero-rating of supplies to foreign-going vessels and coverage of the entire supply chain under the concessional entry**

Summary: Section 16 of the IGST Act, 2017 may be amended to include supply of bunker fuel as stores to foreign-going vessels within the scope of "zero-rated supply". CBIC may clarify that the entire chain of supply of fuel oil for use as bunker fuel, including transfers from refineries to supply locations situated in other States, is covered under entry 164 of Schedule I.

22 **Amendment of B2C / B2CL supplies reported in GSTR-1 as B2B supplies**

Summary: The GSTN portal allows amendment from B2C to B2B only once, and does not allow amendment of B2CL supplies as B2B. Necessary facility may be provided on the GSTN portal to amend

B2CL transactions as B2B. Further, amendment of B2C transactions to B2B may be allowed more than once, up to the due date of furnishing the annual return for the relevant financial year.

23 **Supply of electricity to Commercial & Industrial (C&I) consumers to be made taxable under GST at 5%**

Summary: Supply of electrical energy is exempt from GST. Consequently, input tax credit on inputs and input services used by renewable energy developers is not available. Supply of power to Commercial & Industrial consumers may be notified as taxable under GST, preferably at 5%, while retaining the exemption for household and agricultural consumers. This would enable seamless credit across the chain and reduce the cost of green power for industry.

24 **Clarification on nature of supply of CNG by City Gas Distribution entities through OMC retail outlets**

Summary: CNG is sold by City Gas Distribution (CGD) entities to OMCs for retail sale. The Hon'ble Supreme Court has held that such sale of CNG constitutes a principal-agent relationship, subject to service tax, instead of sale transactions. Natural gas may be brought under the purview of GST, to ensure seamless flow of credit and avoid unwarranted litigation. Alternatively, a suitable clarification may be issued to treat the supply of CNG as a principal-to-principal sale.

25 **Amendment in explanation inserted to Chapter V- Input Tax Credit of CGST Rules, 2017 to determine the value of non-GST supply**

Summary: Turnover of these excluded products would be counted as exempt supply under Rule 42 and Rule 43, resulting into reversal of ITC on account of same goods in multiple States. It is suggested that value of these non-GST petroleum products should be included in the non-GST turnover of manufacturing State alone, by suitable amendment in clause 2 of Explanation to Chapter 5, or in case of traded excluded petroleum goods, value will be considered @ 10%.

26 **Exemption of GST on Ethanol/Bio Diesel used in blending with MS/HSD**

Summary: Since Petrol and Diesel being exempted supplies under GST, credit with respect to ethanol and bio diesel is not available when blended with petrol and diesel respectively. Thus, the GST paid on additives Ethanol/Bio diesel is a cost to companies. Ethanol/Bio Diesel meant for blending with petrol/diesel should be levied to minimum rate of GST. Appropriate amendment be brought out in excise notification so that blending of non-GST paid ethanol also does not attract Excise duty.

27 **GST on Ethanol manufactured from Captive Plants for blending with MS in the same state**

Summary: Stock transfers of ethanol within state is not leviable to GST, however exemption under Excise is available to EBMS if GST paid ethanol is blended in MS. Suitable amendment in exemption notification under the Central Excise law for exempting the blended EBMS produced from Ethanol manufactured from their own ethanol plants, by removing the condition of blending of GST paid ethanol in MS.

28 **LPG Cylinders - Domestic/CVR Valves/Regulators -GST Rate Suggestion**

Summary: Domestic Cylinders/CVR Valves/Regulators (GST@18%) are used for supplying domestic LPG. Domestic LPG attracts concessional GST rate at 5%. GST rate 18% on inputs used for supply of output attracting GST rate 5%, results in accumulation of ITC and blockage of working capital. It is proposed to maintain GST rate at 5% for LPG cylinders.

29 **Safety Equipment (flameproof suits, gas leak detectors, fire suppression systems)**

Summary: Safety equipment (currently at GST 18%) is mandatory under Oil industry. Reducing GST incentivizes companies to invest more in safety compliance and reduces the cost of ensuring worker safety in hazardous environments. It is proposed to maintain GST rate at 5%.

30 **GST on Excise Duty Element (Jobwork)**

Summary: Excise duty is applicable on CNG. The process of compression of Natural Gas into CNG is also exigible to GST (third party Jobwork Charges). Thus, the conversion process is now suffering with double taxation i.e., Central Excise and GST on Jobwork Charges including Excise Duty component. The Excise Duty component may be excluded from the Jobwork charges for GST valuation purpose.

Clarifications

1. **Clarity on MS and HSD - Definition under GST**

Summary: The GST law does not define Motor Spirit (commonly known as petrol) and High- Speed Diesel. Various interpretations are possible depending upon the sources. Accordingly, clarity is required as to what constitutes MS and HSD as per GST Act, to avoid any future interpretation issues.

2. **Value of Taxable Supplies not to include grant received from Government.**
   Summary: Section 2(31) of CGST Act 2017 and sec 15 exclude subsidies provided by the Central & State government. The term subsidy has not been defined under the act, and tax authorities may dispute the interchangeable use of terms grant and subsidy. It is suggested a suitable clarification specifying at par treatment of "Grants" with the term "Subsidy" may please be issued for exclusion from levy of GST.
3. **Services between Head office and its Units situated in another state.**
   Summary: Issue arises whether functions performed by head office can said to be services provided to its unit situated in other political state or vice versa. Registered persons, like those in Oil & Gas Sector, are very much impacted. Necessary notification/ circular to be issued by Govt providing exemption for deemed supply of services by head office to its units situated in another state and services by units to head office situated in another state.
4. **Availability of ITC to recipient upon Cancellation of GST Registration of supplier Retrospective**
   Summary: At times GST registration of supplier are cancelled with retrospective effect. In such cases tax authorities are of the view that GST ITC should be reversed by the recipient, despite the fact that various High courts have pronounced the issue in favor of assessee. Issuance of suitable clarification confirming admissibility of such GST ITC to avoid undue hardship faced by assessee.

Natural Gas

Amendment

5. **Rationalization of GST rate on services of transportation of Natural Gas through pipeline**
   Summary: GST rate on the services of 'transportation of Natural gas through pipeline' is applicable @18% (with ITC benefit) and @5% (without ITC benefit). The lower GST rate @5% (without ITC Benefit) could not practically be implemented so far. The high rate of GST will make Natural Gas costlier for power and CNG sector. It is proposed that GST @ 5% applicable on the services of transportation of goods by pipeline may be provided with ITC Benefit.
6. **Exemption of GST on Secondment of Employee to Group Companies**
   Summary: The Hon'ble Supreme Court held that the secondment of employees by an overseas group company to an Indian company could constitute a taxable supply of manpower services, and the Department has started treating all such transaction as taxable under GST law. The GST paid on deputation of employees to Group companies becomes additional cost to the recipient company. It is proposed that the supply of employee deputation or secondment services between group companies be exempted from GST.

General

New Provisions

1. **GST on Royalty paid by Oil & Gas sector**
   Summary: Royalty is a share of the Government revenue in the production of hydrocarbons and is not against any service. Treating right to use natural resources as supply of services & levying tax further increases tax burden. Further, GST ITC is also not available to the oil & gas sector. GST on royalty paid by Oil & Gas sector should be reduced from 18% to 5% as input tax credit is not available for this sector.
2. **Provision of flexibility on GST portal to avail GST input tax credit**
   Summary: In certain cases, the taxpayer has a doubt on eligibility of input tax credit on certain items. However, the taxpayer is also required to claim all ITC by next October, otherwise the credit will be time barred. It is suggested that in the GST liability settlement section in GSTR3B, a column should be created whereby taxpayer at their option can leave some portion of ITC credit as unutilized.
3. **Applicability of GST on corporate Guarantee**

Summary: The Hon'ble Bombay High Court has held that guarantees issued to banks for loans availed by its subsidiaries/SPVs, without any consideration, do not constitute a "supply" under GST. The Hon'ble Gujarat High Court has upheld the levy of GST on corporate guarantees furnished by a holding company to its subsidiary. Request to issue a suitable clarification confirming whether transactions involving supply of corporate guarantee services is taxable under GST and valuation required to be adopted.

4. **Enabling commodity trading operations by units in International Financial Services Centre (GIFT City)**

   Summary: Commodity trading is presently not notified as a "financial service" under the International Financial Services Centers Authority Act, 2019. As a result, Indian trading houses continue to route global commodity trade through hubs such as Singapore, Dubai and Switzerland, rather than GIFT City. It is recommended that commodity trading, including merchanting trade, be notified as a permissible "financial service" for units registered in IFSC, with corresponding tax and regulatory support.

5. **GST on "Use or pay charges" recovered**

   Summary: In case the customer fails to take all or part of the RLNG quantity for a contract year, the supplier is liable to recover the damages in form of 'Use or Pay' charges (UoP). Such UoP charges are in the nature of liquidated damages. The Authorities are treating the said charges as taxable. Request to issue a suitable clarification confirming transactions involving receipt of UoP charges are in the nature of liquidated damages.

6. **Transfer of CGST and IGST credit between registrations under the Same PAN**

   Summary: Businesses with multiple State registrations may accumulate credit in one registration while paying tax in cash in another. This results in stranded credit, unnecessary cash outflow and working capital blockage. The CGST Act should be amended to permit transfer of CGST and IGST credit balances between GST registrations held under the same PAN. As an interim measure, transfer through an electronic mechanism or tax invoice similar to the ISD credit-transfer framework should be permitted.

7. **Single or Optional National GST Registration**

   Summary: Businesses operating across multiple States must maintain separate registrations, filings, audits and credit ledgers, leading to duplicated compliance, stranded credit, overlapping proceedings and artificial cross-charges. The Government should introduce a single PAN-linked national GST registration with a unified compliance portal and backend allocation of State revenue. Pending full implementation, an optional centralised registration should be offered to large multi-State taxpayers above a prescribed threshold, such as ₹5,000 crore turnover, if not lower.

8. **Section 16(2)(c) of CGST Act, 2017 Re-haul of credit matching system**

   Summary: Section 16(2)(c) puts a restriction that a taxpayer can avail input tax credit only when tax has been paid to the Government by the Supplier. It should be amended to the effect that where tax has not been paid by the supplier, it must be first recovered from the supplier. Only in the case of non-recovery, such recovery may be initiated against the recipient. Alternatively, the recipient may pay GST not paid by the supplier suo-moto.

9. **Appropriate relief against Garnishee attachment orders from GST monthly payments issued by Sub Courts**

   Summary: Sub Courts in Kerela have been issuing garnishee notices on BPCL for attachment of taxes payable to Government of Kerela. Appropriate amendments in GST Act are brought about to prohibit such garnishee recovery from GST revenues; or a gateway is provided for enabling the taxpayers to make garnishee payments through GST portal; or any other suitable mechanism is provided to adjust garnishee deductions against our outward liability in the GSTR 3B return.

10. **Coordinated Audits and Prevention of Parallel Proceedings**

    Summary: Multi-State taxpayers may face multiple audits, investigations and notices from Central, State and enforcement authorities on the same issue, period or transaction. Parallel proceedings

increase compliance and litigation costs and create inconsistent outcomes. A coordinated audit mechanism can preserve the Centre-State structure while reducing duplication. A Central Processing Module should be created on GSTN for large taxpayers. Taxpayers should be given access to the source data and an opportunity to reconcile them before notices are issued.

11. **Formula for reversal of Input Tax Credit**

    Summary: The formula for reversal of credit is on the basis of turnover of the GST and Non-GST transactions. Since LNG is outside the purview of GST, the ratio of turnover of exempt supplies is disproportionality larger than the non-exempt supplies, due to which there is a huge loss of credit to LNG sector. It is submitted that formulae for reversal should be based on volume or any other method which is justifiable for natural gas.

12. **GST payment and return filing due date**

    Summary: Payment of GST and return filing on the same day has led to overload on the GST portal slowing down of the system and increasing the processing time. It is suggested to have two different due dates for GST payment as well as Return filing. A gap of minimum 2-3 days between both activities will enable ease of doing business.

13. **Availability of Input Tax Credit on construction of an immovable property**

    Summary: Now as per the amended provision, ITC is ineligible for goods or services or both received for construction of an immovable property (other than plant and machinery) on his own account. Removal of such restriction of credit would provide a much-needed boost to the industry. It is recommended that the CBIC issues clarification on the construction related items qualifying as plant and machinery such as HVAC, air compressor, submerged combustion vaporizer, gas metering system etc.

14. **Overhaul of blocked input tax credits under section 17(5)**

    Summary: Section 17(5) blocks input tax credit on several categories of inputs / input services even where they are used in the course or furtherance of business. The restrictions convert ordinary business expenditure into embedded tax costs and create cascading. Section 17(5) should be comprehensively reviewed, and credit should generally be allowed for procurements used in the course or furtherance of business, subject only to a narrowly defined negative list for clear personal consumption and specified abuse-prone items.

15. **Taxability of long-term leases and assignment of lease**

    Summary: There is no explicit clarity on whether long-term leases of land and assignment of leasehold rights should also be treated as outside the GST net. It is requested to amend Schedule III of the CGST Act to expressly exclude long-term leases of land and transfer/assignment of leasehold rights from the scope of supply. Alternatively, issue a suitable clarification confirming that such transactions are to be treated at par with sale of land.

16. **Blocked Input Tax Credit (ITC) on supply of motor vehicles**

    Summary: Company utilizes the motor vehicles to transport employees for various official work requirement in the course of furtherance of business. The GST paid thereon is cost to the company as ITC is not available in view of blocked credit provisions of GST. The restrictive provisions of blocked credit in respect of supply of motor vehicle should be removed to enable availment of ITC.

17. **Credit note distribution by ISD**

    Summary: Section 34 was amended to provide for issuance of credit note for multiple invoices, so GSTR-1 return does not require reference of original invoice for credit note. However, ISD return (GSTR-6) in Table 5 still requires reference of original ISD distribution invoice. Mandatory requirement of reference of original invoice in table 5 of ISD return (GSTR-6) may be removed on GSTN portal.

Amendments

1. **GST Relief for Transfer of Undertakings**

   Summary: Notification No. 12/2017-CT (Rate) exempts the “transfer of a going concern,” but the CGST Act does not provide a clear definition of this term. In Schedule II, Para 4, after clause (c), the following may be inserted to define “Going Concern”: the transfer of a business undertaking, transfer

of participating interest (in unincorporated joint venture), whether wholly or partially, which is capable of being carried on by the transferee as a continuous business activity.

2. **Invoice Management System (IMS)**

   Summary: The proposal to implement Invoice Management System (IMS) with the option to accept, reject or keep pending the Invoices/debit notes and only accept or reject the credit notes is a difficult compliance process. Credit note should mandatorily have the details of original invoices. Time limit for acceptance or rejection of credit should be one month. Time limit for reversal of e-invoice to be increased from 24 hours to 72 hours.

3. **Admissibility of Input tax credit in the manufacturing state incurred by the exporter for positioning of the non-GST goods for Export.**

   Summary: In case of movement of non-GST goods from manufacturing unit situated in one political state to Export warehouse situated in another political state, GST ITC is not eligible. Input tax credit to be allowed in the manufacturing state incurred by the exporter for positioning of the non-GST goods for Export, when the factory and export warehouse are situated in different political states, as taxes and duties are not to be loaded in case of exports.

Clarifications

1. **Clarifications related to Input service distributor (ISD)**

   Summary: ISD mechanism is mandatory w.e.f. April 01, 2025. It is recommended that there should be comprehensive operational guidelines and functionalities to facilitate smooth and efficient compliance of ISD provisions: a functionality to transfer credit from HO to ISD registration; a clarification on Internally Generated Services (IGS) and Third-party services (TPS); and clarification on transfer of common reverse charge related credit blocked under 17(5) to the ISD.

2. **Clarification on classification of entities associated with Government as "Government Authority", "Government Entity" or "Central/State Government/Local Authority" under GST**

   Summary: A number of statutory bodies, boards, corporations, societies and undertakings, though established or substantially controlled by Government, claim themselves to be CG/SG/LA resulting in RCM on services supplied by them. This results in non-payment of tax by any party to the transaction in some case. A clarification is required on the distinguishing parameters/criteria, a specific list/compilation of recognized entities under each category, and the procedure taxpayers should follow.

3. **Interest liability under rule 37 to be done away with**

   Summary: A registered person who fails to pay to the supplier the value of such supply along with the tax payable thereon within a period of 180 days shall reverse such credit along with applicable interest. Sometimes in the event of dispute payment is kept on hold beyond 180 days. It is suggested that interest should not be applicable on such reversal under rule 37 to remove the difficulty for compliant taxpayers.

4. **Payment to Supplier within 180 days (Section 16(2) of CGST Act, 2017)**

   Summary: Second proviso to section 16(2) provides that in case recipient fails to pay the supplier within 180 days from the date of invoice, ITC availed needs to be reversed along with interest thereon. Necessary notification/clarification to be issued by Govt. that condition of 'fails to make payment within 180 days' to be reckoned with contractual conditions between the supplier and recipient and not from the date of invoice.

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A. Direct Tax

I) Income Tax

Upstream

Amendment

1. **INTERNATIONAL TAXATION - Significant Economic Presence (SEP)- Income-tax Act, 2025: section 9(9)(d); Income-tax Rules, 2026: rule 13.**

   Background:
   The SEP wording extends to transactions in goods. It creates withholding uncertainty for conventional physical imports, including strategic crude oil purchases, even where the foreign supplier has no presence in India. SEP was introduced to address digital/e-commerce business models capable of deriving substantial economic value from India without conventional physical presence. Applying the same nexus to high value import contracts creates uncertainty.

   Suggestion:
   It is requested to clarify that section 9(9)(d) does not apply to an ordinary import of physical goods where the non-resident has no digital or other business presence in India. This would reduce withholding disputes and will provide Indian importers and foreign suppliers greater certainty on ordinary goods contracts.

2. **Withdrawal and Utilization of amount deposited as per Site Restoration Fund Scheme (Section 33ABA read with Site Restoration Fund Scheme, 1999). (Section 49 under the New Income Tax Act 2025)**

   Background:
   Sub section 3 of section 33ABA provides that "Any amount standing to the credit of the assessee in the special account or the Site Restoration Account shall not be allowed to be withdrawn except for the purposes specified in the scheme or, as the case may be, in the deposit scheme."

   Scheme as referred in section 33ABA means "Site Restoration Fund Scheme, 1999".

   Para 8 of the Site Restoration Fund Scheme, 1999, provides that " A depositor shall be entitled to withdraw from the amount standing to the credit of the account only such amount as is necessary to meet any expenditure to be incurred by him on the expiry or termination of the agreement or relinquishment of part of the contract area, towards removal of all equipment and installations, in a manner agreed with the Central Government pursuant to an abandonment plan or towards all necessary site restoration in accordance with modern oilfield and petroleum industry practices and towards meeting all other expenses necessary to prevent hazards to life or property or environment consequent on such expiry, termination or relinquishment."

   As per the safety norms and the current practice in industry, abandonment activities which inter-alia includes site restoration, removal of all equipment and installations are being carried out regularly which in practice may or may not be coupled with the condition of expiry or termination of the agreement or relinquishment of part of the contract area.

However, Directorate General of Hydrocarbon i.e. the agency authorized by the Ministry of Petroleum & Natural Gas in this behalf, is denying the bona fide request for withdrawal of Site Restoration Fund for carrying out the planned abandonment activities on the plea that the abandonment activities proposed to be carried out are not followed/coupled by the expiry or termination of the agreement or relinquishment of part of the contract area.

Suggestion:
It is, therefore, suggested that, para 8 of the Site Restoration Fund Scheme, 1999 may be modified as follows-

"A depositor shall be entitled to withdraw from the amount standing to the credit of the account only such amount as is necessary to meet any expenditure to be incurred by him either on the expiry or termination of the agreement or relinquishment of part of the contract area or otherwise, towards removal of all equipment and installations, in a manner agreed with the Central Government pursuant to an abandonment plan or towards all necessary site restoration in accordance with modern oilfield and petroleum industry practices and towards meeting all other expenses necessary to prevent hazards to life or property or environment consequent on such expiry, termination or relinquishment."

3. Rationalization of allowances in respect of Exploration & Production (E&P) expenditure under section 54 of the Income-tax Act, 2025 (section 42 of the Income-tax Act, 1961)

Background:
Section 54 of the Income-tax Act, 2025 (Section 42 of the Income-tax Act, 1961) provides for special allowances in the case of business for prospecting, extraction or production of mineral oils.

The section inter alia allows deduction in respect of:

a) Expenditure by way of infructuous or abortive exploration expenses in respect of any area surrendered prior to the beginning of commercial production by the assessee.

b) After the beginning of commercial production, expenditure incurred by the assessee, whether before or after such commercial production, in respect of drilling or exploration activities or services or in respect of physical assets used in that connection, except assets on which allowance for depreciation is admissible under section 33 (section 32).

The scope of deduction is restrictive and does not fully cover the spectrum of costs incurred in the oil & gas exploration sector, particularly in the context of modern exploration technologies and production sharing contracts (PSCs).

Suggestion:
In order to simplify and rationalize the allowance for E&P expenditure and provide tax certainty to upstream operators, it is suggested that in addition to the existing clauses of section 54 (section 42), the following allowance may be expressly included for computing income tax payable by an assessee (comprising the Contractor) on its profits and gains from the business of petroleum operations, in lieu of (and not in addition to) the allowances admissible under the Income-tax Act, 2025 (Income-tax Act, 1961):

- Exploration & Drilling Costs
  The expenditure incurred, both capital and revenue, towards exploration and drilling activities in the contract area shall be allowed in the year in which it is incurred.
- Development & Production Expenditure

The expenditure incurred towards development operations (other than drilling operations), production operations, and any other expenditure in respect of petroleum operations not covered in (i) above shall be treated as per the relevant provisions of the Income-tax Act, 2025 (Income-tax Act, 1961).

Provided that, a participant may, at its option, set off any loss on account of such allowable expenses in the year in which such expenses are incurred against profits from any other source, in accordance with and subject to the provisions of sections 108 and 109 of the Income-tax Act, 2025 (sections 70 and 71 of the Income-tax Act, 1961).

Downstream

Amendment

1. **Applicability of Significant Economic Presence (SEP) under Income Tax Act to digital businesses only**

Background:
Section 9 of the Income Tax Act, 1961 / Section 9 of the Income Tax Act, 2025 provides for nexus rule, which if satisfied, deems income to accrue or arise in India and accordingly taxable in India under the domestic Law. To address Base Erosion and Profit Shifting (BEPS) arising from the rapidly digitalizing economy, Finance Act 2018 expanded the concept of business connection to include a new nexus rule based on 'Significant Economic Presence' (SEP) to tax the digital economy by inserting Explanation 2A in Section 9(1)(i) of the Income Tax Act, 1961 (corresponding Section 9(9)(a)(ii) & Section 9(9)(d) of the Income Tax Act, 2025). Further, Finance Act, 2020 with few amendments and prescribing the threshold limit under Rule 11UD of Income Tax Rules, 1962, the SEP Provisions came into force from F.Y. 2021-22 (corresponding Rule 13 of Income Tax Rules, 2026).

The Significant economic presence of a non-resident in India shall constitute "Business Connection" in India if –

a) transaction in respect of any goods, services or property carried out by a non-resident with any person in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds Rs 2 crores; or
b) Systematic and continuous soliciting of business activities or engaging in interaction exceeds 3 lakhs users in India.

The above transactions or activities shall constitute SEP, whether or not the agreement for such transactions or activities is entered in India or the non-resident has a residence or place of business in India or the non-resident renders services in India.

The language of the SEP provisions is broad and is likely to impact conventional transactions and activities even if they are not carried out in a digital form. If the SEP of the non-resident is constituted in India, the income attributable to the transactions or activities as indicated above (i.e. purchase of goods, services, download of data etc.) would be deemed to be income accruing and arising in India and will be liable to tax in India.

The above provisions are although subject to DTAA's entered by India with various countries and does not alter actual taxability under the DTAA's as it follows the traditional permanent establishment definition. However, this development is of significant relevance to non-resident taxpayers who are resident in a jurisdiction which does not have a bilateral or

multilateral tax treaty with India or the non-resident taxpayer is not eligible for tax treaty benefits.

Suggestion:
The Oil Industry PSUs be exempted from applicability of these SEP provisions. Considering the intent of the Government to tax digital business carried out by non-resident entities in India, Section 9 may be amended retrospectively from the date the SEP provisions came into force, to ensure that the provisions related to significant economic presence are limited to digital commerce (i.e., business carried through digital medium) rather than commerce involving physical goods (import of goods) with traditional system of contract entering etc.

The Rules in respect of said provisions may be brought out keeping in view the intent behind attribution of income component to the SEP to cover transactions through digital platforms and till the said rules are in place, there should not be any obligation to deduct tax even if such deduction obligation arises from this SEP provisions.

2. Special exemption to Refineries for waiver of penal interest for deferment of advance tax

Background:
Refinery profitability is highly dependent on volatile international crude oil and product prices, as well as changes in Government policies relating to duties, pricing and subsidy-sharing. These factors are difficult to forecast accurately, making precise estimation of annual profits and advance-tax instalments challenging and potentially resulting in interest for deferment of advance tax.

Suggestion:
It is suggested that a specific exemption/waiver from penal interest on deferment of advance tax may be provided to oil refining companies, considering the inherent volatility and unpredictability of their margins. Alternatively, the existing waiver mechanism may be retained with a prescribed time limit for disposal of genuine waiver applications.

3. Exemption of storage income on natural gas

Background:
Income of a foreign company on account of storage of crude oil in India and sale of such crude oil to any person resident in India is exempt.

Suggestion:
It is recommended to extend this exemption to Indian Companies which are engaged in the business of storage of natural gas in India

4. Rationalization of applicability of curtailed depreciation under section 33 of the Income-tax Act, 2025 (second proviso to section 32(1) of the Income-tax Act, 1961)

Background:
The provision in section 33 of the Income-tax Act, 2025 (erstwhile second proviso to Section 32(1) of the Income-tax Act, 1961) provides that where an asset is acquired in the previous (tax) year and is put to use for less than 180 days in that year, the deduction for depreciation shall be restricted to 50% of the amount calculated at the prescribed rates.

In other words, the restriction of depreciation to 50% applies only in the year of acquisition of the asset, if such asset is put to use for less than 180 days. From the subsequent year

onwards, full depreciation at the prescribed rates is allowable, regardless of the number of days the asset is put to use.

Issue:

- ITR forms require the assessee to classify additions to block of assets into: i) additions for a period of 180 days or more in the previous year, or ii) additions for a period of 180 days or less in the previous year.
- Further, the Tax Audit Report (Form 3CD) requires reporting of the date on which the asset is put to use. Based on such reporting, the depreciation is automatically restricted to 50% if the asset is used for less than 180 days, even when the asset was acquired in a year earlier to previous year.
- This compliance design does not align with the statutory provisions, leading to situations where depreciation is incorrectly curtailed in subsequent years.
- Judicial precedents, including the decision of the Punjab & Haryana High Court in CIT v. Parkash Industries Ltd. (ITA No. 291 of 2004), have clarified that curtailment of depreciation to 50% applies only in the year of acquisition. If the asset is put to use in any subsequent year (even for less than 180 days), the assessee is entitled to full depreciation at prescribed rates.
- Despite such judicial clarity, the present ITR and audit reporting mechanism mechanically applies the 50% restriction, creating avoidable disputes and litigation.

Suggestion:

It is suggested that the ITR forms and Tax Audit Report formats be aligned with the provisions of section 33 of the Income-tax Act, 2025 (section 32(1) of the Income-tax Act, 1961, especially second proviso), so as to facilitate computation of eligible allowance towards depreciation, when put to use for less than 180 days, in following manner

- Curtailment of depreciation to 50% only in the year of acquisition of asset
- full allowance of depreciation in case of asset acquired in year earlier to the previous year

General

New Provisions

1. **Suggestion on improvement in Income Tax Audit Report - GST Related Reporting - Clause 44 of Form 3CD**

Background:

Vide Notification No. 33/2018 dated 20.07.2018, CBDT notified revised Form 3CD (Statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961) with effect from 20.08.2018. The said revised Form 3CD contains clause 44 seeking 'Break-up of total expenditure under the GST '. There is extensive reporting and compliance mechanism with respect to GST framework in place and GST being an Indirect Tax administered by CBIC under the same Ministry as the CBDT, reporting again the GST data in Tax Audit Report in Form 3CD overburdens the assessee with duplicity of compliance work.

Suggestion:

Since the GST Registration is PAN based, requisite data for the same can be made available from the GSTN Server to the concerned Statutory Authorities as required.

2. **Weighted deduction for R&D under New tax regime u/s 115BAA**

Background:

Section 115BAA restricts companies opting for the concessional tax regime from claiming

specified deductions under Section 35, thereby reducing the tax incentive for investment in R&D and innovation.

Suggestion:
It is suggested to allow a 200% weighted deduction for eligible R&D expenditure incurred by companies opting for Section 115BAA, subject to prescribed safeguards.

3. Higher Depreciation for Net Zero projects under new tax regime u/s 115BAA

Background:
Section 115BAA does not permit additional depreciation under Section 32(1)(iia), while depreciation under the concessional regime is subject to prescribed limitations. This reduces the tax incentive for capital-intensive Net Zero and decarbonization investments.

Suggestion:
it is suggested to provide accelerated depreciation of up to 80% in the first year, or alternatively an additional depreciation of 20%–40%, for eligible new assets deployed exclusively in Net Zero, decarbonization, renewable energy, green hydrogen, energy-efficiency and carbon-abatement projects.

4. TDS u/s 393(1) [Table: S.No. 8(ii)]: Exemption in respect of inter government companies' transaction.

Background:
Clause 393(1), Table S. No. 8(ii) of the Income-tax Act, 2025 requires TDS on purchase of goods exceeding ₹50 lakh from a resident seller, including transactions between PSUs. This results in additional compliance for inter-PSU transactions, despite such transactions being fully traceable under GST and undertaken by entities having high standards of tax compliance.

Suggestion:
It is suggested that inter-PSU transactions may be exempted from TDS under Clause 393(1), Table S. No. 8(ii), similar to the treatment under the GST TDS framework.

5. TDS credit to be allowed irrespective of the Assessment Year

Background:
TDS credit is currently linked to the year in which the corresponding income is considered to have been offered to tax. Where TDS is deducted and reflected in Form 168 in a subsequent year, credit may be denied or deferred despite the income having already been offered to tax.

Suggestion:
It is suggested that TDS credit may be allowed in the year in which the TDS is actually deducted and reflected in Form 168, irrespective of the Assessment Year

6. Social and community welfare expenses – allowance under section 34 as business expenditure

Background:
Section 34 provides that any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of the Companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession and deduction shall not be allowed. As per the Companies Act 2013, it is mandatory for specified

companies (as per Section 135) to spend 2% of their average profits towards Corporate Social Responsibility.

Suggestion:
It is suggested that the CSR expenses listed in Schedule VII to the Companies Act, 2013, may be allowed u/s 34. Expenses in the nature of contributions which are allowable under any other provision of the Act (for eg. Section 133) may be disallowed under section 34 if the assessee is claiming benefit under that section.

These expenses are all connected to social and charitable causes and not for any personal benefit or gain. It is, therefore, rational to allow the same as deduction under section 34. Therefore, there is a need to revisit this provision and allow deduction to companies of CSR expenditure incurred by them under section 34 also.

7. Lowering of Income tax rate with deductions.

Background:
Companies opting for the lower tax rate under Section 200 are required to forego deductions under Section 141, which include investment-linked incentives. This may discourage fresh investment and expansion by companies opting for the concessional tax regime.

Suggestion:
It is suggested that profit/investment-linked incentives under Section 141 may be reintroduced and also made available to companies that have opted for the concessional tax regime under Section 200.

8. Income-tax Act, 2025: section 45(2) read with sections 200 and 201.

Background:
The in-house R&D deduction under section 45(2) is not available to companies opting for the concessional corporate tax regimes, reducing the tax incentive for innovation-intensive expenditure. R&D is high-risk and has a long gestation period. A separate innovation incentive can coexist with a concessional tax rate and support domestic technology development.

Suggestion:
It is suggested to carve out section 45(2) from the restrictions under sections 200/201 and allow an enhanced deduction, preferably 200% for approved in-house R&D, with a minimum investment threshold if considered necessary.

9. Consideration of interest for granting refunds u/s. 244A (Section 437 of the New Income Tax Act 2025)

Background:
Section 244A of the Act deals with interest payable on refunds due to an assessee. Sub-section (1) of section 244A starts with the phrase “Where refund of any amount becomes due to the assessee…..”.

On a literal construction of the aforesaid, it may be inferred that the phrase “..any amount…” occurring in section 244A(1) refers to the total amount of refund due to an assessee not just the tax component thereof. Thus, the interest should be calculated on the amount of tax, interest, penalty etc., comprising the total amount of refund.

Suggestion:
Absence of ample clarity as to whether the interest u/s. 244A is payable only on the amount of tax refund OR interest, penalty and other components of refund would also be covered within the ambit thereof leads to avoidable litigation. It is, therefore, suggested that a suitable clarificatory provision may be inserted in section 244A of the Act in this regard.

10. Rationalizing the provisions of TDS under section 193 on Securities. (Section 393 of the New Income Tax Act 2025)

Background:
As per the provisions of section 193 of the Act, any person responsible for paying to a resident any income by way of interest on securities shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax at the rates in force on the amount of the interest payable.

Explanation to section 193 further provides that for the purposes of this section, where any income by way of interest on securities is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.

The Finance Act, 2023 has withdrawn the exemption of withholding tax requirement under the aforesaid section in respect of interest payable on specified listed securities.

Accordingly, TDS is now deductible on interest on securities at the time of credit of such income to the payees or at the time of actual payment thereof whichever is earlier.

As per the accounting requirements, interest liability on debentures which has accrued but not due is required to be provided while finalization of accounts for a period. Accordingly, companies are providing interest accrued but not due liability in the books of accounts at the time of quarterly/annual closing of accounts which may not be the actual date on which the interest needs to be paid to the debenture holders and where they are not certain about the actual recipient of the interest provided in the books of accounts the debentures are listed and tradeable on market and may pass hands before the actual payment of interest is made.

Accordingly, companies are not clear in whose PAN TDS credit needs to be booked while filing the TDS returns for the period.

Suggestion:
It is, therefore, suggested that, a new clause (x) may be provided in proviso 1 to section 193 of the Act as follow to allow exception from TDS:

> “any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the rules made thereunder wherein payee is not ascertainable.”

11. Exemption under section 133 is not available to Companies claiming deduction under Section 200 and 201

Background:
Currently, Companies which have opted to pay tax under Section 200 and 201 are not allowed to claim deduction under Section 133 (deductions in respect of donations to certain funds, charitable institutions, and specified trusts). It is proposed to extend the benefit of Section 133 deduction to the above Companies.

Suggestion:
It is recommended to extend benefit of Section 133 deductions to all Companies irrespective of tax rate option which they exercise.

12. Reinstatement of beneficial tax rates under section 201 of the Income-tax Act, 2025 (section 115BAB of the Income-tax Act, 1961) for businesses aligned with India's Net Zero commitment

Background:
Section 115BAB of the Income-tax Act, 1961 (now section 201 of the Income-tax Act, 2025) was introduced to provide a concessional tax rate of 15% (plus surcharge and cess) to new domestic manufacturing companies incorporated on or after 01.10.2019 and commencing manufacturing operations before 31.03.2024. The objective was to boost "Make in India" and attract fresh investments in the manufacturing sector.

This provision has now sunset with effect from 01.04.2024, and new companies incorporated thereafter are not eligible for the concessional tax rate.

India has made a firm commitment to achieve Net Zero carbon emissions by 2070, and renewable energy, low-carbon energy, and sustainability-linked businesses are expected to play a crucial role in this journey.

Multiple large Indian and global players are entering the renewable energy sector after 31.03.2024. However, since the sector customarily requires creation of special purpose vehicles (SPVs) for each power purchase agreement/off-taker, the benefit of section 201 (section 115BAB) is restricted only to SPVs incorporated and commencing operations prior to 31.03.2024.

This creates an uneven playing field, as new SPVs undertaking identical business activities after 31.03.2024 are taxed at a significantly higher rate, despite contributing directly to India's Net Zero mission.

The sunset of section 201 (section 115BAB) may thus act as a deterrent for future investments in renewable energy projects, both domestic and foreign.

Suggestion
It is suggested that section 201 (section 115BAB) be reinstated in a targeted manner to support India's Net Zero agenda by extending the concessional tax rate to:

- Companies incorporated on or after 01.04.2024 which are engaged in manufacturing, production, or generation activities relating to renewable energy, low carbon energy, storage solutions, sustainable technologies, and allied infrastructure, expressly covering renewable power generation, renewable-energy equipment manufacturing,

green hydrogen / green ammonia, electrolysers and fuel cells, sustainable aviation fuel, 2G/3G ethanol, compressed biogas, advanced chemistry / battery cells and battery energy storage systems.

- Newly created SPVs (including subsidiaries of existing eligible companies) engaged in such businesses, even if incorporated after 31.03.2024.

- An existing company setting up a new undertaking in the above sectors, on the basis of separate books of account and audited segment accounts for such undertaking, in place of the requirement to incorporate a new company.

The above may be implemented either by:

- Amending section 201 (section 115BAB) to extend the time limit for commencement of eligible business at least till 31.03.2035, or
- Introducing a new concessional tax provision specific to industries aligned with India's Net Zero carbon targets.

Amendments

1. Introduction of year-wise E-Ledger system for crediting TDS/TCS and advance tax payments which can be adjusted against the income-tax due

Background:

There are several instances of mismatches between TDS claimed and TDS allowed while processing a return. For example, some taxpayers face an issue where higher income from an earlier previous year is reflected in Form 26AS in the current financial year. This occurs when tax relating to an earlier previous year is deducted at source in the current financial year by the deductor at the time of payment, whereas the taxpayer recognised the income in the return for the earlier year on an accrual basis. The prior year's income on which TDS is deducted in the current year is then matched with the income of the current year. Where the prior year's income, as shown in Form No. 168 for the current year, is higher than the current year's income reflected in the return of income, the resulting mismatch may cause the current year's return to be wrongly treated as defective. This is one example among several possible mismatch scenarios.

Suggestion:

It is suggested that a year-wise E-ledger mechanism, similar to the one implemented in respect of the Goods and Services Tax (GST), be introduced for income-tax payments also. The key benefits of the e-Ledger system in GST include providing a transparent, real-time overview of tax credits, cash balances, and set off of liabilities. A similar system can be effectively implemented for income tax to improve ease of doing business, enhance compliance, and increase operational efficiency.

The year-wise income-tax e-Ledger would capture all advance tax payments made, the TDS/TCS credits which can be adjusted against the tax due for the current previous year. The balance credit, after adjusting the tax due, may be refunded to the assessee or allowed to be carried forward to the next year for adjustment against tax due in that year. On the other hand, if the tax due is more than the credit, the assessee can pay the same by way of self-assessment tax.

2. Protection and Effective Utilization of MAT Credit under the Income-tax Act, 2025

Background:

Companies that had paid MAT under Section 115JB of the Income-tax Act, 1961 accumulated MAT credit under Section 115JAA. Companies which had already opted for the concessional tax regime under Sections 115BAA/115BAB were, under the law prevailing at that time, unable to utilise their accumulated MAT credit, as there was no express provision permitting such utilisation under the new regime. These companies had already accepted a lower tax rate while simultaneously foregoing various deductions and other tax benefits available under the normal regime, in addition to foregoing the utilisation of their accumulated MAT credit. The amendment introduced through Budget 2026 now permits utilisation of eligible MAT credit under the new regime, subject to a restriction of 25% of the tax payable in a year. However, the amendment creates a transitional disadvantage for companies that had migrated to the new tax regime in earlier years, as they had already foregone the benefit of MAT credit under the law prevailing at the time of their transition. Therefore, there is a need for clear transitional provisions to ensure that MAT credit which was validly available and unutilised on the date of transition to the new tax regime continues to be available for utilisation from Tax Year 2026-27 onwards, subject to the applicable statutory validity period.

Suggestions:

The transitional provisions under the Income-tax Act, 2025 may be suitably amended to clarify that

"MAT credit validly available and unutilised as on the date of transition to the concessional tax regime shall continue to remain available for utilisation under this Act from Tax Year 2026-27 onwards, subject to the remaining permissible period of such credit."

Further, the restriction of 25% of tax payable for utilization of MAT credit may be reconsidered and preferably enhanced to 50%.

3. Exclude windfall profits (section 38) and interest on tax refunds from advance-tax shortfall interest under section 425

Background:

Under the Income-tax Act, different types of interests are levied for various kinds of delays/defaults. One of its kind is section 425, dealing with interest levied for non-payment or short payment of quarterly instalment or instalments of advance tax. The advance tax is calculated on the expected profit of the business and such projection is being made in normal course of business. Sometimes unpredictable and windfall profits as mentioned under section 38 and Interest income leads to difficulty in reasonable estimation of taxable profit and under estimation of advance tax results in levy of interest u/s 425. The intention of this section is to ensure that assessee should discharge its advance tax liability in the manner prescribed without any delay. However, by virtue of first proviso to section 425, certain uncontrolled / unpredictable sources of income were already taken into consideration by providing exclusions for capital gains, dividend income, etc.

Suggestion:

Considering the hardship as faced by all the assesses because of unpredictable nature of income other than those mentioned in first proviso to section 425, it is suggested to also consider the profits as mentioned under section 38 and Interest income on Tax refunds in the exclusion list under first proviso of section 425.

4. **Enable multiple logins per PAN/TAN and restore bulk-upload for Form 15CA for large corporates**

Background:
At present, only single login is allowed (PAN/TAN) for logging in to Income Tax E filing portal https://www.incometax.gov.in by the Tax Payer at a time. As a result, large corporates/assesses having branches/locations spread across India, facing hardships in accessing, using and submitting various responses like E-proceedings etc which requires login by various users (of same PAN/TAN) from various locations.

Further, the bulk-upload facility for Form 15CA on the Income Tax e-filing portal has not been consistently available, requiring taxpayers to fill Form 15CA online field-by-field for each remittance. For large assessees (having a single PAN/TAN) undertaking a high volume of foreign remittances, this is creating hardships for timely compliance.

Suggestion:
Considering the hardship faced by large assessee, multiple login may be allowed in the form of Sub-user for single PAN/TAN may be enabled for the benefit and ease of compliance of various activities by the tax payers

Similar facility is also available for GST login wherein multiple logins can be used for single GST registration.

5. **Enable delegation of return-signing authority under section 265 to officers other than the Managing Director**

Background:
Section 265 deals with the verification of return of income for different types of assessee and the amendment in the provisions of Act relating to verification of the return of income was done in Finance Bill 2020 i.e. in case of company, the return is required to be verified by the managing director (MD) thereof or where the MD is not able to verify for any unavoidable reason or where there is no MD, any director thereof **(or any other person as may be prescribed for this purpose)** can verify the return. This amendment though has extended a bit relaxation but till date, nothing has been prescribed under section 140.

Suggestion:
Provision of the section 265 may be suitably amended on the stringent requirement of the Act of verification/signing of the Income tax return by MD. Board of Directors of the Company may be allowed to delegate such power to any authorized person for this purpose. That would certainly help corporate houses to function well in each and every scenario as big corporate are facing difficulties in getting all the documents signed by their MD.

6. **Capex deduction- Section 46 Income tax Act**

Background:
Section 46 of the Income-tax Act provides a 100% deduction of capital expenditure incurred on specified businesses.

Suggestion:
However, businesses such as LNG infrastructure, CBG projects, and strategic energy infrastructure, do not qualify as specified businesses and are therefore unable to avail this incentive.

Investments in LNG regasification infrastructure, LNG dispensing stations, CBG plants, should be included within the ambit of businesses eligible for 100% capital expenditure deduction.

7. Information in Part A of Form 145

Background:
As per the existing provisions, remitters are required to file Form 145 to provide information about remittances made to non-residents, In Part A of Form No. 145, if the amount of payment or the aggregate of such payments, as the case may be, made during the financial year does not exceed five lakh rupees.

Suggestion:
The threshold for furnishing information in Part A of Form 145 should be increased from INR 5 lakh to at least INR 10 lakh, given the significant increase in international transactions, cross-border remittances and overall transaction values over the years, the existing threshold has become relatively low.

8. Tax Loss Carry back

Background:
Under the existing Indian tax framework, business losses are generally allowed to be carried forward for set-off against future profits, but there is no general provision for carrying back current-year tax losses against profits of preceding years. This can create significant tax and cash-flow stress for cyclical and commodity-based sectors such as oil and gas, where profitability can fluctuate sharply due to international price movements.

Suggestion:
It is suggested that a Tax Loss Carry Back mechanism may be introduced, permitting eligible taxpayers to set off current-year business losses against taxable profits of the immediately preceding specified years, subject to appropriate safeguards and a defined time limit.

9. Ease the requirement of section 499 to seek prior permission before creating a charge on business assets

Background:
Section 499 of the IT Act,2025 requires an assessee to obtain the permission of the assessing officer before creating a charge on certain assets or transfer of certain assets in the event there are ongoing tax proceedings or pending claims/demands against such assessee. The main objective of section 499 is to safeguard the interests of the revenue against assesses who may fraudulently part with their assets to avoid payment of taxes.

Thus, if any person transfers or alienates any property while any proceedings under the Income-Tax Act is pending, such transfer/alienation is void as against demand from income-tax unless (a) the transaction is for adequate consideration and without notice of pending proceedings/demand; or (b) with previous approval of the tax officer.

Further, referring to **Circular No. 4/2011 [F. NO. 402/69/2010-ITCC], Dated 19-7-2011**, where requisites have been prescribed before granting of permission u/s 499. One of the conditions as prescribed is **"If there is no demand outstanding and there is no likelihood of demand arising in the next six months"**.

The above circumstance as mentioned in the circular has created significant inconvenience to the assessee in obtaining certificates from the concerned authority. It is pertinent to note that some returns are recurring and periodical in nature and TDS return being voluminous, default may be witnessed on account of technical/clerical errors. Further such error correction takes uneven time to get processed and adds on the time of getting the clearance letter from the department.

Moreover, once the demand outstanding gets cleared then exist a major question in front of assessing officer to test the likelihood of demand which may arise in next six months, this then becomes the major haul in proving the uncertain things to the authority. Also, it may be considered that with the introduction of faceless assessment and dismantling of LTU there exists multiple sources of demand say TPO, Faceless Assessment, CPC, etc. and envisaging the expected demand in six months is practically not possible for the Assessee as well as the Assessing Officer. The hardship as being encountered defeats the government's ease of doing business initiative.

Suggestion:
The objective of the section of safeguarding the interest of the revenue against any fraudulent charge. We therefore, without altering the intension of the said section, suggest to provide some relaxation by fixing some quantum of default/pending demands/blanket demand (in absolute or percentage term with respect to total asset) and amount exceeding the quantum fixed would require assessee to pay off or clear the pending demands. Such amendment will streamline the process for bonafide assessee and provide ease of business.

10. Provide large taxpayers/PSUs a lumpsum upfront option under section 395 in lieu of TDS, to cut reconciliation burden

Background:
As per the TDS provisions of the Income-tax Act, 2025 (corresponding to Chapter XVII-B of the erstwhile Income-tax Act, 1961), TDS is required to be deducted on specified payments and TDS certificate will be issued by the deductor. Later on, deductee will claim the tax credit for the TDS deducted by the deductor at the time of filing Income tax return. As per section 395(1) of Income Tax Act,2025, an assessee can apply for nil/lower rate of TDS certificate in form 128 with the Assessing officer in certain circumstances.

In case of large corporates especially for Public Sector undertakings (PSUs), reconciliation of TDS deducted by various customers with the tax credit appearing in Form 26AS is cumbersome and consuming many man hours due to large volume of transactions and many customers spread across India. For some instances, due to mismatch of TDS deducted with form 26AS, assessee may not avail tax credit for the same in ITR which results in loss of benefit.
Further, at present, application for nil rate of TDS certificate u/s 197 is allowed only for specified circumstances like Loss making company, nil tax liability etc.

Suggestion:
Considering the above, suitable provisions may be inserted u/s 395(1) for PSUs or any other large taxpayer by providing an option to apply of Nil rate of TDS certificate by depositing lumpsum amount on the basis of previous TDS liability. This will provide ease to the assessee from TDS reconciliation and generate upfront revenue to the department.

11. Certain deduction to be restored for the taxpayers opted to pay tax u/s 200

11(A) - Restore the 100% capital deduction under section 46 (erstwhile 35AD) for cross-country gas/oil pipelines under the concessional tax regime u/s 200

Background:
Section 46 of the Income-tax Act, 2025 (corresponding to section 35AD of the erstwhile Income-tax Act, 1961) provides benefit of 100% deduction (in lieu of depreciation) in respect of whole of any expenditure of capital nature incurred for laying and operating a cross country natural gas or crude or petroleum oil pipeline network subject to the conditions, inter-alia, that such pipeline network to be approved by PNGRB and has common carrier capacity as per PNGRB regulations.

However, such deduction has been done away with the introduction of new tax regime.

Suggestion:
Considering the vision of government towards gas-based economy it is requested that to reinstate deduction u/s 46 for laying of pipeline asset as these projects take substantial time and are not viable during the initial stage of its commencement. Through section 46 there is only deferment of deduction and this will encourage PSUs to go for more CAPEX over the year. Moreover, the government has brought in PLI Scheme for Promotion of Domestic Manufacturing of critical Key Starting Materials (KSMs)/ Drug Intermediates and Active Pharmaceutical Ingredients (APIs) and has not considered the infrastructural development requirement for Cross Country Pipeline.

We therefore also suggest providing Section 46 deduction pipeline wise to PSUs undertaking specific pipeline for the development of cross-country pipeline as a whole.

11(B) - Extend PM/CM Relief Fund donation deduction under section 108 (erstwhile 80G) to companies on the concessional tax regime u/s 200

Background:
According to the Finance Act, 2020, any domestic company opting for Concessional Tax Regime under section 200 of the Income-tax Act, 2025 cannot claim deduction under any provisions of Chapter VI-A other than section 80JJA or section 80M (now Section 148, Income-tax Act, 2025) effective from AY 2021-22. Thus, the Government while enacting the Finance Act, 2020 has deferred the condition of not claiming any deduction falling under Chapter VI-A other than section 80JJAA or section 80M to next financial year i.e. FY 2020-21.

Suggestion:
To encourage the values of bestowment, deduction u/s 108 may be allowed to the assesses opting to pay tax u/s 200 for the contributions made towards PM Relief /CARES & CM Relief funds at least.

12. Deem rectification requests under section 287 (erstwhile section 154) automatically accepted if not acted on within 6 months

Background:
Section 287(9) of the Income-tax Act, 2025 provides that where an application for rectification is made to an Income-tax authority, the authority shall pass an order within a period of six months from the end of the month in which the application is received.

Suggestion:
It is recommended that where action on rectification application is not carried out within a period of six months, such application should be deemed to have been allowed. It is also requested that in cases of tax refunds due to the assessee, the time-limit of four years for rectification should be waived off, more particularly in cases where the assessee is not at fault for the delay in disposal of an application for rectification.

13. Exempt genuine, authority-approved share transfers from fair-market-value deeming rules

Background:
The existing provisions of the Section 92(2)(m) of the Income-tax Act, 2025 (corresponding to section 56(2)(x) of the erstwhile Income-tax Act, 1961), inter alia, provide for chargeability of income in case of receipt of money or specified property for no or inadequate consideration. For determining the amount of income for receipt of certain shares, the fair market value of the shares is taken into account. Similarly, section 79 of the Income-tax Act, 2025 (corresponding to erstwhile section 50CA) provides for deeming of fair market value of unquoted shares for computing the capital gains from the transfer of such shares. For both these provisions, the fair market value is determined based on the prescribed method under Rule 57 of the Income-tax Rules, 2026 (corresponding to erstwhile Rule 11UA).

Determination of fair market value based on the prescribed rules may result into genuine hardship in certain cases where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination.

In order to provide relief to such types of transactions from the applicability of sections 92(2)(m) and 79, it was proposed in Finance Bill 2019 to amend the corresponding erstwhile sections (56(2)(x) and 50CA) to empower the Board to prescribe transactions undertaken by certain class of persons to which these provisions shall not be applicable.

Suggestion:
It is suggested that in order to enable the benefit of the amendment introduced in Finance Bill 2019, CBDT should prescribe such transactions undertaken by certain class of persons where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination, to which the provisions of section 92(2)(m) and section 79 shall not be applicable. Transaction such as (a) Assets acquired through bidding process, (b) Transaction of Government companies or PSUs may be kept outside of its purview.

14. Raise the section 22(2) (erstwhile section 24(b)) housing-loan-interest deduction cap of Rs. 2 lakh and enable carry-forward of unused interest

Background:
Under Section 22(2) of the Income-tax Act, 2025 (corresponding to erstwhile section 24(b)), a taxpayer may claim deduction of interest on housing loan while computing income from house property up to a limit of INR 2 lakh only. This threshold was fixed by the Finance (No.2) Act, 2014 by substituting the erstwhile threshold of INR 1.5 lakh. Further, in case of self-occupied property, carry forward of unabsorbed interest in not allowed.

Suggestion:
In view of rising prices of properties limit of Rs. 2,00,000/- is inadequate amount. It is suggested to revise the amount of Rs. 200000/- and also allow the carry forward of unabsorbed interest in case of self-occupied property.

15. Interest on Refunds paid to the assessee

Background:
Interest payable by the Department on tax refunds is currently 0.5% per month (6% p.a.), whereas interest charged from the assessee is 1% per month (12% p.a.). Further, interest received on refunds is taxable in the hands of the assessee, while interest paid by the assessee is generally not allowable as a deduction. Consequently, the effective post-tax return on excess tax paid and subsequently refunded may fall below 4% p.a., which is comparatively lower than the post-tax returns available on long-term infrastructure/government bonds, where applicable tax benefits may also be available.

Suggestion:
It is suggested that the rate of interest payable on tax refunds may be aligned with the 1% per month (12% p.a.) rate applicable to interest charged from the assessee.

16. Perpetual Offshore Income Exemption for IFSC Units

Background
Global financial centres such as the Singapore, Netherlands, Luxembourg, etc. maintain zero-tax regime for indefinite period on qualifying offshore income and levy no withholding taxes, attracting substantial foreign investment and high-value financial services activity. The existing 10-year limitation under Section 80LA (1A) places Gujarat International Finance Tec-City (GIFT City) at a competitive disadvantage, undermining investor confidence for long-gestation projects and large-scale fund managers. Removing time constraints and broadening exemptions will deliver policy certainty, stimulate FDI inflows, spur job creation, and establish India's IFSC as a permanent global hub for cross-border finance. Comparative Tax Regimes of Leading Global Financial Centres is as under:

Financial Center	**Offshore Income Tax**	**Dividend Tax**	**Capital Gains Tax**	**WHT on Dividend Repatriation**	**Key Features**
Singapore	0% (Territorial System)	0% (from taxed profits)	0%	0%	Extensive treaty network
Dubai/UAE	0% (Free Zones)	0%	0%	0%	Free zone benefits
Netherlands	Participation Exemption	0% (qualifying holdings)	0% (qualifying holdings)	0-5%	Extensive treaty network
Luxembourg	0% (Free Zones)	0% (participation exemption)	0%	0%	Free zone tax exemptions
Hong Kong	0% (Foreign Source Income Exemption)	0%	0%	0%	Territorial taxation system
Bermuda	0%	0%	0%	0%	No corporate income tax

Cayman Islands	0%	0%	0%	0%	No direct taxation
GIFT City	100% exemption for 10/15 years	Limited exemption	Limited exemption	Applicable rates	Time-limited benefits

Suggestion:

1. Permanent Offshore Income Exemption
    - Full exemption on profits derived outside India
    - Dividends received from foreign entities
    - Capital gains arising from overseas investments
2. Removal of Time Limit
    - Abolish the existing 10-year restriction under Section 80LA(1A)
    - Provide indefinite exemption to match Netherlands, Luxembourg, Jersey, Guernsey and Isle of Man
3. Withholding Tax Waiver
    - Zero withholding on dividend repatriation, interest and royalties to non-residents.
4. Tax-Neutral Restructuring
    - Permit one-time, tax-neutral transfer of assets and operations from domestic entities in India to IFSC units should also be extended so as to ensure fairness and uniformity in treatment.

17. Proviso to section 115BAA – Adding of Unabsorbed additional Deprecation to the Block of Assets:

Background:
As per proviso to section 115BAA of Income Tax Act 1961 in case an assessee opts for new regime, they are eligible to add the unabsorbed depreciation pertaining to additional depreciation to block of assets in AY 2020-21 only. The additional depreciation is in nature of accelerated depreciation which is reduced from the block of assets. It is not in nature of any additional incentive like investment allowance, etc. Therefore, it is a genuine cost incurred by the assessee for purchase of capital assets.

Suggestion:
The same may be extended to the assessee who opts for new regime in any FY. The Proviso to Section 115BAA allowing the assessee to add the unabsorbed depreciation pertaining to additional depreciation should be allowed to be added to the block of assets to the assessee who opts for the new regime in any financial year.

18. Income-tax Act, 2025: section 273; Income-tax Rules, 2026: rule 176; e-Filing e-Proceedings specifications. - Faceless assessment

Background:
The e-Proceedings system currently permits 5 MB per attachment, up to 10 attachments and 50 MB in aggregate. Large assessment submissions therefore have to be split, increasing upload failures, indexing effort and risk of omission. Faceless assessment depends entirely on electronic exchange. Portal limits should not impede furnishing of relevant evidence such as contracts, ledgers, technical reports or large reconciliations.

Further, Govt. had introduced faceless assessment scheme through various notifications to streamline the process of assessments. However, certain practical difficulties are faced by the assesses due to very high volume of data and documents being sought with strict timelines for filing the replies such as basic accounting details /documents are sought again by the Dept. even without placing reliance on Published Annual Reports uploaded by the Companies as per MCA requirements. This results in hardship and unnecessary generation of documents adding to costs and defeating ease of business.

Suggestion:
It is suggested to increase the single-file limit substantially, preferably to 50 MB, and provide a secure bulk-upload/ZIP facility for voluminous evidence, with appropriate security and file-type controls.

Assessment units may be directed to simplify the process by adopting qualitative approach in assessment. They may seek specific information in relation to assessment and rely on sampling techniques instead of seeking all the documents in respect of all the transactions entered into by the assesses. Further documentation and information if needed can be sought on case to case basis in case warranted. Sufficient time to be given to assesses in order to file the reply commensurate with the volume of data and documentation being sought.

19. Income-tax Act, 2025: sections 356 to 360, particularly section 359(5) - APPEALS – CIT (A) / Procedure

Background:
The one-year disposal period for first appeals is qualified by the words 'where it is possible'. Old appeals, recurring issues across years and matters already covered by binding precedent can therefore remain in the ordinary queue for long periods. First appeal is the principal fact-finding appellate stage. Better statutory timelines and case triage can materially reduce the stock of appeals without compromising hearing rights.

Suggestion:
It is suggested to make the one-year period under section 359(5) mandatory, extendable by up to six months for recorded reasons. CBDT also should prescribe oldest cases first priority, consolidation of identical recurring grounds through a lead appeal, and fast-track disposal of issues squarely covered by the Supreme Court, jurisdictional High Court or an accepted CBDT position.

20. Income-tax Act, 2025: sections 287(9), 289 and 411; relevant electronic demand/refund provisions- ASSESSMENT - Procedural aspects / TAX ADMINISTRATION

Background:
A taxpayer-filed rectification application remains pending for long period. Even after payment, rectification or appellate relief, incorrect/outdated demands continue in the system until separately reconciled. The delay leads to significant hardship in getting refund on account of relief by appellate authorities. Most rectifications involve apparent errors, tax-credit mismatches or computational issues. A digital tax system should automatically propagate changes required on account of order of appellate authority, rectification application and payment data to the demand ledger.

Suggestion:
It is suggested to reduce the disposal period for taxpayer rectification applications to 90 days, with automatic supervisory escalation thereafter. Create a single demand ledger that auto-

updates from assessment, appeal, OGE, rectification and payment systems; unreconciled items older than 30 days should move to a designated resolution queue.

21. Income-tax Act, 2025: section 411(12)- TAX RECOVERY

Background:
Recovery action can continue while a stay application is pending because treatment of the assessee as "in default" during first appeal is discretionary. A taxpayer should receive a decision on a stay request before coercive recovery is initiated, except where there is a recorded and specific risk to revenue.

Suggestion:
It is suggested to provide automatic interim protection from coercive recovery from the date of a valid stay application until its disposal. Require a speaking order on the stay request within 30 days, subject to safeguards for demonstrated revenue risk.

22. Income-tax Act, 2025: section 17(1)(h) and Schedule II, Table Sl. Nos. 3 and 4- PENSION / SALARY

Background:
The Rs. 2.5 lakh employee-PF contribution threshold (where the employer contributes) and the Rs. 7.5 lakh aggregate employer-contribution ceiling for PF/NPS/approved superannuation introduce in Budget 2020 & 2021 respectively are fixed rupee limits and losing real value as salary levels and inflation rise. Retirement incentives should retain their real value and allow employees to allocate long-term savings among recognised retirement vehicles without arbitrary erosion of the tax benefit over time.

Suggestion:
It is suggested to increase the employee-PF threshold to Rs. 5 lakh or 12% of salary, whichever is higher, and periodically index it. Similarly, periodically revise the Rs. 7.5 lakh aggregate employer-contribution ceiling and retain a single consolidated limit across PF/NPS/superannuation.

23. Income-tax Act, 2025: sections 16(k), 17(1)(a) and (b), and 124; Income-tax Rules, 2026: rule 15(2) and rule 15(8)(k)- SALARY - Housing perquisite

Background:
For valuation of employer-provided accommodation, rule 15(8)(k) excludes employer contribution to provident fund & other retiral benefits from the salary base but does not exclude employer contribution to the notified pension scheme. Since employer NPS contribution is included in salary under section 16(k), it increases the housing perquisite value. The employer contribution to NPS is separately eligible for deduction under section 124, subject to prescribed limits. Including the same amount in the salary base for valuing an unrelated housing perquisite creates an avoidable cascading effect and unequal treatment vis-a-vis employer PF contribution & other retiral benefits.

Suggestion:
It is suggested to amend rule 15(8)(k) to exclude employer contribution to a pension scheme referred to in section 124 from the salary used for valuation of accommodation perquisite, at least to the extent eligible for deduction under section 124.

24. Income-tax Act, 2025: section 2(49)(w) read with section 39(1)(d) and (3)- CORPORATE TAXATION - Tax treatment of PLI incentives

Background:
Production Linked Incentive (PLI) receipts are Government assistance and may be taxable as income under section 2(49)(w), unless they fall within the limited exclusions. PLI is generally linked to incremental production/sales hence should not be taxed or adjusted with cost of assets. PLI schemes are intended to improve domestic manufacturing competitiveness, attract investment and scale up production. Taxing the incentive reduces the effective support intended under the scheme and creates uncertainty in project economics.

Suggestion:
It is suggested to insert a specific exclusion in section 2(49)(w) for incentives received under PLI schemes notified by the Central Government. Correspondingly clarify that such exempt PLI incentive shall not reduce actual cost under section 39

25. Requirement of TDS certificates:

Background:
As per the provisions of the act a deductor is required to issue the TDS certificates within 15 days from the date of filing of return and the deductee is required to maintain these certificates and the same may be called upon by the AO during assessment.

With the provision of TDS on purchase of goods becoming applicable, the number of TDS certificates received are huge and it becomes practically impossible for the large corporates to maintain the list of certificates received and the efforts for follow up is huge considering the magnitude of transactions.

Suggestion:
The income tax Department has brought in a very robust system wherein the TDS credit is made available in 26AS/ Annual Information Statement. This being an authenticated proof for availability of credit, income tax can amend the act to do away with the need for TDS certificates. This will bring lot of saving in time and manpower for the industries and there is also no loss to the income tax department as the data is clearly available in the 26AS/Annual information statement.

26. Changes in section 234C of the Income-tax Act, 1961 (Interest for deferment of advance tax) (Section 425 of the New Income Tax Act 2025)

Background:
Section 234C of the Act provides for levy of interest where there is shortfall in any instalment of advance tax actually paid vis-à-vis the instalment of advance tax payable as per the returned income.

Suggestion:
It is suggested that upstream oil & gas companies may be exempted from the rigours of section 234C or the rigours may be relaxed by providing that no interest shall be leviable on shortfall of installment of advance tax, if any, to the extent that such shortfall is attributable to either of the following reasons:

a. Fluctuations in the international prices of Crude Oil.
b. Movements in the Exchange Rates for foreign currencies,
c. Government directives on subsidy sharing,

Such unpredictable factors lead to difficulty in reasonable estimation of taxable profit and under estimation results in levy of interest u/s. 234C for no fault of the upstream oil & gas companies.

27. Allow Payment of Premium of Leasehold Land as a Revenue Expenditure

Background:
Under the Ind AS 16, the upfront premium paid on leasehold land held under operating lease are being treated as prepaid expenses and would need to be charged to the Profit and Loss statement under the head "rentals" on a proportionate basis over the life of the lease period. These upfront lump sum premium lease payments for leasehold land are essential business expenditure and do not generate any capital asset and hence are purely revenue in nature. These are just like payments made under any operating lease to utilise the leased property for the purposes of the business of the lessee and hence should be allowed just like any business expenditure for tax purposes.

However, in multiple rulings, upfront premium paid on lease of land has been held to be capital expenditure. High value premiums are paid especially in cases of lease from Government authorities, and treating the same as capital expenditure, despite no asset being created, leads to undue hardship to assesses.

Suggestion:
Appropriate clarity should be provided to the effect that upfront premium payments for leasehold land, shall be allowed as deductible expenditure under the Act in the year of its debit to the statement of Profit and Loss.

28. Taxability of Payments to nominee/legal heir of the deceased salaried employees (either in service or after superannuation) (Section 15 of the New Income Tax Act 2025)

Background:
Section 15 of the Income Tax Act, 1961 (herein after referred as "Act") which provides the basis of charge for any income to be taxed under the head salary, provides that income shall be chargeable under the head salary only if it's due to an employee from employer or former employer i.e., relationship of master and servant is a pre-condition for any income to be taxed under the head salary.

As per the extant practices and employee's welfare polices/ schemes being followed/ implemented by the companies, many of the payments such as medical facilities/reimbursements, financial assistance etc. are being made to the dependent nominees of the employees after demise of the employee. As there is no specific mention of such payments in section 17 of the Act, which defines the terms "Salary", Perquisite" and "Profit in lieu of Salary", different practice, as regard TDS thereon, is being followed by the employers/companies.

Suggestion:
It is, therefore, suggested that, a new clause may be provided in section 10/56 of the Act to provide for suitable taxability of such incomes to nominees/legal heirs.

29. Availability of deduction u/s. 36 in respect of contribution made to Trusts etc., set up for employees' welfare. (Section 29 of the New Income Tax Act 2025)

Background:
Section 36 of the Act provides for deduction in respect of contribution made by an employer towards certain funds/schemes set up for employees' welfare as specified therein. Further, section 40A(9) disallows any deduction in respect of any sum paid by an employer towards setting up or formation of any fund, trust, company etc., except to the extent provided by section 36 of the Act. As a consequence, even though the contributions/ expenditure are eligible for deduction as per section 37 of the Act, disputes are getting created as regards eligibility of contributions/expenditure made to trust, created for the purpose of employees welfare, as being not funds/schemes specified in section 36 of the Act.

Further, as per the pay revision guidelines for Public Sector Undertakings (PSU), issued by Department of Public Enterprises, PSU's are allowed to contribute to certain superannuation benefits to their employees and to make their own schemes to manage these funds. One of such superannuation benefit is Post-Retirement Medical Benefits (PRMB). To provide better security as regards PRMB, Companies in industry are creating Trust and funds allocated for PRMB is being managed by these Trusts. However, Assessing Officers, applying the provision of the section 40A(9) are disallowing the same being funds/scheme not mentioned u/s 36 of the Act.

Suggestion:
It is, therefore, suggested that, clause (9) of section 40A may be modified as follows-

"No deduction shall be allowed in respect of any sum paid by the assessee as an employer towards the setting up or formation of, or as contribution to, any fund, trust, company, association of persons, body of individuals, society registered under the Societies Registration Act, 1860 (21 of 1860), or other institution for any purpose, except where such sum is so paid, for the purposes and to the extent provided by or under clause (iv) or clause (v) of sub-section (10 of section 36, or as required by or under any other law for the time being in force or in order to comply with pay revision guidelines issued by Department of Public Enterprises."

30. Restriction on adjustment of demands exceeding 20%, pending disposal of appeal filed against the order

Background:
The Central Board of Direct Taxes had, vide Office Memorandum dated 29-02-2016 and 31-07-2017, issued guidelines for granting stay of demands pending disposal of appeals by first appellate authority. As per the aforesaid guidelines, where the outstanding demand is disputed before the CIT(A), the assessing officer shall grant stay of demand till disposal of first appeal on payment of 20% of the disputed amount.

However, in practice, it has been observed that, pending disposal of appeal by CIT (A), the number of demands raised and collected by the assessing officers often exceed 20% of total disputed amount and in certain cases, the entire demand is collected by way of payment / adjustment of refunds arising in any other assessment year.

Suggestion:
Suitable provisions may be inserted in section 245 (which empowers the assessing officer to adjust refunds against the outstanding demands) or section 220 of the Act (which deals with

payments of outstanding demands) restricting the assessing officers to raise and collect demands (by any mode) exceeding 20% of total disputed amount pending disposal of appeal by CIT (A). It may also be provided therein that the demand in excess of 20% of disputed amount may be raised and recovered by the assessing officer only with the prior approval of Chief Commissioner of Income-tax.

Further, to safeguard the Revenue's interest, certain exceptions to the aforesaid general rule may also be provided in line with the ones contained in CBDT's Office Memorandum dated 29-02-2016.

31. Dichotomy in methods of grossing-up of income subject to tax u/s. 44BB for TDS and assessment purposes (Section 61 of the New Income Tax Act 2025)

Background:

I. Section 195A of the Income-tax Act, 1961 requires multi-stage grossing up of income for TDS purposes if tax on the income of the payee is to be borne by the payer.

II. Section 44BB of the Act is a deeming provision which provides that income of a non-resident engaged in the business of providing services and facilities in connection with prospecting for, or extraction or production of mineral oils, shall be deemed to be 10% of the amounts specified in sub-section (2) thereof. Sub-section (2) of section 44BB would include any tax payable in respect of the sums payable to the non-resident. It has been held by the Hon'ble Uttarakhand High Court that the provisions of section 44BB admit of only single stage grossing up and the Hon'ble Supreme Court has dismissed Special Leave Petition filed by the Revenue against the Hon'ble High Court's judgment. Thus, the issue has attained the finality.

Suggestion:

In order to remove the aforesaid dichotomy in the methods of grossing up for TDS and for assessment purposes, suitable amendment may be made in section 195A of the Act so as to provide that, where income of the non-resident is taxable u/s. 44BB of the Act, the same would be subject to single stage grossing-up for TDS purposes also.

32. Allowance of Deduction under section 133 of the Income-tax Act, 2025 (section 80G of the Income-tax Act, 1961) for the purpose of sections 200 and 201 (sections 115BAA and 115BAB)

Background:

The Taxation Laws (Ordinance), 2019 introduced two new corporate tax rates, i.e., at 15% (Section 115BAB) and 25% (Section 115 BAA) for the domestic companies. However, the benefit of reduced tax rate is available only when total income of the company is computed without claiming specified deductions, incentives, exemptions and additional depreciation available under the Income-tax Act.

Under both the sections, it is mentioned that total income of the company will be computed without any deduction Chapter VI-A under the heading "C.—Deductions in respect of certain incomes" other than the provisions of section 80JJAA.

Chapter VI-A under the heading C mainly covers the profit linked deductions. Deduction under chapter VI-A under the heading ''A'' and ''B'' such as deduction under section 80G i.e. donations to charitable trust, institutions etc. was allowed under both the sections.

However, by the Act no 20 of 2020, effective from AY 2021-22, Chapter VI-A under the heading "C shall be substituted by Chapter VI-A other than the provisions of section 80JJAA or section 80M".

As per the amendment, no deduction will be allowed under section 115BAA and 115BAB for entire Chapter VI-A except Section 80M and 80JJAA. It may be worthwhile to note that deduction under section 80G even for contribution made to charitable trust and institutions, which are of national importance such as Prime Minister National Relief Fund, Prime Minister Drought Relief fund etc. will not be allowed as deduction u/s 115BAA and 115BAB.

Suggestion:
It is suggested that deduction under section 133 (section 80G) of Chapter VIII (Chapter VI-A) should be allowed while computing the total income under section 200 (section 115BAA) and Section 201 (section 115BAB).

33. Removal of requirement of Inventory valuation

Background:
Section 142(2A) empowers the Assessing Officer to direct special inventory valuation by a cost accountant where considered necessary in the interest of revenue. However, companies already subject to statutory Cost Audit are required to provide certain information in Form 6C, which substantially overlaps with information already examined and reported under the Cost Audit framework, resulting in duplication of compliance.

Suggestion:
It is suggested that companies covered under the statutory Cost Audit framework may be exempted from Form 6C, or alternatively, the reporting requirements under Form 6C may be suitably relaxed to the extent the information is already available through the Cost Audit report.

34. Exemption sought for Gratuity under Income Tax in line with DPE guidelines for CPSE employees- Section 19(1) of the Income Tax Act, 2025. (Section 10(10) of the Income Tax Act, 1961)

Background:
In terms of Section 19 (1) of the Income Tax Act, 2025, the maximum exemption from tax for Gratuity (received under the Provisions of the Payment of Gratuity Act, 1972) is restricted to INR 20.00 lakh in respect of CPSE employees which is not in parity with Central Government / State Government etc. employees.

CPSE employees Salary etc. is governed by DPE Guidelines wherein the updated Gratuity ceiling limit is INR 25.00 lakh, thereby INR 5.00 lakh becomes taxable.

Suggestion:
Section 19(1) be suitably modified for exemption upto monetary ceiling prescribed in DPE Guidelines for CPSE employees. Aligning the tax-exemption statutory threshold for CPSE employees with the DPE's updated entitlement ceiling will enable parity and protect the long-term retirement savings of Public Sector employees.

This establishes fiscal equity across Government and public sector employment, without a significant revenue burden on the Exchequer.

35. Restrictive Exemption under Income Tax for Leave Encashment at the time of Superannuation / Separation- Section 19(1) of the Income Tax Act, 2025. (Section 10(10AA) of the Income Tax Act, 1961)

Background:
As per tax regulations, leave encashment received by an employee who is not a Central Government or State Government employee is restricted due to computation of entitlement of earned leave not to exceed thirty days for every year of actual service and maximum limit of INR 25.00 lakh.

Above restrictive computation provision seems to dilute the purpose of the tax-exemption for leave encashment and ease of the tax burden on retiring employees who have hard earned their leaves through actual service.

Suggestion:
Section 19(1) be suitably modified to remove the restrictive cap of computation on number of days per year of actual service in calculation of eligible amount of leave encashment exemption within the cap of INR 25.00 lakh.

The modification will facilitate aligning tax relief with actual unutilised earned leave balances for CPSE employees and financial security for retiring non-government sector employees as well. This will not have significant revenue burden on the Exchequer in view of retention of upper ceiling limit of INR 25.00 lakh.

36. Minimum Alternate Tax- Restructuring of MAT framework (Finance Act 2026)

Background:
Restructuring of MAT framework (Finance Act 2026), eliminated the carry forward/future utilization of MAT from 1 April 2026. This converts MAT into a final tax, adversely impacting foreign companies engaged in oil and gas exploration including service contractors, which operate in India through branch/project offices.

Foreign companies are at a substantial disadvantage compared to domestic companies (domestic companies have option to move to new tax regime under section 200 of ITA, 2025 (115BAA of the Income Tax Act [ITA], 1961) wherein they are not liable to pay MAT), leading to double taxation on a significant portion of income, thereby creating a structural and inequitable disparity.

Suggestion:
It is suggested to extend to foreign companies an equivalent opportunity to opt for the new tax regime under Section 200 of Income Tax Act, 2025 and abolish MAT for foreign companies in alignment with taxation provisions for domestic companies.

Foreign companies make a significant contribution to the economy in the form of large capital commitments & related Foreign Direct Investment (FDI) from annual profits, employment creation, facilitation of / FDIs & cross-border trade, attracting Multinational Corporations (MNCs), bringing best-in-class practices to India and contributing to the CSR agenda. The foreign companies operate in India as a PE due to regulatory and commercial reasons. Abolishment of MAT for such foreign companies will provide the level playing field as compared to domestic companies.

This will eliminate the double taxation and resulting in double taxation by eliminating the structural and inequitable disparity, thereby promoting a stable and equitable policy environment.

37. Higher Rate of Depreciation on Assets resulting in reduction of emission

Background:
Rate of depreciation on Plant and Machinery is 15% p.a. The accelerated depreciation ranging mostly between 80-100% was available for certain block of assets such as renewable energy devices, air pollution control equipment, energy saving devices, etc. up to AY 2016-2017. CBDT vide notification no. 103/2016, dated, November 7, 2016, has restricted the highest rate of depreciation to 40% with effect from 1 April 2017.

There is no special incentive available to assessee on investments to be made on projects resulting into reduction of emission. The only incentive available to assessee is the higher rate of depreciation of 40% (as against general rate of 15% on Plant and Machinery) on certain specified assets as mentioned in appendix I w.e.f. AY 2006-07 under the category of Air Pollution Control Equipment, Energy Saving Devices, Renewable Energy Devices etc.

Accelerated depreciation on assets like renewable energy devices, air pollution control devices, energy saving devices, computers, computer software, etc. was provided not as an incentive but considering their fast obsolescence due to rapidly changing technology.

Further, the list of equipment's eligible for higher rate of depreciation of 40% is very restrictive and has not been amended since long. It doesn't include many assets which help in reduction of emission. For example, Vapor Recovery Unit (Unit designed to remove unwanted vapors present in crude oil or distillate tanks allowing operators to comply with prevailing emission regulations), 2G and 3G ethanol Plants etc. The category of Air Pollution Control Equipment presently covers only electrostatic precipitators, felt filter systems, dust collectors, scrubbers and ash handling/evacuation systems, and does not explicitly cover vapour recovery or similar units which prevent vapours from dispersing into the air.

Suggestion:

- The Current rate of depreciation on Plant and Machinery is 15% p.a. which is very low. Considering the fact that the companies who have adopted new tax regime under section 115BAA are not eligible for any capex-based incentive, it is suggested that the normal rate of depreciation on Plant and Machinery should be increased to 25% p.a.
- To incentivize the net-zero mission of the country, it is suggested that rate of depreciation on renewable energy devices, air pollution control devices, energy saving devices etc. should be increased from 40% p.a. to 60% p.a.
- List of equipment's under the category of renewable energy devices, air pollution control devices, energy saving devices, water pollution control equipment etc. should be amended to include Vapor recovery unit, 2 G and 3G ethanol plants, Effluent Treatment Plant, VOC Control System and all other equipment's and devices which result into reduction of emission whether directly or indirectly and contributing in achieving the Net Zero mission of Country.
- A new entry may be introduced in Appendix I to the Income-tax Rules, 2026 (40% block) covering plant and machinery directly enabling India's net-zero transitions, including the items listed at Annexure-I, in particular EV charging equipment and associated switchgear, battery-swapping stations, battery energy storage systems, green hydrogen electrolysers, Air Separation Units and ammonia synthesis loops for

green hydrogen / green ammonia, flare gas recovery systems, sulphur recovery units, carbon capture systems, zero liquid discharge plants and waste heat recovery / co-generation systems.

38. Raise the section 153 (erstwhile 80TTA/80TTB) savings-interest deduction from Rs. 10,000 to Rs. 20,000 and extend it to fixed/recurring deposits

Background:
Currently, Section 153(2)(a) of the Income-tax Act, 2025 (corresponding to erstwhile Section 80TTA) provides deduction up to Rs. 10,000 p.a. only with respect to the interest from savings bank accounts with banks/ co-operative society/ post offices, for individuals (other than senior citizens) and HUFs.

Suggestion:
For the purpose of enabling majority of taxpayers to avail this tax benefit, the existing scope of the said section needs to be expanded in order to cover other types of interest such as interest on bank / post office term deposits, recurring deposit etc. Moreover, such threshold limit of Rs. 10,000 also needs to be enhanced to Rs. 20,000 as there was no change in the limit since its introduction by Finance Act 2012.

Clarification

1. Rationalizing TDS Provisions - TDS if amount is credited unilaterally.

Background:
Various sections contained in Chapter XIX-B (sections 392 to 402) of the Income-tax Act, 2025 (Chapter XVII-B of the Income-tax Act, 1961), dealing with deduction of tax at source from sums payable to residents/non-residents mandates tax to be deducted at source at the time of credit of such sum to the credit to the account of the payee or at the time of payment thereof, whichever is earlier. It is also provided that where any such sum is credited to any account, whether called "Suspense account" or by any other name in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and tax is, therefore, required to be deducted accordingly.

A liability for expenses which may have been incurred by a person as on the Balance Sheet date but for which neither the payee has preferred any claim nor the amount payable has been quantified is often provided on an entirely ad-hoc basis in the books of account by assessee to avoid any adverse comment from auditors to the effect that the accounts do not reflect a true and fair view. In most of these cases, even the identity of the payees is not known, and a consolidated liability is provided on an entirely ad-hoc basis such as the amount which had been paid on a particular account in the preceding years. Owing to such ad-hoc nature of such liabilities, they are mostly reversed at the start of the succeeding year and whenever identity of the payees and amounts payable to them becomes clear, liability for the same is provided subsequently. In circumstances where the identity of the payee and the amount payable to that payee are not known and only an ad-hoc liability is provided, the requirement to deduct tax at source causes hardship to assessee.

Suggestion:
The Central Board of Direct Taxes has, vide circular no. 03/2010 dated 02-03-2010, clarified that there is no need for banks to deduct tax at source on provisioning of interest since no constructive credit to depositor's/payee's account takes place. It is suggested that similar

dispensation may be provided to all assessee by making suitable amendments in the provisions of the relevant sections contained in Chapter XIX-B of the Income-tax Act, 2025 (Chapter XVII-B of the Income-tax Act, 1961), dealing with deduction of tax at source. At the same time, to safeguard the interests of the revenue, it may be provided that the requirement not to deduct tax at source from sums so credited to any account shall apply only if the credit is afforded unilaterally i.e., without any invoice having been received from the payee, the amount is not credited to any particular payee's account, and the entire amount of the credit so afforded at the end of an accounting period is reversed at the beginning of the succeeding accounting period by the payee.

2. Restoration of weighted Deduction on R&D Activities and inclusion of expenditure incurred on Bio-fuels – section 45 of the Income-tax Act, 2025 (Section 35 (2AB) and 35(2AA) of the Income-tax Act, 1961)

Background:

The Finance bill 1997 introduced a sub section (2AB) in Section 35 of Income Tax Act 1961 allowing a deduction of 200% of the expenditure to encourage Research & Development (R&D) initiatives by the industry and to make R&D an attractive proposition. Though, such expenditure needs to be approved by the prescribed authority (Secretary, DSIR). The corresponding provisions are now contained in section 45 of the Income-tax Act, 2025.

However, the weighted deduction on in-house R&D expenditure under section 35 (2AB) and on contribution to National laboratory, University or IIT etc. under section 35(2AA) has been reduced from 200% to 150% by Finance Act 2016 effective from FY 2017-18 to 2019-2020 and thereafter no weighted deduction is available.

Suggestion:

Currently India is a technology importing country. To promote innovation in technology through research activities and to support Government's initiative to bolster India's research and innovation ecosystem, deduction under section 45 of the Income-tax Act, 2025 (sections 35(2AB) and 35(2AA) of the Income-tax Act, 1961) should be restored to 200% and allowed for the purpose of Section 200 (section 115BAA) and 201 (section 115BAB) also.

3. <u>Basis of cost to be certified by DSIR for depreciation at 40% on plant and machinery using indigenous know-how – Rule 25 of the Income-tax Rules, 2026 (Rule 5(2) of the Income-tax Rules, 1962)</u>

Background:

Rule 25 of the Income-tax Rules, 2026 (Rule 5(2) of the Income-tax Rules, 1962) provides that where any new machinery or plant is installed for the purposes of business of manufacture or production of any article or thing, and such article or thing is manufactured or produced by using any technology (including any process) or other know-how developed in, or is an article or thing invented in, a laboratory owned or financed by the Government, a laboratory owned by a public sector company, a University or an institution recognised by the Secretary, Department of Scientific and Industrial Research (DSIR), such plant or machinery shall be treated as part of the block of assets qualifying for depreciation at 40% of written down value, subject to the conditions that:

- the right to use such technology or know-how has been acquired from the owner of such laboratory or any person deriving title from such owner;
- the return of income for the tax year in which the machinery or plant is acquired is accompanied by a certificate from the Secretary, DSIR to the effect that the article or

thing is manufactured or produced using such technology or know-how or is invented in such laboratory; and

- the machinery or plant is not used for manufacture or production of any article or thing specified in Schedule XIII to the Income-tax Act, 2025 (Eleventh Schedule to the Income-tax Act, 1961).

The Secretary, DSIR is the prescribed authority to certify the plant and machinery eligible for the higher rate of depreciation. However, the rule does not prescribe the methodology to be adopted by DSIR for determining the cost of plant and machinery to be considered while issuing the certificate. In practice, the amount certified by DSIR is at times substantially lower than the cost capitalised and applied for by the assessee.

Suggestion:
It is suggested that the rule itself should clarify the basis for the certificate amount by providing that "the cost of plant and machinery for the purposes of this rule shall be deemed to be the actual cost of such plant and machinery as capitalised in the books of account and determined under section 39 of the Income-tax Act, 2025 (section 43(1) of the Income-tax Act, 1961)". The role of DSIR may be limited to certifying the use of the indigenous technology or know-how in the plant, and any exclusion of cost, if at all warranted, should be supported by recorded reasons communicated to the assessee.

4. Withdrawal of capital gains exemption on listing of wholly owned subsidiary – sections 70 and 71 of the Income-tax Act, 2025 (sections 47(iv) and 47A of the Income-tax Act, 1961)

Background:
Section 70 of the Income-tax Act, 2025 (section 47(iv) of the Income-tax Act, 1961) provides that transfer of a capital asset by a company to its wholly owned Indian subsidiary is not regarded as a transfer. However, as per section 71 of the Income-tax Act, 2025 (section 47A(1) of the Income-tax Act, 1961), where at any time before the expiry of 8 years from the date of transfer, the parent company ceases to hold the whole of the share capital of the subsidiary, the exemption is withdrawn and the capital gains are deemed to be income of the year in which the transfer took place.

Suggestion:

- Section 71 (section 47A) may be amended to provide that dilution of the parent's holding pursuant to a bona fide public issue / listing of the subsidiary on a recognised stock exchange, or issue of shares to investors for raising capital, shall not result in withdrawal of the exemption, so long as the parent continues to hold more than 50% of the share capital of the subsidiary.
- Alternatively, the lock-in period may be reduced from 8 years to 5 years or less for wholly owned subsidiaries.

5. **Fix double taxation of employer's NPS contribution under section 23/section 102 (erstwhile 17(1)(viii)/80CCD(2)) - taxed once as salary, again as perquisite**

Background:
Employer's contribution to the NPS (National Pension Scheme) account of the employee is includible in the taxable income of an employee-assessee as 'salary' in view of provisions of section 23 of the Income-tax Act, 2025 (corresponding to erstwhile section 17(1)(viii)). By the Finance Act, 2020, an amendment has been made in the definition of 'perquisite' so as to include such contribution therein in certain circumstances. Therefore, the said amendment is

apparently capable of leading to double taxation in the hands of employee-assessee of very same amount of employer's contribution to his NPS account first, as salary and then again as perquisite.

Further, a perusal of memorandum to the Finance Bill, 2020 shows that the intention behind the erstwhile substituted section 17(2)(vii) was only to bring to tax that part of the employer's contribution to the employee's NPS account which was exempt from tax and that too only where such contribution exceeds the specified limit of Rs. 7.50 lakh along with contribution to the other two specified funds.

Suggestion

To avoid double taxation, the amount of employer contribution to an employee's NPS account, can be included in total income of such employee either as salary or as perquisite. Since both are legally permissible, one which is more beneficial to the assessee is to be adopted and the same shall be at the option of the assessee. In such circumstances, treating the employer's contribution to NPS as perquisite will be more beneficial to the assessee, and the assessee will accordingly opt for that route. As a consequence, an unintended double benefit may also flow to the assessee in form of non-inclusion of employer's NPS contribution (to the extent of Rs. 7,50,000/-) in gross total income under the perquisite limb of Section 23 while a deduction for the very same amount continues to be allowed under Section 102 of the Income-tax Act, 2025 (corresponding to erstwhile section 80CCD (2)). This double benefit arises because the erstwhile section 80CCD fell within part B of chapter VI-A of the 1961 Act.

This is resulting ambiguity will also continue to discourage employees from opting into NPS where it is not mandatory, for fear of double taxation or unnecessary litigation defeating the social objective for which NPS was framed by the Government.

B. Indirect Tax

I) Excise Duty

Upstream

Amendments

1. **Abolish/Review rate of Oil Industry Development (OID) cess on oil production in the Pre-NELP Exploration Blocks/Nomination regime**

Background:

OID Cess is levied on Crude Oil in terms of The Oil Industries (Development) Act, 1974. Till Feb'16, OID Cess was levied at specific rate (Rs. / MT) and revised from time to time keeping in view crude oil prices.

Considering unprecedented reduction in crude prices, OID Cess was reviewed and revised from Rs. 4,500/MT to ad-valorem 20% w.e.f. 01 Mar'16. Though, in the Budget, introduction of ad-valorem OID Cess rate was envisaged by the Government as relief for the industry, its unduly high rate at 20% has impacted industry adversely. As, historically OID Cess has been levied in range of 8-10% of crude price, Industry including ONGC has been making representation to Govt. for review and reduce the rate of OID Cess.

OID Cess is levied @ 20% on crude oil produced from nominated blocks and Pre-NELP Exploratory Blocks. Most of the Fields of the Pre-NELP and nomination regime are already in the decline stage and need more initiatives and expenditure to maintain/enhance the existing production level. It is pertinent to mention that OID Cess is not applicable in NELP, OALP and DSF blocks. It is understood that these incentives have been extended under relevant schemes to augment domestic oil production.

Further OID Cess is levied only on crude oil produced domestically. Thus, it places domestic crude oil producers at a significant disadvantage vis-à-vis imported crude oil. This levy, thus, is against the very spirit of "Make in India" and "Atmanirbhar Bharat" and needs an amendment.

Besides OID Cess, other statutory levies viz. royalty (@ 10% and 20% on offshore & onshore production respectively), at the rate notified on fortnightly basis, NCCD at Rs50/MT, Basic Excise duty at Re1/MT and VAT (@ 5%) are also paid on crude oil produced from Nomination and Pre-NELP Exploratory blocks. Royalty and OID Cess are production levies and not pass through to Buyers and form part of cost of production. It makes many new development projects economically unviable. During low crude oil price regime, it also results into significant amount of impairment loss of Assets of upstream companies.

Suggestion:

(a) Request for abolition of OID Cess in respect of nomination / pre-NELP blocks is well justified. Exemption of Cess will improve the techno-economics of these fields for further production. The increased liquidity will encourage the contractor for continuous investment in these fields for maintaining/enhancing the production. This will make many projects viable and with increased production, any balance revenue gap will be more than compensated.

(b) In case, Cess is not abolished, considering the minimum price required to meet its cost of production and to sustain the operations, it is proposed to levy OID Cess based on a fair graded system linked to crude oil prices to calibrate volatility in prices:

Crude Oil Prices ($/bbl)	OID Cess (Ad-valorem)	Clarification
Upto 25	NIL	NIL
25 to 50	5%	5% of crude oil price above USD 25/bbl (A)
50 to 70	10%	(A)+10% of crude oil price above USD 50/bbl = (B)
70 and above	20%	(B)+ 20% of crude oil price above USD 70/bbl

2. Tapering of Royalty rates

Background:
Keeping in view the proposed dismantling of Administered Pricing Mechanism (APM), a Committee headed by Sh J.M. Mauskar, Joint Secretary (Exploration) in the Ministry of Petroleum & Natural Gas (MoP&NG) was constituted in Year 2000 for evolution of a new scheme of royalty w.e.f. 1.4.1998. Based on the recommendations of the Mauskar Committee, the new royalty scheme effective from 01.04.1998 was circulated vide Resolution dated 17 Mar'03. Salient features of the Resolution dated 17 Mar'03 are as under:

I. Royalty will be fixed on Ad valorem basis.
II. Royalty will be calculated on cum-royalty basis
III. Effective from 01.04.2002, for onland areas, royalty will be paid @ 20% of the wellhead price till 2006-07. The convergence process would commence w.e.f. 2007-08 with tapering rates of royalty @ 1.5% each year so as to facilitate convergence with NELP royalty rate of 12.5% by 2011-12. For offshore areas, royalty will be paid @ 10% of the wellhead price.

Subsequently, the scheme of royalty was issued by Government vide notification dated 16 Dec'04, wherein it was decided that the royalty on production from nomination blocks shall be levied @ 20% and 10% of well head price in respect of onland and offshore areas respectively.

Suggestion:
Tapering of Royalty rates as proposed in Resolution dated 17 Mar'03 should be implemented and royalty on production from onland nominated blocks should be brought to the level of 12.50% that is equal to Royalty rates applicable to crude produced from NELP Blocks.

3. **NCCD – Crude Imports**

Background:
During the severe drought during 2003, the Union Finance Budget of 2003-04 imposed National Calamity Contingent Duty (NCCD) of Rs.50 per metric tonne on domestic as well as on imported crude oil, amongst various other goods, to augment the fund available with the Govt. and to support the relief work in the areas affected by natural calamity. However, the levy is continued till date.

Suggestion:
It is suggested to remove National Calamity Contingent Duty on Crude Oil levied @ Rs.50/MT

4. Custom duty exemption on LNG, propane, butane & LPG import against Certificate of Origin from UAE

Background:
Under the India–UAE Comprehensive Economic Partnership Agreement (CEPA), the Government of India issued Notification No. 22/2022-Customs, dated 30.04.2022, exempting customs duty on imports of LNG, Propane, Butane and LPG (non-automotive use), provided such goods are of UAE origin. The conditions for availing this exemption are prescribed in the Customs Tariff (Determination of Origin of Goods under the Trade Agreement between the Government of the Republic of India and the Government of the United Arab Emirates) Rules, 2022 (hereinafter "RoO"), notified vide Notification No. 39/2022-Customs (N.T.) dated 30.04.2022.

As per these Rules, the benefit of concessional duty is subject to submission of a **valid Certificate of Origin (CoO)**, issued by the **Ministry of Economy, UAE**, within the timelines prescribed. As per Rule 14(2) of RoO, Certificate of Origin shall be valid for twelve months from the date of issue in the exporting Party. Further, as per Rule 15(7) of said rule, The Certificate of Origin shall be submitted within its validity period.

Suggestion:
Various difficulties were being faced by the industry during the initial phase in obtaining CoO, hence, in order to honor the bilateral agreement, benefit should be allowed for imports till 31.03.2024 where CoO has been issued even after 12 months.

5. Upfront Exemption of Duties of Excise on HSD used for upstream petroleum operations

Background:
Excise duty was exempt for HSD procured under ICB conditions for the E&P sector vide Notification No. 12/2012-CE dated March 17, 2012.

Post introduction of GST, the said exemption notification was withdrawn and thus, the exemption under ICB conditions was no longer applicable. Specified rates were prescribed for Excise Duty on High-Speed Diesel (HSD) vide a new Notification No. 11/2017-CE dated 30 June 2017.

Recently the cost of operations for upstream companies have significantly increased. The exemption will bring the upstream sector at par with the pre-GST regime.

Levy of Excise duties on HSD is adversely affecting the cash flows of the companies and increasing the burden of documentation on E&P companies.

Suggestion:
To restore the exemptions from the duties of excise (Basic Excise Duty, Special Excise Duty & additional duty of excise) on HSD procured for the petroleum operations under ICB conditions to bring the upstream sector at par with pre-GST regime.

Downstream

Amendments

1. **Ethanol - For Captive Consumption within the state – Excise Exemption**

   Background:
   OMCs have set up their own 2G ethanol manufacturing plant. Currently, stock transfers of ethanol within state is not leviable to GST, however exemption under Excise is available to EBMS only if GST paid ethanol is blended in MS.

   Suggestion:
   Suitable amendment in exemption notification under the Central Excise law for exempting the blended EBMS produced from Ethanol manufactured from their own ethanol plants, by removing the condition of blending of GST paid ethanol in MS. The current excise exemption for EBMS excludes in-house ethanol of OMCs as no GST is paid on intra-state stock transfers, raising costs. Removing the "GST-paid" condition (for captive consumption within the state) will promote 2G ethanol use, and support the Ethanol Blending Programme's green energy goals.

2. **HSN Code for E22, E25, E27 and E30 EBP under Central Excise Tariff (Fourth Schedule):**

   Background:
   Vide Notification No. 26,27,28,29/2026-Central Excise dated 10.06.2026, exemption from central excise duties is provided for 22%/25%/27% and 30% ethanol blended petrol, that is a blend of duty paid motor spirit (commonly known as petrol), and GST paid ethanol confirming to respective Bureau of Indian Standards specifications of 22%/25%/27% and 30% EBP. However, separate HSN codes for E22, E25, E27 and E30 are not yet included in Central Excise Tariff (Fourth Schedule).

   Suggestion:
   Central Excise Tariff (Fourth Schedule) may be modified to include separate HSN codes for E22, E25, E27 and E30.

3. **Levy of Special Additional Excise Duty (SAED) / Road and Infrastructure Cess (RIC) on export of refined petroleum products**

   Background:
   Levy of Special Additional Excise Duty (SAED) / Road and Infrastructure Cess (RIC) on export of refined petroleum products namely High-Speed Diesel (HSD), Aviation Turbine Fuel (ATF), and Motor Spirit (MS / Petrol) affects the net realization and competitiveness of Indian Refineries. India first introduced the SAED / RIC in July 2022 and same was removed in September 2024. It was reintroduced on 27th March 2026. The Ministry of Finance reviews these rates every fortnight to align them with international crude oil prices and product refining margins.

   Suggestion:
   Windfall tax may be considered for removal because exceptional refining margins are market driven and inherently volatile. A predictable and stable tax regime would enable refiners to retain greater resources for capacity expansion, modernization, energy security, and the transition toward cleaner energy. Since refining profitability can fluctuate sharply across

market cycles, taxing temporary periods of high margins may discourage investment and reduce the competitiveness of the domestic refining industry.

4. **Non availability of Zero-Rated Supply Benefits**

Background:
The issue is non availability of Zero-Rated Supply Benefits in respect of supplies in the nature of inputs and capital goods procured by SEZ Unit for its authorized operations but utilized outside SEZ area on account of business requirements.

Due to various operational reasons, there are instances where goods procured by an SEZ Unit for its authorized operations cannot be physically delivered within the premises of the SEZ and are instead required to be delivered at locations outside the SEZ area such as ports, jetties etc. In such circumstances, the benefit of **zero-rated supply** is not extended to the SEZ Unit merely because the goods are delivered outside the SEZ area. As a result, GST becomes payable on such procurements, leading to an increased cost of procurement.

Suggestion:
It is suggested that the benefit of zero-rated supply be extended to goods including capital goods procured by an SEZ Unit for its authorised operations even where such goods are required to be delivered outside the SEZ premises due to genuine operational or logistical requirements subject to appropriate documentation and verification of their use for authorised operations.

5. **Restriction on refund of input tax credit in respect of capital goods in respect of SEZ Unit**

Background:
GST paid on Capital goods installed outside SEZ Area for authorized operation is not eligible for Refund. Considering the fact that SEZ Unit does not collects GST in respect of Goods exported / domestically sold, accumulated Input Tax Credit in respect of such capital goods remains unutilized as well as non-refundable, resulting in the GST component effectively becoming an additional cost to the SEZ Unit.

Suggestion:
A provisions allowing refund of such GST paid on capital goods to SEZ Unit or to transfer such credit to other unit with same PAN (as in the case of cash credit) would resolve the issue.

6. **Definition of export in Rule 18 of Central Excise rule, 2017**

Background:
The definition of exports is only given in rule 18 of Central excise rules where it is states that for the purpose of this rule, exports include includes shipment of goods as provision or stores for use on board a ship proceeding to a foreign port or supplied to a foreign going aircraft. However, rule, 19 which provides for export of excisable goods without payment of duty does not contain any definition of export. Although this has been settled position that definition of rule 18 is applicable to rule 19 as well, but whenever any new excise authority takes charge, it becomes a challenge to satisfy them that rule 19 also includes goods supplied as stores or provision on foreign going aircraft/vessel.

It has always been the intent of law to includes shipment of goods as provision or stores for use on board a ship proceeding to a foreign port or supplied to a foreign going aircraft under the purview of export so that they can be exported without payment of duty. The same is also clear from excise circulars like Circular No. 804/01/2005-CX dated 5th January 2005.

Suggestion:
It is suggested that definition of export under rule 18 should be extended to Rule 19 so as to avoid any ambiguity with respect to its interpretation.

7. Exemption to CNG from payment of excise duty/GST

Background:
Presently, Central Excise duty is applicable on CNG due to Chapter Note 3 of Chapter Note to Chapter 27 of CETA. It may be observed that after introduction of GST, the process of compression of Natural Gas into CNG by third party, is also liable to GST. Thus, the conversion process is now suffering double taxation i.e. Central Excise and GST, thereby increasing the overall cost of CNG leading to inflated pricing. It is desirable that conversion of Natural Gas into CNG be exempted either from Central Excise Duty or GST, at least to avoid the double taxation. This will promote usage of this environmentally friendly fuel in domestic and commercial transportation sectors.

It may also be observed that after introduction of GST considering that credit of GST paid on input/input services/ capital goods used for production/supply of CNG is not available to producers and suppliers of CNG, which in turn leads to cascading and inflationary effect.

Suggestion:
In view of the above, the conversion of Natural Gas into CNG may be exempted from levy of Central Excise Duty and/or GST. This will make CNG more economical and will promote use of this environment friendly fuel in domestic and commercial transportation sectors.

8. RCS supplies at 1% VAT in MPVAT based on MOU

Background:
The memorandum of understanding (MOU) was executed among ministry of civil aviation GOI, Government of Madhya Pradesh (MP) and Airports authority of India on 11th Nov, 2016 on Regional Connectivity Scheme (RCS). As per MOU Clause 4.2.2 State government shall reduce VAT rate to 1%.

With that bonafide belief, entity has supplied ATF to M/s Indigo at Bhopal Airport at 1% VAT rate during the period May 2021 to July 2022. During the VAT assessment, Department has denied the concessional rate stating that no official Notification was issued under MP State VAT Act. Department has levied VAT demand along with interest on the supplied made at RCS Airport.

Suggestions:
A representation was submitted to Commissioner of Commercial Tax, Indore-MP requesting to issue retrospective notification for charging VAT at 1% under RCS scheme. It is suggested that notification effective retrospective be issued under MP State VAT act for supply of ATF to RCS flights at RCS airports at concessional 1% VAT rate.

9. Amendment of wording in entry no. 9A of Notification No. 11/2017 – Blending of CNG with CBG

Background:
Under CGD operations, Biogas/CBG injected into the pipeline network co-mingles fully with Natural Gas before reaching CNG stations; blending is not confined to the compression facility/outlet. Entry no. 9A of Notification No. 11/2017 refers to “Compressed Natural Gas

(CNG) when blended with Biogas or Compressed Biogas (CBG)". The wording "CNG" is thus operationally restrictive as in practicality, blending is done with Natural Gas and not CNG. Further, since CBG is itself GST-paid and separately saleable, restricting the exemption to blending with CNG undermines the incentive to promote CBG use.

Also, since excise registration is obtained at the Geographical Area (GA) level, with departmental intimation required only for addition of locations under the same registration, and gas flows within the network being network-based rather than location-specific, it is proposed that blending — and the corresponding excise exemption — be accounted for on an aggregate basis at the GA level.

Suggestion:
Exemption notification should be amended to include blending with Natural Gas. The Suggested clarificatory wording:

" Natural Gas / Compressed Natural Gas (CNG) when blended with Biogas or Compressed Biogas (CBG)

Explanation - For the purpose of computation of excise duty under this entry, the value of such blended Compressed Natural Gas (CNG) shall exclude the value of Biogas or Compressed Biogas (CBG) contained in such blended Compressed Natural Gas (CNG) and the amount of appropriate Central tax, State tax, Union territory tax and Integrated tax, as the case may be, paid on such Biogas or Compressed Biogas (CBG) to the extent of quantity injected in the pipeline network, determined on an aggregate basis at the Geographical Area level."

10. Sr. No 10 of Notification 11/2017- CE dt 30.06.2017

Background:
Sr no. 2 and 2A of the notification provides for effective rate of excise duty for Motor Spirit, commonly known as petrol for blended and unblended respectively. Sr. no 10 of the notification provides for Nil rate of basic excise duty for products falling under 2710 12 41 (Motor Gasoline conforming to standard IS2796) other than goods which are mentioned at Sr. no. 2,4 and 5.

Products falling under S.no. 2,4 and 5 only have been excluded from the S.no. 10 which technically implies that products falling under Sr. no. 2A of the notification i.e. unblended MS, commonly known as petrol may also attract "Nil" basic excise duty which is contradictory to the specific entry as provided for the said product and also defeating the intent of the Government to levy additional basic excise duty @ Rs. 2/ ltr on unblended MS, intended for retail sale to boost the blending program.

Suggestion:
Since separate effective rates have already been provided for Unblended Motor spirit intended for retails sale and 5%/10% Ethanol Blended Motor spirit, the entry at S.no 10 of the said notification may be suitably amended to include Sr. no. 2A to remove ambiguity.

11. Different excise duty prescribed for unblended HSD intended for retail customers.

Background:
Govt. of India increased the basic excise duty of Rs 2 per liter on the Unblended HSD intended for retail sale w.e.f. 01.10.2022 vide Central Excise notification no 01/2022 dated 01.02.2022. This notification was superseded by notification no-31/2022-CE dt 30.09.2022 providing

effective date of implementation of higher basic excise duty of Rs. 2/ ltr for unblended HSD intended for retail sale being 01.04.2023. The date has been further extended to 01.04.2026 vide notification no 01/2025-CE dated 01.02.2025, and has now been deferred till 31.03.2028 vide notification no. 02/2026-CE issued with the Union Budget 2026-27.

Suggestion:
In view of the non-availability of bio diesel and various operational/commercial issues, the said notification may be withdrawn, and end use based different excise duty to be negated, instead of deferring the levy from year to year.

Further, the requirement of certification by Statutory auditor for clearances of MS/ HSD may also be dispensed.

12. Tariff 2710 12 90 Other in Central Excise Fourth Schedule -

Background:
As per notification ref. 8/2019-CE(T) dt. 31.12.2019, the tariff 2710 12 90 – Other, provide for tariff of 14% + Rs. 15.00 per litre. Though in terms of Sl. No. 10 of notification ref. 11/2017-CE dt. 30.06.2017 (amended vide notification ref. 9/2019-CE dt. 31.12.2019), the effective rate of tax is 'nil'.

Thus, this entry gives impression that there could be certain products which may fall in this entry and leviable to Central Excise and not GST. However, in terms of 101st Constitutional Amendment Act and Section 9 of CGST Act, 2017, only five petroleum products i.e. MS (Commonly known as petrol), HSD (High Speed Diesel), ATF (Aviation Turbine Fuel), Natural Gas and Crude Oil are subject to levy of Central Excise Duty.

Suggestion:
Notification ref. 8/2019-CE(T) dt. 31.12.2019 to be amended to remove the rate of excise duty prescribed for tariff 2710 12 90 as same is subject to GST

Clarifications

1. Clarification on SAED applicability of supply of ATF to Foreign Going Aircrafts

Background:
Vide Notification No. 07/2026- CE dt 26.03.2026, Special Additional Excise Duty (SAED) @ Rs. 50/ ltr has been levied on ATF by amending Eight Schedule to Finance Act, 2002. Further, vide Notification No. 09/2026- CE dt 26.03.2026, exemption from SAED on ATF has been provided to all clearances except goods cleared for "export". However, "export" is not defined in this notification, unlike the notification 10/2026- CE dt 26.03.2026 which provides for exemption from BED on ATF cleared for "export" or "supplied as fuel to foreign going aircraft".

In the absence of a specific definition under Notification No. 09/2026, there is a likelihood that field formations may interpret "export" includes fuel supplied to foreign going aircrafts and deny the benefit of exemption from export duties (SAED) on fuel supplied to foreign-going aircrafts.

Suggestion:
It is suggested to ensure uniformity in interpretation across field formations and to avoid unnecessary litigation, it is requested that Notification No. 09/2026 be suitably amended to incorporate a clear definition of "export" in line with Notification No. 10/2026. This will

explicitly clarify that exemption from export duty (SAED) is also available on fuel supplied to foreign-going aircrafts.

2. Relief on Service Tax Demand on trade margin w.r.t. supply of CNG

Background:
The Hon'ble Supreme Court, vide judgment dated 20.07.2026, has held that the price differential/margin arrangement between OMCs and CGD entities for supply of CNG constitutes an agency arrangement and not a sale, making OMCs liable to service tax under the Finance Act, 1994. As similar arrangements were widely followed across the industry during both the service tax and GST regimes, the ruling may lead to substantial retrospective tax demands, interest, and penalties on transactions that were bona fide treated as sales.

Suggestion:
Since the trade margin model between OMCs and CGD entities for CNG supply was a uniform, bona fide industry practice that also had the support of consistent Tribunal rulings until this reversal, it is submitted that the Central Government/CBIC should issue a clarificatory Circular under the Finance Act, 1994 (and correspondingly under the CGST Act for the GST period) laying down clear criteria to distinguish a "sale" from a "Principal-Agent" arrangement in CGD contracts. Further, currently there would arise levy of three types of Taxes i.e. –

i. VAT on sale of CNG
ii. Excise Duty on Compression
iii. GST may be levied on trade margin if the Supreme Court Judgement is relied upon by GST Authorities

In addition, these tax levies may result in a cascading tax effect. In view of the above, we request to have a comprehensive review of the relevant transactions in order to formulate a final, well-defined tax policy governing CNG business operations.

Retrospective tax demands arising from a new judicial interpretation of a long-standing industry practice would unfairly affect taxpayers who acted in good faith. Since CNG distribution covers more than 400 authorised geographical areas, applying the ruling mechanically to past transactions could result in tax, interest, and penalty demands running into thousands of crores.

Large retrospective recoveries would be inconsistent with the Government’s objectives of tax certainty and ease of doing business. This could discourage further investment in CNG infrastructure at a time when the expansion of clean fuels and making India a Gas based economy is an important policy priority.

3. Exemption of Blending of ATF (IS 1571) with renewable feedstock/synthesized hydrocarbons resulting in Blended Aviation Turbine Fuel conforming to IS 17081

Background:
At present, Aviation Turbine Fuel (ATF) is subject to Central Excise Duty, whereas the renewable component used for blending with ATF is liable to GST. The activity of blending ATF with renewable feedstock constitutes a manufacturing process under the Central Excise regime, resulting in the emergence of a new product, namely Blended Aviation Turbine Fuel, classifiable under tariff heading 2710 19 33 and conforming to IS 17081:2019 specifications. Consequently, the blended ATF becomes liable to excise duty.

Suggestion:

It is recommended that Blended Aviation Turbine Fuel (BATF), produced by blending:

- ATF on which applicable Excise Duty has already been discharged; and
- Renewable feedstock on which GST has already been paid,

be exempted from Excise Duty, on lines similar to the exemption granted to Ethanol Blended Motor Spirit (EBMS) under Notification No. 11/2017.

Levying Excise Duty on Blended ATF results in an element of double taxation, as both constituent inputs, namely ATF and renewable feedstock, have already suffered tax under their respective tax regimes. Imposition of Excise Duty on the blended product increases the overall tax burden without corresponding value addition and creates avoidable compliance complexities for manufacturers. Further, such taxation acts as a disincentive to the adoption of sustainable aviation fuels and renewable blending initiatives. Granting an exemption to Blended ATF would align with the Government's objectives of promoting cleaner energy alternatives, reducing carbon emissions, encouraging investment in renewable fuel technologies, and facilitating the transition towards a more sustainable aviation sector.

4. Clarification with respect to period of excise exemption to Aviation Turbine Fuel (ATF) drawn by the selected airline operators or cargo operators for the RCS flights from RCS-UDAN airport/heliport/water drome.

Background:

Sl.No.7 of Notification 11/2017-CE dated 30.06.2017 as amended by Notification 07/2019-CE dated 22.08.2019 allows Basic Excise Duty (BED) exemption in excess of 2% to Aviation Turbine Fuel (ATF) drawn by the selected airline operators or cargo operators for the RCS flights from RCS-UDAN airport or heliport or water drome. However, the exemption is valid up to the expiry of a period of three years from the date of commencement of operations of the Regional Connectivity Scheme (RCS) – Ude Deshka Aam Nagrik (UDAN) airport or heliport or water drome as notified by the Ministry of Civil Aviation or till the end of scheme period whichever is earlier.

In this regard, various notifications are issued by the Ministry of Civil Aviation to notify the date of commencement of RCS routes by RCS flights for the purpose of above referred excise exemption. These notifications issued by the Ministry of Civil Aviation refer to the excise exemption notification issued by the Ministry of Finance while laying down the dates of commencement of operations of RCS route, thus confirming that these dates are being notified for the purpose of the said exemption.

Hence, due to language used in the Excise exemption notification a confusion lies as to whether the 3-year period of exemption starts from the date of commencement of operations of RCS airport or date of commencement of operations of each RCS flight.

Moreover, Airport Authority of India being the nodal agency for RCS scheme has also clarified the Notification No:7/2019 dated 22.08.2019 vide approval letter no: F.No.AAI/Excise Duty/ATF/2019-RCS Cell dated 14.10.2019 that “period of three years for each RCS flight shall be calculated from the date of commencement of RCS flight from the airport.”

Suggestions:

A suitable clarification in this regard may please be issued by the Ministry of Finance on similar lines as issued by the Airport Authority of India. Alternatively, the wording in notification 11/2017 may be changed to:

"Provided that nothing contained in this notification shall apply to goods specified against Sl. No. 7 of the said table after the expiry of a period of three years from the date of commencement of operations of the each Regional Connectivity Scheme (RCS)- Ude Deshka Aam Nagrik (UDAN) flight as notified by the Ministry of Civil Aviation or till the end of scheme period whichever is earlier"

5. Clarification on goods for Tariff classification covered under Motor Spirit (commonly known as petrol) and High-Speed Diesel

Background:

Presently, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel are outside the ambit of GST as per the section 9(2) of the CGST Act 2017.

However, the GST law does not define Motor Spirit (commonly known as petrol) and High-Speed Diesel. Various interpretations may be there what is covered under petrol and High-Speed Diesel (HSD) depending upon the sources. Accordingly, clarity is required as to which tariff would be covered under GST and which would be outside the ambit of GST.

Further the Fourth schedule to the Central Excise Act 1944 covers various goods which are covered under GST though rate of duty column is kept blank.

Under the IS specification (i.e. IS 2796 / IS 1460) - BS IV and BS VI grades are covered. However, BS II & BS III grades of Petrol and Diesel are not covered in any of the IS specification. Hence inter refinery transfer of BS II / BS III may have issues on classification as Motor Spirit / Diesel.

Suggestion:

Clarity may be provided with regards to tariff covered in GST and not covered within the ambit of GST by suitable modification to fourth Schedule so as cover only those products namely petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel which are outside the ambit of GST as per provision of section 9(2) of CGST Act 2017 as per the 101st Constitutional Amendment Act.

In other words, schedule IV of excise may specify the only products covered for levy of Central Excise duty and not the products covered under GST law to bring clarity across board.

II) Customs Duty

Upstream

Amendments

1. **Customs duty exemption on import of critical equipment deployed for petroleum operations (List 33 under Sr. No. 404 of Notification No. 50/2017-Cus dated 30 June 2017)**

   Background:
   Notification No. 30/2024-Customs dated 23 July 2024 has reinstated exemption from payment of custom duty for certain items for Sr. No. 404 of Notification No. 50/2017-Cus dated 30 June 2017.
   However, a sunset date has also been prescribed as 31 March 2026. Currently the sunset clause on customs duty exemption is reviewed and extended typically every 2 years (most recent exemption given in the Union Budget 26-27 till 2028).

   This short-term review creates tax uncertainty for investors and importantly as upstream projects are long gestation projects, two-year extensions are not in alignment with the lifecycle of these capex intensive projects. This adversely impacts procurement planning, cost estimations and erodes investor confidence.

   Suggestion:
   It is suggested to provide a long-term exemption/removal of the sunset clause on customs duty exemption on import of critical equipment deployed for petroleum operations

2. **Insertion of HSN in List-33 of Customs Notification 50/22017 and Pruning of List-33**

   Background:
   E&P companies are eligible for customs duty exemption and concessional IGST on import of specified goods, earlier available under Sl. No. 404 of Notification No. 50/2017-Cus, now replaced with Sl. No. 229 (List-16, Condition No. 28) of Notification No. 45/2025-Cus (presently in force), which substantially carries forward the same structure and conditions. Finance Act made following amendments in the earlier Notification leading to issues which continue to persist in the new notification.
   - Customs HSN Codes was incorporated in the list along with the description of goods.
   - The list of eligible items was significantly pruned.

   A) Issue due to insertion of HSN Code against Description of Items:

   — Prior to the amendment, there was no HSN Code specified for availing customs duty benefit on import of specified goods;
   — The items specified under revised list despite having wider coverage gets restricted due to corresponding HSN.

   B) Pruning of List of Items eligible for Customs Duty Exemption:

   — The revised list has been prepared considering availability of domestic goods in view of Make in India Policy of the Govt. However, in certain cases such goods are domestically not manufactured or there is capacity constraint of domestic suppliers to fulfil the requirement of E&P Industry. Also, several items not available in India are kept out of the New List.

— As a result, merit rate of duty is being charged (BCD, SWS & IGST) at the time of customs clearance on import of goods which have now been removed or there is inconsistency in the description and HSN code.

It is pertinent to mention that the said concessional rate of IGST on such imports has been increased from 5% to 12% vide Customs N/No.40/2022 dt.13.07.2022 and subsequently to 18% vide Notification No. 36/2025-Cus dt. 17.09.2025.

Suggestion:
The reference of HSN Code under Revised List may be removed or may be maintained at Chapter Level i.e. upto 2 digit instead of 4-8 digit level. This suggestion is in line with all other lists (List 1 to 32 & 34) pertaining to other Industries in the same customs notification. Items which are not manufactured in India or where there are capacity constraints in the country, may be re-added to the revised list.

Further, it is requested that concessional rate of IGST at 5% be restored till Crude Oil and Natural Gas are brought under GST regime.

3. Removal of Sunset clause from Serial No. 229 of the Customs Notification No. 45/2025-Cus dt. 24.10.2025 (as amended)

Background:
E&P Sector is eligible for concessional rate of Customs Duty (BCD-Nil) in terms of Sl. No.229 (Condition-28) to the Customs Notification No.45/2025-Cus (as amended) on import of specified goods required in relation with petroleum operations.

A sunset clause for the concessional rate was introduced vide Union Budget 2024-25 (upto 31.03.2026), which has been subsequently extended to 31.03.2028 vide Union Budget 2026-27. Without the concessional rate, imports would attract merit rate of duty, adversely impacting project economics. It is, therefore, requested that removal of sunset clause for Sl. No. 229 of Customs Notification 45/2025 may be considered.

Suggestion:
It is, therefore, requested to remove the Sunset Clause from Serial No. 229 of the Customs Notification No. 45/2025-Cus.

Clarifications

1. Clarification required on unused obsolete goods on which import exemption was claimed under Serial No. 229 of the Customs Notification No. 45/2025 - Cus dt. 24.10.2025

Background:
The import exemption is available to the Oil & Gas companies on actual usage condition. The revised condition (Condition No. 28 of Notification No. 45/2025-Cus) to the said exemption entry prescribes that the goods so imported which are sought to be disposed after their use in unserviceable form or as scrap, customs duty shall be applicable on the transaction value of such goods.

However, no clarification is provided on the treatment of imported goods under the exemption entry which remain unused and become obsolete.

Suggestion:
Clarification may be provided that Customs duty on unused goods may also be applied on the Transaction Value if they are held for more than a specified number of years.

Alternatively, Customs Duty can be levied on disposal based on notional depreciated value. This is similar to the Cenvat Credit Reversal provisions on capital goods as was applicable under the erstwhile Cenvat Credit Rules which is also continued under the GST Law.

Downstream

Amendments

1. **Rationalization and simplification of Customs Duty Structure**

Background:
The Customs tariff structure comprises multiple basic customs duty rates and numerous exemption/concessional rate notifications applicable to different goods and end-use conditions. The multiplicity of rates and exemptions can result in classification disputes, compliance complexity and, in certain cases, inverted duty structures affecting domestic value addition.

Suggestion:
A comprehensive review and rationalization of the Customs duty structure may be considered with a view to reducing the number of tariff slabs and consolidating/streamlining exemption notifications. The duty structure may progressively be aligned towards a limited number of core rates, while addressing inverted duty structures. This would simplify classification, reduce compliance burden and promote domestic value addition and manufacturing competitiveness.

2. **Renewal of Authorized Economic Operator (AEO) status & other matters**

Background:
The procedure for renewal of AEO Tier 2 & AEO Tier 3 status includes all the checks, including factory visit for verification of processes, as required for initial grant of the status.

Suggestion:
The current procedure for renewal of AEO Tier 2 and AEO Tier 3 status causes substantial delay in renewal, thereby depriving the status holder of the continuation of the benefits granted under the AEO program.

As a mandatory requirement, when all the necessary checks are conducted and detailed verifications have been done at the time of initial grant, the same may not be again verified during renewal. Confirming that the status holder continues to follow the same processes and has not deviated from the same may suffice for grant of renewal.

At the time of considering the renewal application for AEO Tier 2 and AEO Tier 3 status, carrying out all the checks and verifications again may be done away. Instead, renewal may be granted basis a self-declaration that the entity continues to maintain the required standards. Further, the same can be made to validation as part of Post Clearance Audit or annual review to be undertaken during the validity of the status. Further, certain aspects related to legal compliances and fiscal solvency may be clarified as a part of revisit of the scheme currently under deliberation.

3. Removal of Customs Duty on RLNG

Background:
RLNG is an important cleaner fuel and its increased use supports reduction in carbon emissions. However, imported RLNG currently attracts customs duty, increasing its procurement cost, while crude oil attracts nil customs duty.

Suggestion:
It is suggested that customs duty on imported RLNG may be reduced to Nil.

4. Specific Rate of Excise Duty on ATF Stock Transfers

Background:
Presently, the effective rate of excise duty on Aviation Turbine Fuel and Blended Aviation Turbine Fuel is prescribed at ad valorem rates of 11% / 2%, as applicable, vide Sr. Nos. 7A to 7D of Notification No. 11/2017-CE dated 30.06.2017, whereas MS and HSD attract specific rates of duty.

Suggestion:
In case ATF continues under the excise duty regime, it is suggested that a specific rate of excise duty may be prescribed for ATF, similar to the mechanism applicable to MS and HSD.

5. Export of MS / HSD / ATF – extension of exemption from export levy (SAED / RIC) to African countries and procedure for clearances under Rules 18 and 19 of the Central Excise Rules, 2017

Background:
In view of the supply situation arising from the conflict in West Asia, the Government, since March 2026, has levied Special Additional Excise Duty (SAED) and, where applicable, Road and Infrastructure Cess (RIC) on export of MS, HSD and ATF, at rates revised fortnightly. Exports by public sector oil marketing companies to Nepal, Bhutan, Bangladesh and Sri Lanka, and subsequently to Mauritius and Maldives, have been exempted from this levy. Further, vide notifications dated 26.03.2026, the operation of Rules 18 and 19 of the Central Excise Rules, 2017 for MS / HSD / ATF has been restricted to exports by public sector undertakings to the six specified countries.

Suggestion:
- The existing exemption from SAED / RIC on exports of MS / HSD / ATF by public sector OMCs may be extended to exports to identified African countries (at a minimum Kenya, Tanzania, Uganda, Zambia, Zimbabwe, Namibia, Botswana, Mozambique and South Africa).
- A clarification / notification may be issued prescribing the procedure for clearance and movement of goods for export to countries other than the specified countries.

6. Rationalization of Customs Duty and GST on Imported Refinery Catalysts

Background:
Specialized catalysts used in refinery processes, classifiable under CTH 3815 1900, are critical process inputs frequently sourced from overseas manufacturers owing to technology and licensor-specific requirements. Such catalysts presently attract Basic Customs Duty ("BCD") at 7.5% and IGST at 18%. In the case of refineries with a substantial proportion of non-GST turnover, the GST paid on such common inputs is not fully available as input tax credit and is

liable to proportionate reversal under the applicable GST provisions. Consequently, the GST component, together with BCD, becomes an irrecoverable cost embedded in the price of the catalyst.

Suggestion:
It is recommended that GST/IGST and BCD on specialized petroleum-refining catalysts be rationalised as under:

- GST: Reduced from 18% to 5%; and
- BCD: Reduced to Nil or a concessional rate,
- Such concession being restricted to specialised catalysts imported by eligible petroleum refineries/actual users for use in refining operations.

7. Relaxation of Export Warehousing Procedures for Petroleum Products

Background:
Circular No. 804/01/2005-CX permits Oil Marketing Companies ("OMCs") to store export-bound Aviation Turbine Fuel ("ATF") and Furnace Oil/Light Diesel Oil/High Speed Diesel meant for supply as bunker fuel to foreign-going vessels, in common intermediate storage tanks along with duty-paid stock of the same product, subject to maintenance of tank-wise accounts to segregate export and domestic clearances. However, this facility of commingled storage has not been extended to other petroleum products such as Motor Spirit (MS) and High-Speed Diesel (HSD) exported in the ordinary course of business, notwithstanding that such products are subject to identical infrastructural and space constraints at refineries and port-side installations.

Further, it is submitted that export consignments of petroleum products frequently move through more than one export warehouse in the course of transit — for instance, from the refinery to a port-side installation, and thereafter to the designated export warehouse — prior to actual export. It is submitted that neither the aforesaid Circular nor Notification No. 46/2001-CE (N.T.) expressly contemplates or provides for such multi-stage movement of export goods through more than one intermediate export warehouse, resulting in a lack of clarity and procedural certainty for exporters in respect of such consignments.

Suggestion:
Extend the Circular 804/01/2005-CX storage relaxation to all petroleum products exported through export warehouses; and amend Notification No. 46/2001-CE (N.T.)/Rule 16 to expressly permit duty-free movement of export goods between export warehouses, fixing duty responsibility on the receiving warehouse at each leg.

The circular itself records that the underlying difficulty is common infrastructure and space constraints at OMC installations, a constraint that is equally applicable to MS/HSD and other products meant for export. The movement of petroleum products are already exposed to Logistics challenges and allowance of multi-leg movement through more than one export warehouse would improve the operation feasibility of Oil Companies.

8. Time-bound Customs Dispute Resolution and Clearance of Legacy Litigation

Background:
Customs disputes may remain pending for prolonged periods across adjudication and appellate forums, resulting in blockage of working capital, continued uncertainty and avoidable litigation costs for both the Department and taxpayers. The existing framework

provides statutory mechanisms for adjudication and appeal, but disposal timelines can vary significantly.

Suggestion:
A structured, time-bound mechanism may be introduced for disposal of Customs disputes at adjudication and appellate stages, wherever administratively feasible. In addition, the Government may consider a one-time dispute-resolution/amnesty scheme for eligible long-pending legacy Customs disputes, particularly cases involving disputed interest/penalty or low-revenue matters. E-filing, electronic tracking and periodic monitoring of pending appeals may also be strengthened to improve transparency and reduce litigation.

9. Simplification of custom procedures relating to SEZ – DTA transactions

Background:
Supplies/movements of goods between SEZ and DTA are subject to prescribed Customs/SEZ procedures and documentation. The differential treatment and procedural requirements for SEZ–DTA transactions can result in additional compliance burden and transaction costs, particularly for goods/services that are required to be moved frequently between SEZ and DTA.

Suggestion:
The Customs and SEZ framework may be reviewed to simplify and rationalize procedures governing movement of goods between SEZ and DTA, particularly for recurring/inter-unit supplies and essential utilities. A simplified, technology-enabled and risk-based procedure may be prescribed for compliant SEZ units, without compromising revenue safeguards. This would reduce transaction costs, facilitate operational flexibility and support the objectives of ease of doing business and export-oriented manufacturing.

10. Rationalization of Penalty Provisions for Procedural / Bona-fide Lapses

Background:
The Customs Act provides for penalties for specified acts/omissions in relation to imported and exported goods. In practice, penalty proceedings may also arise in cases involving procedural, documentation or inadvertent compliance lapses, even where there is no intent to evade duty or cause revenue loss.

Suggestion:
The penalty framework may be suitably rationalized to ensure proportionality between the nature/gravity of the contravention and the penalty imposed. A distinction may be provided, through suitable amendments/guidelines, between deliberate or fraudulent evasion and bona-fide/inadvertent procedural or clerical lapses where there is no revenue implication. Appropriate monetary thresholds or reduced penalties for minor procedural violations may be considered. This would promote voluntary compliance, reduce avoidable litigation and improve the overall ease.

11. Custom duty on import of Hydrogen especially from SEZ unit to DTA

Background:
Hydrogen produced by some Industry is not practicable to be either sold to small suppliers or exported. Thus, it becomes a national waste, but can be used by other large industrial units,

who will otherwise have to make huge capital investments for captive generation. Hydrogen is not technically tenable for extensive transportation except local pipeline transfers.

Suggestion:
Hydrogen movements locally especially SEZ to DTA may be charged with ZERO Custom Duties to have Nationwide synergies.

12. Custom duty is applicable on supply of electrical energy by an SEZ unit to DTA.

Background:
The Gujarat High Court's judgment in the Adani Power case, confirmed by Supreme Court has held that imposition of Customs duty on electricity generated in SEZ and supplied to DTA is ultra vires the powers conferred by the applicable statutory framework.

Power supplied from the Processing Area of an SEZ (sub 1000 MW plants) to the Domestic Tariff Area (DTA) attracts the specific duty rates as laid down in Notification No. 45/2025-Customs dated 24.10.2025.

Suggestion:
In view of the Supreme Court's Judgment in Adani Power case, applicability of customs duty on supply of electrical energy by an SEZ unit to DTA may be kept in abeyance till legislative changes in the charging section are enacted.

13. Exemption / Concessional rate of Social Welfare Surcharge

Background:
Social Welfare Surcharge (SWS') has been made applicable on import of various goods (except for few exemptions) after removal of Education Cess and Secondary & Higher Education Cess. The rate of such surcharge is as high as 10%.

Suggestion:
Under pre-GST regime, the rate of cess applicable on import of LNG was 3%. However, w.e.f. February 2018, on import of LNG, though the aforesaid cess was removed, however, the rate of SWS has impacted the sector as the same is 10% on such imports. The same has increased the cost of procurement for LNG sector as such Surcharge is not adjustable with any other duty.

It is thus submitted that an exemption or concessional rate of SWS on import of LNG

14. Custom duty exemption on import of Liquefied Natural Gas (LNG)

Background:
Import of LNG is subject to Custom Duty at 2.50%.Import of LNG for exclusive consumption in generation of electric energy for public distribution is exempt from custom duty subject to certain conditions. However, other important sectors like fertilizer, LPG, CNG, PNG, and Petrochemical bears the burden of effective Custom duty @ 2.75%.

The Custom duty increases the landed cost of imported LNG for domestic and industrial consumers. Since the domestic production of Natural Gas is not enough to cater the increasing demand, import of LNG at large scale is required to augment supply of Natural Gas for priority sectors such as Fertilizer, CNG, LPG, PNG etc.

Natural Gas is an environment friendly fuel and it is desirable that import of LNG is exempted from custom duty to enable cost effective supply of gas to major industries like fertilizer, LPG, CNG, PNG, Petrochemical and power.

Suggestion:
It is suggested that LNG Import may be exempted from payment of custom duty (present rate @ 2.5%)to provide relief to gas-based industries and domestic consumers. This will also promote usage of this environmentally friendly fuel in industrial and domestic sectors.

15. Anti-dumping duty on petrochemicals

Background:
Huge quantity of Bitumen is getting imported in the country from sources in the middle east. Bitumen is also imported in Bags and Drums and subsequently converted into bulk post landing in India. This practice results into bitumen imported being non confirming to quality and specifications. The rampant dumping of bitumen into the country is causing margin erosion for domestic Bitumen manufacturers.

Further, Iso Nonyl Alcohol (INA) which is a substitute to 2 Ethyl hexanol (2EH), is expensive than 2EH in international market. In India, antidumping Duty exist on 2EH from major countries and manufacturers, however, absence of Anti-dumping duty on INA makes it a cheaper alternate in Indian Market and hence it is being dumped by Manufacturers from abroad. This has impacted 2EH manufacturers like BPCL.

Suggestion:
It is suggested to impose Anti-Dumping Duty on Bitumen and INA imports through Ministry of Finance, DGTR in order to incentivise Indian producers.

16. Customs duty on Base Oil

Background:
The import of base oil (specifically 65N and 70N) has increased significantly in recent times leading to higher overall inventories in India.

The imported base oil is hampering 'Make in India' initiative and hindering Indian producers of base oil. The current custom duty (including SWS) is 5.50% of assessable value.

Suggestions:
An increase in the customs duty rate can help boost local production of base oil, leading to fair competition and supporting the Make in India initiative; or Antidumping Duty may be imposed on Import of base oil.

17. MOOWR – IGST Benefit

Background:
Section 65A has been inserted in the Customs Act, vide Finance Act 2023, which provides for payment of IGST while depositing goods in a licensed warehouse for carrying out manufacturing and other operations under Section 65. The effective date of coming in force of provisions of Section 65A has not yet been notified.

Suggestion:

It is requested to exempt petroleum refining & petrochemicals industry from the purview of Section 65A of the Customs Act. If the amended provision (Section 65A) is given effect as such, taxpayers would be liable to discharge IGST on imported goods and the benefit of duty deferment would be substantially curtailed. The same may result in substantial cash flow issue and may also affect the project viability of companies who have committed to heavy capex in Capacity expansions.

18. R&D – Imports

Background:

Vide Notification No 12/23-custom dated 01.02.2023, original notification (51/96 dated 23rd July 1996) is withdrawn w.e.f 1st April 2024, resulting in withdrawal of benefit of concessional rate of custom duty on import of R&D equipment.

Suggestion:

It is suggested to continue the notification no 51/96 dated 23rd July 1996 as amended time to time for the benefit of the industry as a whole. Retaining this notification, as amended from time to time, is essential to ensure affordable access to advanced research tools, promote industry-wide innovation, and strengthen India's global competitiveness.

19. Digitization and Integration of Warehousing & Bond Management Processes

Background:

ICEGATE warehousing processes are digitised, but significant manual reconciliation of Into-Bond BOEs, Ex-Bond BOEs, quantities, duty payments and bond balances continues. Hence, it is proposed to develop an integrated real-time Warehousing and Bond Management System linking all such transactions.

Suggestion:

A system may be developed to automatically update bonded quantities, duty discharged and bond utilisation/balance upon each Ex-Bond clearance. API integration with importers' ERP systems may also be enabled for automated reconciliation. This would reduce manual effort and errors while strengthening Customs compliance, monitoring and revenue assurance.

20. All Industry Rate (AIR) of Duty Drawback for Petroleum Products

Background:

Under the Customs and Central Excise Duties Drawback Rules, 2017, exporters are entitled to claim drawback either at the All-Industry Rate (AIR) as notified by the Central Board of Indirect Taxes and Customs ("CBIC") from time to time, or, in the absence of a notified AIR, through determination of the Brand Rate on a case-to-case basis in respect of individual exporters.

It is submitted that while CBIC has notified AIR in respect of certain petroleum products, including Lubricants, no such AIR has been notified in respect of other significant petroleum products, namely Motor Spirit (MS), High Speed Diesel (HSD), Aviation Turbine Fuel (ATF), Liquefied Petroleum Gas (LPG), Furnace Oil, Light Diesel Oil (LDO), and Low Sulphur Heavy Stock/Light Cracked Oil (LCO), among others.

Consequently, exporters of the aforesaid products are presently constrained to avail drawback exclusively through the Brand Rate fixation mechanism. It is submitted that this mechanism is procedurally onerous and time-intensive, requiring case-specific verification and

determination for each exporter. The non-availability of a notified AIR for these products consequently results in an increased compliance burden, curtails operational flexibility, and causes delay in the disbursal of drawback claims, thereby adversely affecting the working capital and cash flow position of exporters.

Suggestion:
It is submitted that CBIC may consider notifying All Industry Rates of duty drawback in respect of the aforementioned petroleum products — namely MS, HSD, ATF, LPG, Furnace Oil, LDO etc. upon undertaking the requisite data collection exercise and consultation with stakeholders in the industry, in accordance with the procedure ordinarily followed for fixation of AIR under the Rules.

21. Procedure for removal of capital goods under the Manufacture and Other Operations in Warehouse Regulations, 2019 (MOOWR)

Background:
Under section 65 of the Customs Act, 1962 read with the MOOWR Regulations, 2019 (Notification No. 69/2019-Customs (N.T.)), imported inputs and capital goods can be warehoused and used for manufacture and other operations with deferment of customs duty. While the Regulations prescribe the procedure for removal of resultant goods (for home consumption or export), there is no specific provision prescribing the procedure for removal of capital goods imported and warehoused under section 65, whether after use, on obsolescence or decommissioning, or as scrap.

Suggestion:
It is suggested that the MOOWR Regulations, 2019 be amended to insert a specific provision, on the lines of the provisions dealing with resultant goods, prescribing the procedure for removal of capital goods warehoused under section 65 of the Customs Act. The provision should clearly cover removal for home consumption, re-export, inter-unit transfer, job-work, testing, repair, and disposal on account of obsolescence/decommissioning or as scrap, along with the documentation (e.g., ex-bond bill of entry), valuation and duty payment mechanism applicable in each scenario, consistent with section 61(1)(a) and section 61(2) of the Customs Act.

22. One-time dispute resolution (amnesty) scheme for legacy Customs disputes

Background:
In 2019, the Government launched the 'Sabka Vishwas (Legacy Dispute Resolution) Scheme' (SVLDRS), offering businesses a one-time opportunity to close outstanding litigation under the erstwhile Central Excise and Service Tax laws, with partial remission of disputed tax and complete waiver of interest and penalty. Similarly, the 'Direct Tax Vivad Se Vishwas' schemes of 2020 and 2024 targeted settlement of direct tax disputes.

These initiatives proved very effective in substantially reducing the volume of pending litigation and in generating revenue. However, no similar dispute resolution scheme has been introduced under the Customs Act, 1962.

Suggestion:
It is suggested that a time-bound one-time dispute resolution scheme for legacy Customs disputes be introduced, on the lines of SVLDRS, providing for settlement of disputed duty with waiver of interest and penalty and immunity from prosecution. This would reduce the burden

of litigation on both taxpayers and the department, unlock revenue, and further the Government's objective of ease of doing business.

23. Rationalization of Stamp Duty

Background:
Presently, there are fragmented state-wise stamp duty rates: Range from 0.5% to 7%, driving deal structures on tax rather than business logic.

The Indian Stamp Act, 1899 is outdated. Section 3(2) refers to repealed statutes (Merchant Shipping Act, 1894 etc.), creating uncertainty about exemptions under the Merchant Shipping Act, 1958.

There is lack of digital processes and central oversight. Manual filings, varied state procedures, and absence of a unified database cause delays, litigation, and increased transaction costs cause delays for businesses.

Suggestion:
It is requested as follows:

1. Stamp Duty
   - Amend Indian Stamp Act, 1899 to harmonize rates across states (0.1–0.25%).
   - Update Section 3(2) to read:
   - "…any ship or vessel registered under the Merchant Shipping Act, 1958, or transferred as part of a business reorganization (demerger, merger, amalgamation, etc.), or within a wholly owned group structure as approved by the National Company Law Tribunal."

2. Exemption Notification
   - Insert a new Section 11A providing:
     "All instruments, deeds, and documents executed pursuant to a scheme of merger, demerger, amalgamation, or reconstruction under Sections 230–232 of the Companies Act, 2013, where the transferor and transferee are parent and subsidiary or hold ≥90% common equity, shall attract nil stamp duty."

3. Digital & Administrative Reforms
   - Mandate a central e-stamping portal integrated with NCLT and ROC systems for automatic duty assessment, exemption certification, and real-time reporting.
   - Establish a Stamp Duty Coordination Committee under the Ministry of Law & Justice to issue uniform guidelines, monitor state compliance, and resolve disputes within 90 days.

III) Central Sales Tax

Downstream

Amendments

1. Amendment in Section 6(2) of the CST Act to enable Pipeline-based in-transit sales of Natural Gas

Background:
Natural Gas is transported across States through common carrier pipelines where gas from different sources gets co-mingled and becomes fungible. To recognize this unique

characteristic, Explanation 3 was inserted in Section 3 of the CST Act to treat movement of Natural Gas through pipelines from one State to another as inter-State movement.

Under Section 6(2) of the CST Act, subsequent sales effected during movement of goods from one State to another are exempt from CST, provided such sales are made through transfer of documents of title to the goods. However, in the case of Natural Gas transported through pipelines, conventional transport documents are not generated. The industry relies on Joint Tickets and periodic delivery documents issued after supply, making compliance with the existing requirements of Section 6(2) practically difficult.

Consequently, genuine transit sales of Natural Gas are unable to satisfy the technical requirements of Section 6(2), leading to denial of exemption and resulting in multiple taxation through levy of CST/VAT on successive transactions.

Suggestion:
It is proposed that Section 6(2) of the CST Act, 1956 be amended to specifically recognize transit sales of Natural Gas transported through pipelines and allow exemption where ownership is transferred through industry-recognized documents such as delivery receipt notes or similar documents.

2. Inclusion of Definition of Motor Spirit (Commonly Known as Petrol) and High-Speed Diesel under Section 2 CST Act, 1956

Background:
With the implementation of GST effective 01.07.2017 and consequent to the Constitutional (101st) Amendment Act, 2016, Entry 92A of Union List Seventh Schedule to Constitution of India provide for levy of tax on inter-state sale by Central Govt.

Quote- Entry 92A-
Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce.

Further, Entry 54 of List II State List to Seventh Schedule to the Constitution of India provide for levy of taxes by State Govt. on intra-state sale of “motor spirit (commonly known as petrol)”. The relevant entry after amendment vide the Constitution 101st Amendment Act, 2016 is produced as under-

Quote Entry 54-
"*54. Taxes on the sale of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but not including sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods.";*

Therefore, effective 01.07.2017, States are having power, inter alia to levy tax on sale of high speed diesel, motor spirit (commonly known as petrol), within the state.

However, the term Motor Spirit (Commonly Known as Petrol) and High-Speed Diesel (HSD) has not been defined under the CST Act, 1956. Whereas certain State VAT/Sales Tax laws are having varied meaning of term ‘Motor Spirit and HSD, classified into following broad categories-

- any inflammable hydrocarbon (including any mixture of hydrocarbons or any liquid containing hydrocarbons) which is capable of being used for providing reasonable efficient motive power for any form of motor vehicle.
- any liquid or admixture of liquids which is ordinarily used directly or indirectly as fuel for a motor vehicle or stationary internal combustion engine.
- power alcohol, that is, ethyl alcohol of any grade (including such alcohol when denatured or otherwise treated), which is either by itself or in admixture with any such hydro-carbon, is capable of being used for providing reasonable efficient motive power for any form of motor vehicle or vessel of any kind of aircraft

Further, from the definition of 'petrol', it can be inferred that –

- any inflammable hydrocarbon oil (excluding crude oil) which either by itself or in admixture with any other substance, is suitable for use as fuel in spark ignition engines.
- Petrol means dangerous petroleum as defined in the Petroleum Act 1934 (Central Act XXX of 1934) and includes a mixture of power alcohol, as defined in the Indian Power Alcohol Act 1948 (Central Act XXII of 1948) and Petrol.

Considering the above and in order to avoid ambiguities in classification of products at field formation level, it is felt necessary that term Motor Spirit (Commonly Known as Petrol) and High-Speed Diesel (HSD) defined under CST Act, 1956.

Suggestion:
Meaning of term 'Motor Spirit (Commonly Known as Petrol)' and 'High Speed Diesel (HSD)' to be provided under CST Act, 1956 to ensure uniformity in classification.

3. Removal of CST on Petroleum Products

Background:
Under the CST Act, registered dealers are eligible to certain concessions and exemptions of tax on inter-state transactions on submission of prescribed declarations in forms 'C', 'E-I' / 'E-II' and 'F'. The State Governments grant these incentives to dealers for furtherance of trade and commerce, on production of these declaration forms.

As part of implementation of Value Added Tax (VAT) and introduction of Goods and Service Tax (GST) in the country, the Centre and the States had agreed to phase out CST through one per cent annual cut starting 1st April 2007, over a period of four years and it was planned to be completely abolished by 2010-11. Accordingly, rate of CST against declaration form 'C' was reduced from four per cent to three per cent in 2007-08, and further to two per cent in 2008-09 after the introduction of VAT. It was scheduled to be reduced by another one per cent, starting 1st April 2009.

In a significant departure from original plan, the Centre and States decided not to reduce the CST rate further in 2009-10 and instead, decided that the tax will be completely withdrawn once the proposed GST is introduced.

The original roadmap for implementation of GST was 1st April 2011 which was subsequently shifted and finally GST was implemented w.e.f. 1st Jul 2017.

While, petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel are constitutionally included under GST, the date on which GST shall be levied on such goods, shall be as per the decision of the GST Council. As per the section 9(2) of the CGST Act,

inclusion of all excluded petroleum products, including petrol and diesel in GST will require recommendation of the GST Council. In other words, major petroleum products, MS, HSD and ATF, being manufactured and marketed by OMCs are outside GST and are subjected to Excise, VAT and CST.

Oil Companies are responsible for positioning sensitive petroleum products across the length and breadth of the country. For this purpose, petroleum products are moved from refineries and port locations to depots at demand centers. Placement of petroleum products involves lot of logistic costs, apart from tax costs on account of CST.

The Tax cost of product placement has increased with implementation of GST since inter-state movement of MS, HSD & ATF is being considered as non-taxable turnover for the purpose of reversal of Input Tax Credit.

Levy of CST is impacting the bottom-line of Oil Companies as also causing environment concerns in following ways–

a. Under-recovery of CST in case of supplying to retail outlet from outside State
b. Increased logistic cost to avoid incurrence of CST, which involves movement of products through Tank Trucks for longer route and thereby increased emissions.

Suggestion:
As originally planned, phase out CST on petroleum products, which are outside GST ambit, by reducing rate from 2% to NIL.

4. Reduction/Removal of VAT/CST on Crude Oil

Background:
Domestic crude oil continues to attract VAT/CST, while imported crude oil attracts nil customs duty. The tax on domestic crude therefore increases the cost of domestic crude procurement and can create an inverted cost structure, particularly as the VAT/CST is not available as input tax credit under GST.

Suggestion
It is suggested that VAT/CST on crude oil may be substantially reduced or brought down to Nil, particularly considering the objective of promoting domestic crude production.

Clarification

1. Clarification on Implementation of Amendment in Section 8(3)(b) of CST Act on Inter-state Procurement of Crude Oil and Natural Gas by Petroleum Refineries

Background:
Section 8(3)(b) of the CST Act in its present form is pursuant to the amendment made vide the Finance Act. The intent and purpose behind the amendment can be further understood from 'Notes on Clauses' which was appended to the Finance Bill, 2021. It reads as:

"Clause 141 of the Bill seeks to amend sub-section (3) of section 8 of the Central Sales Tax Act, 1956 by substituting clause (b) thereof, so as to exclude therefrom the goods used in the telecommunication network or in mining or in generation or distribution of electricity or any other form of power"

From the foregoing, it is evident that the only purpose of amending the provision was to restrict the scope of concessional rate against C-Form to re-sale or for use in the manufacture/ processing of goods specified under clause (d) of section 2, i.e. non-GST goods.

However, one of the unintended consequences of this amendment is incorrect interpretation of same by the tax authorities that even for goods which are still covered under CST (Crude & NG), C form eligibility will be proportionate to the extent of manufacture of only NON-GST goods (MS, HSD & ATF), from processing of these inputs.

It is submitted that the refining is an integrated process wherein crude oil of various grades purchased is refined in a holistic manner and other than MS, HSD & ATF, some other petroleum products which are subject to GST also emerges as a result of the inherent nature of the refining process.

Thus, since each molecule of Crude Oil is being subjected to process which result into manufacture of non-GST goods, there is no reason to limit the benefit of concessional rate of CST against C-Form on proportionate quantity based on final production of non-GST & GST goods.

Suggestion:
A clarification may be issued to the effect that Refiners will be eligible to purchase crude oil/Natural Gas against C-Form for manufacture of non-GST goods, irrespective of the fact that during such manufacturing process some joint/by products may also emerge, which may be subject to GST.

2. Issuance of C Form for interstate sale of Petroleum products (Natural Gas, Crude, Petrol, Diesel and ATF)

Background:
Vide the Union Budget 2021-22, Section 8(3)(b) of Central Sales Tax (CST) Act has been amended, whereby, the benefit of concessional rate of 2% CST against Form-C on the inter-state procurement of Non-GST goods (Crude Oil, Natural Gas, and HSD, MS, ATF together referred as 'petroleum products') would not be available unless the buyer is a trader of same goods or manufactures/produces such Non-GST Goods.

Thus, the benefit of 2% CST against Form-C would not be available on inter-state sale of gas and petroleum products to the power generating companies, mining companies and manufacturing companies like fertilizers, Petrochemical etc.

Since there is no credit of CST available, the cost on purchase of Natural Gas and other fuel will increase significantly (increase by up to 25%) for such industries and the customers.

This change will reduce the competitiveness of domestic gas vis-à-vis alternate sources as the domestic taxes on Natural Gas will become higher than the alternatives. Natural gas is outside of GST. As a result, tax rates (VAT /CST) on natural gas vary in different states across the country ranging from 3% to 26%. Issuance of C form was a key lever towards a uniform taxation for various gas customers and addressed the issue of tax distortion to an extent.

Any move to block issuance of C forms will increase cost burden across key economic sectors including power generation, fertilizers, petrochemical, steel etc. reducing their competitiveness.

Suggestion:
In line with the amnesty schemes of the States as well as the Centre for the erstwhile Laws, it is requested that roll out of an Amnesty Scheme/One time settlement scheme for the Union Territories should be considered under VAT and CST Laws.

3. **Form 'F' for interstate movement (Branch Transfer) of MS and HSD**

Background:
The requirement to file Form 'F' for interstate movement (Branch Transfer) of MS and HSD, is subject to the assessing authority's approval. Submission of Form 'F' is subject to satisfaction of the assessing Authority thus discourages the ease of doing business.

Suggestions:
Provision be made for the Crude oil refineries for transfer of MS and HSD from Refinery to Branch/Depot on inter-state basis against Form F as final and binding on the Assessing Authorities. This provision will not only enable the stand-alone Refineries to expand the market but also result in import reduction of petroleum products into the country for the needy locations and help in maintaining continuous supply in Domestic market.

4. **Central Sales Tax (CST) paid on inter-state purchase of Petroleum crude and Natural Gas (Non-GST Product).**

Background:
Presently, Petroleum crude and Natural gas are non-GST product. Purchase of Crude oil / Natural gas on inter-state basis entails levy of CST. The same is not available for any set off/input credit and thereby increases the product cost.

Suggestions:
Petroleum crude and Natural Gas to be covered under GST mechanism to avail input tax credit of such cost of interstate levy or exemption of CST be granted to the Refineries/Petroleum sector for their use in the Refining operations.

IV) GST Tax

Upstream

New Provision

1. **Levy of nominal GST on excluded petroleum products or declaring their turnover as "Zero rated", or inclusion under GST at revenue-neutral rates.**

Background:
Though major petroleum products, viz. MS, HSD, ATF, Crude Oil and Natural Gas has been constitutionally included under GST, however, these products have been kept out from levy of GST till the GST councils recommends it. These products continued to be liable under the existing excise and sales tax/VAT laws.

The inputs/input services procured by the petroleum industry post GST scenario is liable to tax under GST whereas the major final products of the petroleum industry continue to be liable under the existing excise and sales tax/VAT laws, etc.

Thus, credit of input GST is not allowed when used in supply of these non-GST goods, such exclusion is resulting into higher stranding of taxes in the hands of the petroleum industry. Oil

Companies are responsible for ensuring availability of sensitive petroleum products across the length & breadth of the Country. Further, Crude Oil is imported at Eastern and Western Coasts and moved to various inland refineries. While Oil Companies are ensuring availability of product by moving from Refineries/ Port to demand center incurring huge logistic costs, they are being penalized for such movement by way of reversal of GST ITC, this turnover being 'considered as 'exempt supply' under GST Laws.

Above situation is against the objective of introducing stability and uniformity in taxation of goods and services all over the country. Also, it has resulted in more compliance work for the Petroleum Industry and Government as well.

The exclusion also results in dual compliance under GST and under Central Excise / State VAT laws, adding to the cost for industry as well as consumers. In the case of natural gas, which is a crucial fuel in the form of CNG for public transport and a feedstock for fertilizer, power and city gas distribution, the exclusion results in multiple levies, blocked credits and interpretational disputes across the gas value chain.

Suggestion:
To remove stranding of taxes in the hands of petroleum industry, it is pertinent that these excluded products are also levied nominal GST parallel with levy of Excise duty /VAT. Alternatively, supply of these products may be considered as "Zero Rated Supplies" under section 16 of IGST Act so as to allow full ITC.

As a long-term solution, the excluded products may be brought under GST at revenue-neutral rates, on the recommendation of the GST Council under section 9(2) of the CGST Act, 2017, enabling seamless flow of input tax credit and reducing the compliance burden. To begin with, natural gas at 5% GST and ATF may be brought within the purview of GST.

Amendments

1. **Concessional rate of GST for goods used in upstream petroleum operations under Notification no. 3/2017-Central Tax (Rate)**

Background:
Concessional rate of GST @ 5% was available to the goods specified in list annexed in Notification no. 3/2017-Central Tax (Rate) dated 28 June 2017 required in connection with Petroleum operations undertaken under specified contracts or New Exploration Licensing Policy or Marginal Field Policy ('MFP') or Coal bed methane policy or Petroleum operations or coal bed methane operations undertaken under specified contracts under the Hydrocarbon Exploration Licensing Policy (HELP) or Open Acreage Licensing Policy (OALP). The Concessional rate of 5% had been increased to a higher 12% vide Notification No. 08/2022- Central Tax Rate dated 13 July 2022. and subsequently to 18% vide Notification No. 11/2025-IGST(R) dt. 17.09.2025.

Suggestion:
GST exemptions originally provided to Oil & Gas companies for all the goods specified in list annexed in Notification no. 3/2017-Central Tax (Rate) dated 28 June 2017 required in connection with Petroleum operations undertaken under specified contracts or New Exploration Licensing Policy or Marginal Field Policy ('MFP') or Coal bed methane policy or Petroleum operations or coal bed methane operations undertaken under specified contracts under the Hydrocarbon Exploration Licensing Policy (HELP) or Open Acreage Licensing Policy (OALP) should be reinstated at 5%.

2. **Concessional rate of GST on Support Service to Exploration, Mining or Drilling and need for Clarity on Scope of Support Service to Exploration, Mining or Drilling**

Background:
E&P Industry was allowed concessional rate of 12% GST on Support Services to exploration, mining or drilling of petroleum crude or natural gas or both vide Sl. No. 24(ii) of Notification No. 11/2017-Central Tax (Rate).
The 12% rate on the aforementioned services as applicable to the E&P sector has been increased to 18% vide Notification No. 15/2025-IGST(Rate) w.e.f. 22.09.2025, significantly escalating costs due to tax stranding.

Suggestion:
It is earnestly requested that GST@5% may be considered on procurement of exploration, mining and drilling services required for petroleum operations.

Further, it is requested that a suitable clarification may be please issued on applicability of 5% GST on the services availed by the E&P sector which are required for 'Petroleum Operations' as defined under the Petroleum Tax Guide issued by Ministry of Petroleum & Natural Gas, Govt. of India.

Clarifications

1. **Input Credit on Imported and domestic leasing/renting/hiring of Vessels/ Rigs**

Background:
The upstream service providers (i.e., service contractors of E&P companies) provide services for petroleum operations through imported vessels and rigs for a temporary contractual period. At the time of import of such vessels and rigs required for petroleum operations, the importer (buying such vessels & rigs) has to pay GST @ 5% on full value of vessels/rigs. Further, in case of import on lease/rental basis, GST@5% is payable on such periodical lease/rental charges. Subsequently, on domestic provision of services through such vessels and rigs, upstream service providers charge GST on their services as per GST Law.

Earlier, such upstream service providers used to take input credit of GST paid while importing the vessels/ rigs towards discharging their output i.e. drilling or mining services to E&P companies. However, by subsequent amendment in GST legislation, the GST paid on such imports has been put in negative list u/s 17(5) (aa) of CGST Act. Consequently, there is serious issue for the entire industry as the service providers will have to pay the GST twice resulting into cascading effect despite being part of GST chain.

Suggestion:
A suitable clarification may be issued clarifying the position for availability of ITC. Since the navigation is secondary in case of Rig and Vessels being used for providing output services, there is a merit in the instant case to clarify in favor of the availability of the ITC in order to remove the avoidable disputes with Department. Further, unless the input credit is allowed, the service providers would load GST on such import of rigs/vessels on their service charges which will indirectly increase the cost of operation of E&P companies

2. **Clarification under Service Tax/GST to the effect that consortium members including operator and the consortium formed under PSC are not two distinct persons**

Background:
In terms of PSC, one of the consortium members is designated as an 'operator' who has to carry out E&P activity based on work plans and budget duly approved by Management

Committee which includes Government nominee as well. Hence, the operator executes the PSC for exploration & production of hydrocarbons on behalf of consortium and, other members merely make the financial/capital contribution in terms of their participating interest. Therefore, the consortium formed under PSC is not an Association of Persons (AoP) and operator does not provide any service to its consortium members or vice-versa. Operator, as designated under PSC, incurs expenditures from the contribution received from the partners for the Exploration and Production of hydrocarbons. Hence, there is neither any intention to provide service by operator to its members nor consortium formed under PSC can be treated as an AoP for the purpose of levy of Service Tax/GST.

Suggestion:
A clarification may be issued that the transactions between members and the consortium (under PSC) for carrying out E&P activities in terms of PSC should not be treated as service provided by one person to another for levy of Service Tax/GST.

Presently, as per the provisions of Income Tax Act, the constituent members of the PSC are not taxed as Association of Persons (AoP) but are taxed in their individual capacity. Therefore, the consortium members including operator and the consortium should not be treated as distinct persons under GST Law as well. This would also avoid the dispute of levy of Service Tax/GST on Operator's own share in such UJV which equates to service provided/supplied to self through operator's internal resources.

3. **Clarification under GST/Service Tax on operator's own share under UJV on supply of services through its own resources**

Background:
In terms of Production Sharing Contract (PSC), one of the consortium members is designated as an operator who has to carry out E&P activity on behalf of other partners. The operator incurs expenditure from the contribution received by way of Cash Call from the partners. Though such cash calls are clearly in the nature of capital contributions made by Participating Interest (PI) Holders, however, under GST law, the department considers operators and UJV as distinct person and demands GST on provision of services for petroleum operations for the UJV through operator's internal resources.

Suggestion:
CBIC vide Circular No.179/5/2014-ST dated 24.09.2014 at para-3 has clarified that cash calls are capital contributions made by the members of JV to the JV and are not subject to Service Tax. Industry is of the view that since UJV is not a distinct person, the Service Tax/GST is not payable to the extent of Operator's own share in such UJV as it equates to service provided/supplied to self.

A clarification may be issued in this regard that Service Tax/GST would not apply on Operator's own share in UJV on provision of services through operator's internal resources.

Downstream

Amendments

1. **GST on Intermediate Products - Refineries**

Background:
Intermediate products are shared between Refineries to ensure full capacity utilization of secondary units of the refineries, to handle situations arising due to shutdown/technical

interruption and ensure production of BIS compliant petroleum products to maintain marketing demand. These streams are taxed under GST at 18% (ITC is ineligible to the extent of Non-GST Goods ratio).

Suggestion:
Supply of intermediate streams amongst refineries/OMCs for further manufacturing of non-GST goods may be kept at lower GST Rate of 0.1% to minimize the impact of loss of input tax credit to downstream sector. In order to reduce environment pollution, oil industry is undertaking major capital investment to introduce cleaner fuels in the Country. Major capital goods, input and input services are used in setting up of process units required for Refining of crude oil that produces Intermediate streams, hence sharing of capacity will facilitate optimum utilization of secondary processing capacity of refineries, saving valuable FOREX reserve.

2. Ethanol Plant - Inverted Duty Structure

Background:
In case of 2G ethanol plant, the inputs are charged at 18% and output Ethanol is at 5%.

Suggestion:
As 2G ethanol plants are setup under the Guidance of MOPNG to meet the Government's target of Ethanol blended petrol, Concessional rate @ 5% GST for 2G ethanol plants on inputs, Input services and capital goods will reduce the cost of the Plant.

3. Blocked Input Tax Credit (ITC) on supply of Vessel Services

Background:
Vessel Services are required to carry out supervision operations / maintenance activities at Sea in the course of furtherance of business. Company utilizes the Vessel services to carry out supervision operations / maintenance activities for its Single Point Mooring (SPM) systems at Sea in the course of furtherance of business, the GST paid thereon is cost to the company as ITC is not available in view of blocked credit provisions of GST.

Suggestion:
It is suggested that the restrictive provisions of blocked credit in respect of supplies of Vessel services should be removed to enable availment of ITC which is the intent of the Law.

4. **Clarification on applicability of 5% GST on LPG cleared in bulk by refiners/ fractionators (like ONGC) to OMCs for supply to household domestic consumers**

Background:
Under Pre-GST regime, LPG for domestic use was eligible to be cleared by refiners/fractionators under Excise Law based on the Entry '... LPG for supply to household domestic consumers…under public distribution system.' at Nil Excise Duty under Sl. 81 of Notification 12/2012-CE dated 17.03.2012 and the LPG for Non-domestic and Industrial use eligible to be cleared with 8% Excise as per Sl. No. 80 of said Notification.

It is pertinent to mention that in Pre-GST regime, the LPG was cleared at nil rate in terms of aforesaid Sl.no.81 of N/N 12/2012-CE based on such end-use certificate received from OMCs in line with clarification issued by MoP&NG vide letter No. P-20023/2/2011-PP dated 23.07.2013.

Under GST regime, aforesaid Sl.No.81 was replaced with Sl. No. 165 of Sch. I of Notification No. 1/2017-IGST(R) i.e. '.... LPG for supply to household domestic consumers by IOCL, HPCL and BPCL' which provided a rate of 5% GST. This entry was initially maintained up to 24.01.2018. Subsequently, w.e.f. 25.01.2018, a new entry was inserted [Sl.No. 165A of N/N 1/2017-IGST(R)] to provide for levy of 5% GST on LPG for supply to household domestic consumers.

The CBIC vide Circular No. 80/54/2018-GST dated 31.12.2018 again clarified at para 6 that GST @ 5% would be applicable to LPG supplied by fractionators like GAIL/ONGC to OMCs during the period from 25.01.2018 onwards i.e. date of notification whereby entry 165A was inserted.

Suggestion:
It is requested to kindly issue a clarification to the effect that supply of LPG in bulk by refiners/ fractionators (like ONGC) to OMCs for ultimate supply to household domestic consumers during the period from 01.07.2017 to 24.01.2018 in line with MOPNG letter ref. No. P-20023/2/2011-PP dated 23.07.2013 is covered under Sl. No. 165 of Schedule-I to Notification No. 01/2017- IGST (Rate) during the period 01.07.2017 till 24.01.2018 and is subject to 5% GST.

5. **Relief by way of exemption /lower rate of GST on input used in refining and marketing of petroleum products.**

Background:
In the scenario wherein the major petroleum products i.e. MS, HSD and ATF are kept outside the GST regime, the input taxes paid on input, capital goods and input services is not available for set off to downstream sector of Oil & Gas. This has become an under-recovery to this sector.

In the case of natural gas, GST on services of transportation of natural gas through pipeline is applicable @ 18% with ITC or @ 5% without ITC. Considering the provisions of GST law, the 5% option without ITC cannot practically be implemented by transporters. Since natural gas is a non-GST product, the ITC of 18% GST on pipeline transportation, as well as on regasification of LNG, is not available to gas traders and becomes part of the price to customers. Similarly, Green Ammonia and electrolysers presently attract GST @ 18%, which increases the cost of green hydrogen / green ammonia projects vis-à-vis other renewable energy assets.

Suggestion:
In this regard, it is suggested for granting exemption / lower GST rate on procurement of major Capital Goods, input and input services for use in Refining, Marketing & Distribution of petroleum products in order to minimize the impact of GST, like

- Reformate/ DHDT/ SRGO and other feeds for inter unit transfer for the manufacture of MS/HSD
- Regasification of LNG – from 18% to 5%
- Transportation of Natural Gas through Pipeline-from 12% to 5% (with ITC benefit)
- Procurement for setting up ethanol/CBG/Bio Diesel production facility.
- Works Contract Services-from 18% to 12%
- Restoration of Lower Rate of 5% on input services used in Research Activities (notification no 45/2017) Central Tax (Rate) applicable for inputs.

6. **Taxability of supply of Ethanol (E-IOO)**

Background:
Bioethanol (E-100) sold as Standalone fuel or blended with MS/Additives denaturant wherein Ethanol is more than 30%, would be classified as GST product under HSN 22072000. Since, States are having their own definition of MS/Petrol under respective State VAT/Sales Tax laws and it appears that bioethanol (E-IOO), is sold as Standalone fuel or blended with MS/Additives as denaturant, State Authorities may on their own wisdom classify the same as MS/Petrol.

Suggestion:
Clarification to be issued that sale of bioethanol (E-IOO) as Standalone fuel or blended with MS/Additives denaturant wherein Ethanol is more than 30%, would be classified as GST product under HSN 22072000.

7. **Relief for huge Input Tax Credit Accumulation**

Background:
There are various common Inputs, Capital Goods and input services, which are covered under GST and used for supply of non-GST products [MS (Petrol), HSD (Diesel) and ATF] as well as GST Products [LPG, SKO, Furnace Oil and other GST product]. As per the provision of GST Act, input tax credits can be claimed only if the output is also under GST.

There is huge Input Tax accumulation amounting to over Rs.700 crores approximately till August 2024 in majority of the states where BPCL has taken GST Registration because of following main reasons: -

- Major proportion of Final Product [MS (Petrol), HSD (Diesel) and ATF] is outside GST.
- Furthermore, input service/Capital Goods used for supply of GST Goods is taxed at higher rates, however, the outward taxable supply is taxed at lower rate, for instance, LPG Domestic & SKO PDS.

This ITC Accumulation results in blockage of huge amount of working capital to the Corporation.

Suggestion:
In view of the above, it is suggested that OMCs

a. Should be granted refund of ITC accumulation because the OMCs are still under dual tax regime. Therefore, suitable amendments in refund provisions under section 54 of GST Act and Rule 89 of CGST Rules, 2017 may be carried out so that these accumulated ITC can be refunded to OMCs or
b. Should be allowed to cross utilize the accumulated ITC among its other states to offset the GST liability of other state to reduce fund borrowing.

8. **Amendment in definition of 'Exports' under GST**

Background:
Under the GST provisions, the term 'exports of goods' have been defined, as taking goods out of India to a place outside India. Though, the ATF/HFHSD is supplied to a foreign going aircraft/vessel for the purpose of ''consumption outside India'' but may not get covered directly within the definition of export of goods to treat them as zero-rated supply as it is being "supplied within India''.

Suggestion:
Amendment sought in export of goods definition u/s 2(5) of IGST Act:
"export of goods", with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India and includes supply of Aviation Turbine Fuel/HF HSD to a foreign going aircraft/vessel".

Alternatively, the definition of Zero-Rated supply, explained under Section 16 of IGST Act, may be amended to include the following supplies:

1. export of goods or services or both, or
2. supply of goods or services or both to a Special Economic Zone developer in SEZ unit
3. supply of Aviation Turbine Fuel/HF HSD to a foreign going aircraft/vessel.

9. **Non-GST Turnover – Exemption for subsequent stock transfers**

Background:
Petroleum products manufactured in oil refineries are stock transferred out of the State to other States in order to cater the demand in those States and to maintain un-interrupted supply of these essential commodities across the Country. In some cases, goods are further stock transferred to another State due to change in mode of transportation like pipeline to railway/road and other logistic requirement. Since, GST is a State specific levy, every State has to apply its reversal ratio based on taxable & exempted turnover of that State. The above provision is resulting into reversal of ITC on account of same goods in multiple States.

Suggestion:
Since, the product has already suffered ITC reversal in the manufacturing State, the same should not be included in turnover of the subsequent States

10. **Non-GST Turnover -CVD/RIC (equivalent to Excise Duty) in case of Imports**

Background:
Currently for the purpose of Common Input Tax reversal the aggregate value of exempt supplies and the total turnover shall exclude the amount of any duty or tax levied under entry 84 [and entry 92A] of List I of the Seventh Schedule to the Constitution. This Entry covers excise duty on manufacture of petroleum products in India, which are paid when petroleum products are removed from the place of removal. This entry does not include duties, which the product suffers as Customs Duty [Entry No. 83 of List I of the Seventh Schedule to the Constitution.] on Import, which is equivalent to the amount of total excise duty which would have been levied if the same product was manufactured in India.

Suggestion:
Entry No. 83 of List I of the Seventh Schedule to the Constitution may be inserted in Rule 42 and Rule 43 of CENTRAL GOODS AND SERVICES TAX (CGST) RULES, 2017 to exclude CVD equivalent to domestic Excise Duty.

11. **Supply of Furnace Oil i.e. Bunker Fuel to Foreign Vessels to be zero rated in GST**

Background:
All the OMCs are engaged in supplying of Furnace Oil i.e. Bunker Fuel to the Foreign vessels which is used to run the vessel. The product Bunker fuel is a GST product which initially attracted GST rate of 18% from 01.07.2017 to 12.10.2017 and with effect from 13.10.2017, it

attracts GST rate of 5% whereas the supply of Bunker Fuel, in the earlier regime, attracted Nil Central Excise Duty as it was termed as deemed export.

Our Country has approximately 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes. There are about 32,000 nos. of Foreign vessels come across these routes and procure Bunker Fuel. The charge of GST on supply of Bunker Fuel, has led the Foreign Vessels to avoid refueling in India and to opt out to other countries located en-route in Sri Lanka, Singapore or Fujairah (UAE) etc. diminishing the bunker fuels demand at Indian ports.

The GST rate of 5% has threatened to wipe out the nascent Indian bunker trade which was beginning to show signs of growth over the last couple of years as the nation sought to leverage the port visits of thousands of cargo ships into Asia's third biggest economy. The steep fall in bunker sales is having a cascading effect on foreign exchange earnings, logistics, barge operations and ancillary services and has severely impacted the business of Bunker Fuel as the market share is shifting to other nearby countries.

India is one of the fastest growing large economies in the world and ports play an important role in the overall economic development of the country. Approximately 95 % of India's merchandise trade (by volume) passes through sea ports. In this connection, Ministry of Shipping, Government of India has also launched flagship Programme "Sagarmala" which interalia aims at unlocking the full potential of India's coastline and waterways and improving export competitiveness.

Suggestion:
A timely action would not only help in restoring the Bunker fuel sales and improved collection of foreign exchange but also bring back the India's position amongst International Ship owners and traders. In view of this, it is suggested that necessary amendments are to be introduced in GST Act for treating the supply of Bunker Fuel zero rated.

12. **Transfer of Crude Oil (raw material) from Port States to Refineries in different states, should not be deemed as Exempt/Non-Taxable Supplies for the purpose of Rule 42/43 of CGST Rules.**

Background:
IOCL is having 9 refineries units spread across the country. Crude oil for all these refineries is imported/sourced primarily at Ports in Gujarat and Odisha States. To ensure lowest crude & shipping/logistic costs, Crude Oil requirement of all the Refineries is pooled together and sourced at these 2 ports. Subsequently, such crude is transferred to respective refinery through captive shared crude oil pipelines at east & west coast, from Vadinar port in Gujarat, crude oil is transferred to Panipat, Gujarat & Mathura Refineries and from Paradip port in Odisha, to Paradip, Haldia, Barauni, Guwahati & BGR refineries.

However, because of provisions of Section 7 read with Schedule I, transfer of such crude oil from Vadinar & Paradip Ports to Refineries in different states (distinct persons in GST), such transactions, may be deemed as exempt supply, within the meaning of the term as per section 2(47) and thus, and negatively impact the GST Input Tax credit of transferring state applying Rule 42.

It is submitted that crude oil is raw material for refineries and such transfers from port state to refineries are undertaken because of operational & logistic constraints. This transfer should not be deemed as exempt/non-taxable supply for the purpose of Rule 42/43 of CGST Rules.

Suggestion:
Necessary amendments may be made in CGST Act/Rules so that such transfer of crude oil, is not deemed at Exempt/non-taxable supplies for the purpose of Rule 42/43 of CGST Rules.

13. **Cross utilization of GST Input Tax Credit against Excise duty/Sales Tax**

Background:
As per the provision of GST Act, input credits can be claimed only if the output is also under GST. Therefore, purchases of goods and services which are to be used for MS, HSD & ATF will not be entitled for input tax credit . Hence, this will lead to double taxation of same products, and thus, will have cascading effect of tax.

Suggestion:
The ITC of CGST/IGST and respective SGST paid on purchases should be allowed to utilise against output liability of excise duty and sales tax on these products respectively. Therefore, suitable amendment may be carried out in the CENVAT Credit Rules, 2017 and respective State VAT laws to allow the tax credit of GST paid inputs against the output tax liability of Excise / VAT on the products excluded from GST.

14. **Rationalization of excise exemption framework for Ethanol Blended Motor Spirit (EBMS) – captive ethanol, BIS tolerance limits and tariff classification of higher blends**

Background:

(a) Ethanol from captive plants: The exemption from duties of excise for EBMS is subject to the condition that GST-paid ethanol is blended with duty-paid MS in the specified ratio. OMCs are now setting up 2G ethanol plants to manufacture ethanol for captive blending with MS. Under GST law, no tax is payable on goods consumed captively within the same State. Accordingly, where ethanol manufactured in an OMC's own 2G plant is used for blending within the same State, no GST is payable on such ethanol and, consequently, the exemption for the resultant EBMS may be denied merely because the ethanol has not suffered GST.

(b) Tolerance limits under BIS standards: The respective BIS standards for MS / EBMS (IS 2796, IS 17021, IS 17586) provide for an error margin / tolerance limit in the ethanol content. However, the exemption notifications under Central Excise specify blending of MS and ethanol in exact ratios, without reference to any tolerance limit, exposing field-level blends within BIS tolerance to disputes.

(c) Tariff classification of higher blends: CBIC vide notification nos. 26/2026-CE, 27/2026-CE, 28/2026-CE and 29/2026-CE dated 10.06.2026 has provided exemption from duties of excise for 22%, 25%, 27% and 30% ethanol blended MS (E22, E25, E27 and E30). However, no tariff item / HSN classification has been specified for such blends in the Fourth Schedule to the Central Excise Act, 1944.

Suggestion:

- The exemption notification may be amended to extend the exemption to EBMS produced by blending ethanol manufactured in the OMC's own ethanol plants, by removing the condition of blending of GST-paid ethanol in such cases.

- The entries relating to EBMS in the exemption notifications may be amended to allow ethanol blending with MS within the tolerance limits permitted under the respective BIS standards, in line with the exemption provided for Methanol Blended Petrol (M-15).
- The Fourth Schedule to the Central Excise Act, 1944 may be amended to prescribe specific tariff items for E22, E25, E27 and E30 blends, to avoid ambiguity in classification.

15. **Specifications for intermediate petroleum products under the Central Excise / Customs Tariff**

Background:
Products such as Light Naphtha (2710 12 21), Heavy Naphtha (2710 12 22), Full Range Naphtha (2710 12 29), Kerosene Intermediate (2710 19 31), Gas Oil (2710 19 41) and Vacuum Gas Oil (2710 19 42) are specified in the tariff without any BIS specification or Supplementary Note describing their characteristics.

Suggestion:
In order to avoid ambiguity in classification, suitable Supplementary Notes or clarifications may be issued specifying the characteristics / specifications of goods to be classified under each of the above tariff items.

16. **Classification of MD15 (Methanol blended diesel)**

Background:
MD15 is a composition of a non-GST product, i.e., Diesel (about 71%), and GST products, i.e., Coupler (about 14%) and Methanol (about 15%), which is proposed to be blended at selected refinery premises. There is currently no IS specification for MD15, and the product would not meet the standards of IS 1460 (HSD); it therefore appears classifiable as a GST product.

Suggestion:
A specific tariff classification / clarification may be issued for MD15, specifying the applicable levy, so as to provide certainty before commercial roll-out of the product.

17. **Mixed bonding at intermediate storage installations for ATF / bunker fuels supplied to foreign-going aircraft and vessels**

Background:
Para 6.1 of CBEC Circular No. 581/18/2001-CX dated 29.06.2001, as amended by Circular No. 804/1/2005-CX dated 04.01.2005, allows ATF intended for supply to foreign-going aircraft and FO / LDO / HSD intended for supply as bunker fuel to foreign-going vessels to be received through dedicated tanks in intermediate storage of goods cleared for export warehouse, but clarifies that "mixed bonding of duty paid goods with non-duty paid goods is not permitted at such intermediate storage installations".

Suggestion:
Suitable amendment may be made in the circular to permit mixed bonding of duty-paid goods with non-duty-paid goods at such intermediate storage installations, subject to appropriate accounting and control procedures.

18. **Rationalization of GST rate on goods and services for construction of cross-country petroleum and gas pipeline and allowance of ITC on pipelines laid outside factory premises**

Background:
Inward supplies of goods and services purchased for construction of cross-country petroleum and natural Gas pipeline, such as pipes, pipe fittings, gas compressors, metering instruments, works contract services, etc. are not eligible for input tax credit (ITC) as per section 17(5) of CGST Act and while these supplies attract GST up to 18%.

Applicability of high GST rate on goods and services required for laying the pipeline without benefit of ITC substantially increases the cost of projects, which are of national importance.

The blockage arises because the Explanation to section 17 of the CGST Act excludes "pipelines laid outside the factory premises" from the scope of "plant and machinery". This restriction applies even to pipelines used for transportation of GST petroleum products such as LPG and SKO, which are taxable outward supplies, thereby causing an additional financial burden on oil companies.

Suggestion:
It is requested that GST rate on goods and services used for construction of cross-country petroleum and natural gas pipelines should be rationalized and be exempted or considered at lower rate of 5%.

Further, the Explanation to section 17 of the CGST Act may be amended to provide that input tax credit on pipelines laid outside the factory premises for transportation of GST petroleum products shall be admissible.

19. **Supply of LPG by refiners/fractionators to OMC during 01.07.2017 to 24.01.2018 for ultimate supply to Domestic Household and NDEC customers**

Background:
This is with reference to the Circular No. 80/54/2018-GST dated 31.12.2018 clarifying applicability of GST rate of 5% on supply of Liquefied Petroleum Gas (LPG) by refiners/fractionators (like GAIL / ONGC) to Oil Marketing Companies (OMC) for ultimate supply to household domestic consumers in terms of Ministry of Petroleum and Natural Gas (MoP&NG) letter No. P 20023/2/2011-PP dated 23:07.2013.

In this regard, it is submitted as under:-

- OMCs have to procure the quantity of Domestic LPG, not only from own refineries but also from standalone refineries including private refineries, fractionators, from other OMCs as well as through direct imports.

- The entire chain for supply of LPG for domestic use starts from the procurement of bulk LPG through imports or from the refineries/fractionators/OMCs to the bottling plant and thereafter sale of LPG for domestic use in cylinders to the consumers.

- Applicability of GST rate of 5% on supply of Liquefied Petroleum Gas (LPG) to household domestic consumers or to Non-domestic Exempted Category (NDEC) customers is covered under entry at S.No. 165 and 165A respectively of Notification No. 1/2017-Central Tax (Rate) dated 28.06.2017. However, it is worth mentioning that S.No. 165A was inserted w.e.f. 25.1.2018 and earlier supply of LPG by OMC to both household domestic consumers

or to NDEC customers was covered under entry at S.No. 165 during 1.07.2017 to 24.01.2018 only.

- There was an ambiguity on applicability of GST rate on supply by refiners /fractionators to OMCs for ultimate supply to household domestic consumers or to NDEC customers. Therefore, Oil industry has requested for issuance of clarification that such supply should also attract 5% GST.

- Though Govt. has issued above mentioned circular dated 31.12.2018 clarifying that supply of LPG by refiners /fractionators to OMCs for ultimate supply to household domestic consumers will attract 5% GST w.e.f. 25.01.2018, however, an ambiguity has arisen regarding applicability of GST rate on such transactions taken place during 01.07.2017 to 24.01.2018.

- Similarly, supply by refiners/fractionators to OMCs for ultimate supply to NDEC customer under S.No. 165 has not been covered under this circular.

Suggestion:
Therefore, in order to resolve above said ambiguity, the suggestive amendments further required in the subject circular are summarized below for your kind consideration:

S. No.	**Issue**	**Status**	**Amendments sought**
1.	Supply by refiners/fractionators to OMC during 01.07.2017 to 24.01.2018 to Domestic Household and NDEC customers	W.e.f. 1.7.2017 to 24.01.2018, supply of LPG by OMCs (IOC,BPC,HPC) to NDEC and Domestic Household Consumers were attracting GST at the rate of 5% in terms of entry in S.No. 165 of Notification No. 01/2017 – Central Tax (Rate) dated 28.06.2017.	Circular No. 80/54/2018- GST doesn't include supply of LPG to OMCs under S.No. 165 for ultimate supply to both NDEC and domestic consumers upto 24.01.2018. Hence, S.No. 165 to be included in the circular w.e.f. 01.07.2017 itself.
2.	Supply by refiners /fractionatorss to OMC w.e.f. 25.1.2018 for supply to NDEC customers	Consequent to insertion of S.No.165A, Notification No. 1/2017- Central Tax (Rate), the S.No.165 was amended to omit the supply to household consumers. Thus, w.e.f. 25.01.2018, S.No. 165 is applicable for supply to only NDEC consumers. S.No. 165A is applicable w.e.f. 25.01.2018 for Supply to household consumers.	S.No. 165 is still applicable for supply of LPG to NDEC consumers, as amended by Notification No. 06/2018 – Central Tax (Rate) dated 25.01.2018, thus Circular No. 80/54/2018-GST should include S.No. 165.

In view of the above ambiguity, it needs to be appreciated that issuing notice/ demand by field force to supplier refiners /fractionators for differential tax cannot be ruled out and such demand would finally be passed on the OMCs even though the LPG purchased by OMC was supplied for household consumers only.

Considering above, it is requested that the aforesaid **Circular No. 80/54/2018-GST** dated **31.12.2018** may be amended suitably as under:

'It is being clarified that LPG supplied in bulk, whether by a refiner/fractionator to an OMC or by one OMC to another for bottling and further supply to NDEC and Domestic Household consumers will attract a GST rate of 5%, under S.No. 165 and S.No. 165A retrospectively w.e.f. 01.07.2017'.

20. **Reduction in GST rate on inward supplies in the supply chain of domestic LPG**

Background:
Public sector OMCs market LPG (including propane and butane) to household domestic consumers and NDEC customers, which is taxable at 5% GST in terms of entries 165 / 165A of Schedule I to Notification No. 1/2017-Central Tax (Rate). The supply chain involves regular procurement of capital goods and services, mainly consisting of empty cylinders, blending services, bottling services and transportation services, which attract GST at 18%, as under:

- 14.2 kg empty LPG cylinders (HSN 7311) – Schedule III to Notification No. 1/2017-CT (Rate) – 18%
- Services of blending of propane and butane for domestic LPG (SAC 9988) – Sr. No. 26 of Notification No. 11/2017-CT (Rate) – 18%
- Services of bottling of bulk LPG into cylinders – Notification No. 11/2017-CT (Rate) – 18%
- Services of transportation of domestic LPG through pipeline (SAC 9965) – Sr. No. 9 of Notification No. 11/2017-CT (Rate) – 18%

Suggestion:
The GST rate on the above inward supplies meant for the domestic LPG supply chain may be reduced from 18% to 5%. The proposal would not impact Government revenue, as the final tax would continue to be paid by OMCs on supply of domestic LPG at 5%.

21. **GST on bunker fuel – zero-rating of supplies to foreign-going vessels and coverage of the entire supply chain under the concessional entry**

Background:
Entry 164 of Schedule I to Notification No. 1/2017-Central Tax (Rate) prescribes 5% GST on specified bunker fuels for use in ships or vessels, namely IFO 180 CST, IFO 380 CST and Marine Fuel 0.5% (FO). Such fuel oils are produced at refineries and thereafter transferred to supply points, which may be situated in a State different from that of the refinery, for onward supply to ships / vessels as bunker fuel. No process is undertaken at such supply points, and the product is supplied as such.

Suggestion:

- Section 16 of the IGST Act, 2017 may be amended to include supply of bunker fuel as stores to foreign-going vessels within the scope of "zero-rated supply".
- CBIC may clarify that the entire chain of supply of fuel oil for use as bunker fuel, including transfers from refineries to supply locations situated in other States, is covered under entry 164 of Schedule I.

22. **Amendment of B2C / B2CL supplies reported in GSTR-1 as B2B supplies**

Background:
At times, amendments are required to correct supplies reported in GSTR-1 under B2C and B2CL categories as B2B supplies, owing to incorrect data uploads. The GSTN portal allows amendment from B2C to B2B only once, and does not allow amendment of B2CL supplies as B2B. This has implications on availment of input tax credit by the recipient.

Suggestion:
Necessary facility may be provided on the GSTN portal to amend B2CL transactions as B2B. Further, amendment of B2C transactions to B2B may be allowed more than once, up to the due date of furnishing the annual return for the relevant financial year.

23. **Supply of electricity to Commercial & Industrial (C&I) consumers to be made taxable under GST at 5%**

Background:
Supply of electrical energy (HSN 2716) is exempt from GST vide Notification No. 2/2017-Central Tax (Rate). Consequently, input tax credit on inputs and input services used by renewable energy developers is not available in view of section 17(2) of the CGST Act, 2017. GST is borne on modules / equipment (5%) and on EPC, O&M and balance-of-system services (18%), which becomes an embedded cost and inflates tariffs. Unlike the five petroleum products, electricity is not constitutionally excluded from GST; the exemption is by notification.

Suggestion:
Supply of power to Commercial & Industrial consumers may be notified as taxable under GST, preferably at 5%, while retaining the exemption for household and agricultural consumers. This would enable seamless credit across the chain, reduce the cost of green power for industry and support India's renewable energy targets.

24. **Clarification on nature of supply of CNG by City Gas Distribution entities through OMC retail outlets**

Background:
Presently, natural gas is outside the ambit of GST as per section 9(2) of the CGST Act, 2017. CNG, majorly used as a public transport fuel, is sold by City Gas Distribution (CGD) entities to OMCs for retail sale through OMC outlets, and such transactions are being treated by CGDs and OMCs as sale transactions. The Hon'ble Supreme Court, in its recent judgment dated 20.07.2026, has held that such sale of CNG by CGD entities to OMCs constitutes a principal-agent relationship, subject to service tax, instead of sale transactions. Similar arrangements continue in the GST era.

Suggestion:
Natural gas may be brought under the purview of GST, to ensure seamless flow of credit and avoid unwarranted litigation. Alternatively, a suitable clarification may be issued to treat the supply of CNG by CGD entities to OMCs as a principal-to-principal sale rather than a principal-agent relationship.

25. **Amendment in explanation inserted to Chapter V- Input Tax Credit of CGST Rules, 2017 to determine the value of non-GST supply**

Background:
Section 2(47) of CGST Act defines exempt supply to include non-taxable supply, therefore, for the purpose of common input tax credit (ITC) reversal, turnover of these excluded products would be counted as exempt supply as per formula prescribed under Rule 42 and Rule 43 for the reversal of common Input / Input Services and Capital goods credit respectively.

- Petroleum products manufactured in oil refineries are stock transferred out of the State to other States in order to cater the demand in those States and to maintain un-interrupted supply of these essential commodities across the Country. In some cases, goods are further stock transferred to another State due to change in mode of transportation like pipeline to

railway/road and other logistic requirement. Since, GST is a State specific levy, every State has to apply its reversal ratio based on taxable & exempted turnover of that State.

- The above provision is resulting into reversal of ITC on account of same goods in multiple States. Since, this product has already suffered ITC reversal in the manufacturing State, the same should not be included in turnover of the subsequent states.
- It is worth mentioning here that Under Cenvat Credit Rules, 2004, the value of traded goods was considered at only 10% value of traded goods for calculating reversal ratio for common input services.

Suggestion:

Considering the above, it is suggested that value of these non-GST petroleum products should be included in the non-GST turnover of manufacturing State alone and suitable amendment to be made in clause 2 of Explanation to Chapter 5- Input Tax Credit of CGST Rules, 2017, by insertion of a new sub-clause as per follows.

*"**Explanation. -** For the purpose of this Chapter, -*

(1) ....

(2) for determining the value of an exempt supply as referred to in sub-section (3) of section 17-

(a) ...

(b) ...

(c) the value of non-taxable goods i.e. MS (Petrol), HSD, ATF, Crude Oil and Natural Gas shall be included only in in the exempt turnover of the state where such goods are manufactured"

or,

in case of traded excluded petroleum goods, value will be considered @ 10%.

26. **Exemption of GST on Ethanol/Bio Diesel used in blending with MS/HSD**

Background:

Ethanol is blended into Motor Spirit (MS), to improve automobile emissions, reduce Greenhouse Gases and reduce dependency on fossil fuels. Ethanol is covered under GST regime and is subjected to CGST/SGST or IGST as the case may be and Ethanol blended Petrol (EBP) is covered under Central Excise & State VAT. There is an exemption under Central Excise for not treating the blending as manufacture, thus no additional excise amount needs to be paid on blending of EBP. Since Petrol and Diesel being exempted supplies under GST, credit with respect to ethanol and bio diesel is not available when blended with petrol and diesel respectively. Thus, the GST paid on additives Ethanol/Bio diesel is a cost to companies.

Suggestion:

Ethanol/Bio Diesel meant for blending with petrol/diesel should be levied to minimum rate of GST as to incentivize OMCs and not create unnecessary pressure on prices of petrol and diesel. Appropriate amendment be brought out in excise notification so that blending of non-GST paid ethanol also does not attract Excise duty.

27. **GST on Ethanol manufactured from Captive Plants for blending with MS in the same state**

Background:

Many OMCs have set up their own 2G ethanol manufacturing plant. Currently, stock transfers of ethanol within state is not leviable to GST, however exemption under Excise is available to EBMS if GST paid ethanol is blended in MS.

Suggestion:
Suitable amendment in exemption notification under the Central Excise law for exempting the blended EBMS produced from Ethanol manufactured from their own ethanol plants, by removing the condition of blending of GST paid ethanol in MS.

28. **LPG Cylinders - Domestic/CVR Valves/Regulators -GST Rate Suggestion**

Background:
Domestic Cylinders/CVR Valves/Regulators (GST@18%) are used for supplying domestic LPG. Domestic LPG attracts concessional GST rate at 5%. The Cylinders/CVR Valves/Regulators are used in the supply of Domestic LPG and are not supplied as such. GST rate 18% on inputs is used for supply of output attracting GST rate 5%, results in accumulation of ITC and blockage of working capital. Reduction in GST rate on these items will help in reduction of GST ITC accumulation.

Suggestion:
It is proposed to maintain GST rate at 5% for LPG cylinders.

29. **Safety Equipment (flameproof suits, gas leak detectors, fire suppression systems)**

Background:
Safety equipment (currently at GST 18%) is mandatory under Oil industry. Reducing GST incentivizes companies to invest more in safety compliance and reduces the cost of ensuring worker safety in hazardous environments.

Suggestion:
It is proposed to maintain GST rate at 5%.

30. **GST on Excise Duty Element (Jobwork)**

Background:
Presently Excise duty in applicable on CNG. The process of compression of Natural Gas into CNG is also exigible to GST (third party Jobwork Charges). Thus, the conversion process is now suffering with double taxation i.e., Central Excise and GST on Jobwork Charges including Excise Duty component.

Suggestion:
The Excise Duty component may be excluded from the Jobwork charges for GST valuation purpose.

Clarifications

1. **Clarity on MS and HSD - Definition under GST**

Background:
Presently, petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel are outside the ambit of GST as per the section 9(2) of the CGST Act 2017. However, the GST law does not define Motor Spirit (commonly known as petrol) and High- Speed Diesel.

Suggestion:
Various interpretations are possible depending upon the sources. Accordingly, clarity is required as to what constitutes MS and HSD as per GST Act. Clarity is required as to what constitutes MS and HSD to avoid any future interpretation issues.

2. Value of Taxable Supplies not to include grant received from Government.

Background:
As per section 2(31) of CGST Act 2017- "consideration" in relation to the supply of goods or services or both excludes subsidy given by the Central Government or a State Government. Further, sec 15 also exclude subsidies provided by the Central & State government for the value of Taxable supply.

The term subsidy has not been defined under the act. In common parlance in relation to sale price of goods, it is understood that subsidy means the amount which a supplier is being compensated for the difference between original/open market sale value viz-a-viz price at which product was actually sold to end consumer. At times, this compensation is also termed as grant by concerned ministries. However, tax authorities may dispute the interchangeable use of terms grant and subsidy.

Suggestion:
It is suggested a suitable clarification specifying at par treatment of “Grants” with the term “Subsidy” may please be issued for exclusion from levy of GST.

3. Services between Head office and its Units situated in another state.

Background:
Section 7 read with Schedule I provides applicability of GST for transactions amongst distinct persons of the same entity. In this context, issue arises whether functions performed by head office of a business enterprise, viz. accounting, advisory, treasury, legal etc., can said to be services provided to its unit situated in other political state or vice versa.
The issue attained significance as AR ruling in the case of M/s Columbia Hospital held that head office is providing services to units and employee cost is required to be included in the value of services.

Circular no. 199/11/2023 dated 17.07.2023 is issued by CBIC clarifying the valuation of internally generated services. As per the circular, employee cost need not be added to internally generated services provided by Head Office to branches. However, what constitute ‘internally generated services’ has not been clarified in the circular.

Since, employees are for the company as a whole and perform activities for whole enterprise, the services in the nature as mentioned above, are those provided by said employee to head office as well as to branches, which are constituent part of the enterprise. Accordingly, these services are covered under clause 1 to schedule III of CGST Act and are not liable to GST.

Though the circular has been issued to address the valuation issues in this regard and considering the principle enunciated in the circular, there won’t be any financial impact on persons who are eligible for availing full ITC. However, registered persons, like those in Oil & Gas Sector, are very much impacted with the judgement in M/s Columbia Hospital matter as also with the circular.

Suggestion:
Necessary notification/ circular to be issued by Govt providing exemption for deemed supply of services by head office to its units situated in another state and services by units to head office situated in another state. Such clarification would avoid unwarranted litigations at future date particularly in view of contrary AAR ruling in this regard.

4. Availability of ITC to recipient upon Cancellation of GST Registration of supplier Retrospective

Background:
Based on invoices populated in GSTR2B, assessee is availing GST ITC subject to other compliances u/s 16 of the CGST Act, however, at times GST registration of supplier are cancelled with retrospective effect.

In such cases tax authorities are of the view that GST ITC should be reversed by the recipient despite the fact that various High courts have pronounced the issue in favor of assessee by ordering that the recipient has taken the valid GST ITC on the basis of return filling status of vendor and retrospective cancellation of suppliers GST registration cannot be envisaged by the assessee.

Suggestion:
Issuance of suitable clarification confirming admissibility of such GST ITC to avoid undue hardship faced by assessee.

Natural Gas

Amendment

1. Rationalization of GST rate on services of transportation of Natural Gas through pipeline

Background:

a. It may be observed that presently GST rate on the services of 'transportation of Natural gas through pipeline' is applicable @18% (with ITC benefit) and @5% (without ITC benefit).
b. Further, as per GST Laws, two different registered units of an entity are considered distinct persons and inter-unit billing for supply of goods/ services between such units is required to be carried out with applicable GST. Considering such provisions under GST Laws, the lower GST rate @5% (without ITC Benefit) could not practically be implemented so far, as Input Tax Credit (ITC) of GST payable on the inter-unit billing, for services of transportation of Natural Gas, will not be available to recipient unit of GAIL.
c. Further, Natural Gas a much cleaner source of energy than other alternative available and is primarily used in priority sectors like Power, CNG and fertilizer sector. The high rate of GST on the services of transportation of goods by pipeline will make Natural Gas costlier for power and CNG sector where Input Tax Credit of GST paid on transportation of Natural Gas is not available as the output product is not covered / exempted under GST. Further, this will also enable Natural Gas to compete with other alternative polluting fuels like Furnace Oil, Naphtha, etc.

Suggestion:

a. It is proposed that GST @ 5% applicable on the services of transportation of goods by pipeline may be provided with ITC Benefit.
b. This will lead to lower cost of transportation of Natural Gas and will help in promotion of cleaner source of energy for Power and CNG sector where ITC of GST paid on transportation of Natural Gas is not available. This will also enable Natural Gas to compete with other alternative polluting fuels like Furnace Oil, Naphtha, etc.

2. Exemption of GST on Secondment of Employee to Group Companies

Background:
The Hon'ble Supreme Court, in 'Northern Operating Systems Pvt. Ltd. (2022 (5) TMI 967), held that the secondment of employees by an overseas group company to an Indian company could constitute a taxable supply of manpower services. The Hon'ble Court held that the Indian company is liable to

pay Service Tax under Reverse Charge Mechanism (RCM') on remuneration paid to seconded employees. The court has extensively gone into the factual aspects relying upon "substance over form" principle.

Although the decision was rendered under the erstwhile service tax regime, the issue of taxability of employee secondment arrangements continues to arise under the GST law. The Department has started treating all such transaction as taxable under GST law. The Government vide circular No. 210/4/2024-GST dated 26.06.2024, has clarified that, where the recipient Indian entity is entitled to avail full input tax credit, the value of certain cross-border intra-group services may be treated as nil where no invoice is issued by the foreign related party. While this clarification provides relief in specified circumstances, it does not comprehensively resolve the GST implications of employee secondment arrangements, particularly where the recipient is not entitled to input tax credit.

The practice of deputing manpower to group companies is common in Oil & Gas sector, where employees from promoter company is deputed in group companies, including in the CGD Sector. It may also be observed that after introduction of GST, credit of GST paid on input/input services/ capital goods used for production/supply of NG/CNG is not available to producers and suppliers of CNG, which leads to cascading and inflationary effect. Consequently, the GST paid on deputation of employees to Group companies becomes additional cost to the recipient company.

Suggestion:
It is proposed that the supply of employee deputation or secondment services between group companies be exempted from GST, particularly where:

1. the deputed employee works under the direction, supervision and control of the recipient group company;
2. the recipient group company bears the economic and operational responsibility for the employee's services; and

Alternatively, an appropriate explanation may be inserted in the GST law to clarify that, where an employee is seconded to and works under the direction, supervision and control of the recipient group company, an employer–employee relationship shall be deemed to exist between the employee and the recipient company for the period of secondment. Consequently, the arrangement should not be treated as a taxable supply of manpower or other services by the deputing group company.

General

New Provisions

1. **GST on Royalty paid by Oil & Gas sector**

   Background:
   Royalty is a share of the Government revenue in the production of hydrocarbons and is success based i.e. not payable on exploration failure. It is part of overall economic share of the Government & not against any service.

   The CBIC in FAQ on Government services mentions that royalty paid to the government for assignment of right to use natural resources is treated as a supply of services and licensee is required to discharge tax on royalty paid under reverse charge mechanism There is no quid pro quo specified in this legislation under which royalty is levied that Government is required to fulfil obligation in lieu of royalty received.

Treating right to use natural resources as supply of services & levying tax is a step backward; further increases tax burden with adverse consequences on project profitability/incremental investments.

Further, GST ITC is also not available to the oil & gas sector and the cost of royalty is very high. Charging GST on such royalty would further add to the expenses.

Suggestion:
GST on royalty paid by Oil & Gas sector should be reduced from 18% to 5% as input tax credit is not available for this sector.

2. Provision of flexibility on GST portal to avail GST input tax credit

Background:
In certain cases, due to legal interpretation issues or court cases pending, the taxpayer has a doubt on eligibility of input tax credit on certain items.

However, the taxpayer is also required to claim all ITC by next October, otherwise the credit will be time barred. Also under the GST provisions, interest on GST credit is charged when it is wrongly availed and utilized.

Suggestion:
It is suggested that in the GST liability settlement section in GSTR3B, a column should be created whereby taxpayer at their option can leave some portion of ITC credit as unutilized and only remaining ITC is adjusted/actually utilized against gross GST liability.

3. Applicability of GST on corporate Guarantee

Background:
Under GST, supply between related party is treated as supply even without consideration.

Further, as per Rule 28(2) of the CGST Rule, 2017, the value of supply of provision of corporate guarantee by related person to banking company or financial statement should be 1% of amount of guarantee offered per annum or actual consideration, whichever is higher.

Suggestion:
In this regard, to the applicability of GST on such supply of services, the Hon'ble Bombay High Court (Nagpur Bench) in the case of D.P. Jain & Co. Infrastructure Pvt. Ltd., has held that guarantees issued by a company to banks for loans availed by its subsidiaries/SPVs, without any consideration, do not constitute a "supply" or "taxable service" under GST, by placing reliance on the ruling pronounced by the Hon'ble Apex Court in case of Edelweiss Financial Services.

Further, Hon'ble Gujarat High Court in case of **Torrent Power Ltd vs Union of India & Ors (C/SCA/12175/2024)** has upheld the levy of GST on corporate guarantees furnished by a holding company to its subsidiary, treating the arrangement as a supply of services even where no consideration is charged. However, the Court read down the words "whichever is higher" in Rule 28(2) and held that the value of the corporate guarantee should be determined by reference to the actual charge or commission or the 1% benchmark, without

requiring the higher of the two to be adopted in every case. Further, it was held that the levy under the said rule cannot apply to corporate guarantees furnished before 26 October 2023.

In this regard, request to issue a suitable clarification confirming whether transactions involving supply of corporate guarantee services is taxable under GST and valuation required to be adopted in relation to the same.

4. Enabling commodity trading operations by units in International Financial Services Centre (GIFT City)

Background:
Commodity trading (physical trade and merchanting trade of commodities) is presently not notified as a "financial service" under the International Financial Services Centers Authority Act, 2019, unlike banking, insurance, fund management and capital market activities, which already enjoy a liberalized IFSC regime. As per the existing IFSCA framework for Global / Regional Corporate Treasury Centres (GRCTCs), a GRCTC may act as a re-invoicing centre for financing the purchase and sale of goods on behalf of service recipients; however, it has been clarified that trading activity is not currently permitted in the IFSC.

As a result, Indian trading houses and commodity desks of multinationals continue to route global commodity trade through hubs such as Singapore, Dubai and Switzerland, rather than GIFT City, despite India being among the world's largest consumers / importers of crude oil, coal, edible oils and metals. The IFSCA's Expert Committee (report dated August 2025) has already recommended notifying commodity trading as a financial service to develop GIFT City as a global commodity trading hub.

Suggestion:
It is recommended that commodity trading, including merchanting trade and trading without taking physical possession of goods, be notified as a permissible "financial service" for units registered in IFSC, without restrictions, with corresponding tax (including under section 147 of the Income-tax Act, 2025 (section 80LA of the Income-tax Act, 1961)) and regulatory support.

5. GST on “Use or pay charges” recovered

Background:
As per industry-standard, for supply of re-gasified Natural Gas (“RLNG”), in case the customer fails to take all or part of the RLNG quantity for a contract year at the delivery point, for any reason then for such specified deficient quantities, the supplier is liable to recover the damages in form of ‘Use or Pay’ charges (“UoP “).

Under GST, such UoP charges are in the nature of liquidated damages as these charges are a measure of loss and damage that the parties agree would arise during the contract execution.

Suggestion:
In this regard, to the applicability of GST on such UoP charges, the Authorities are treating the said charges as taxable holding that the recovery of UoP charges is in the nature of breach of contract and shall be qualified as supply under Section 7 of the CGST Act without taking into account the clarification provided by Circular No. 178/10/2022-GST dated 03 August 2022 and Section 74 of the Contract Act which provides that where the compensation is received in monetary forms, the same are in the nature of liquidated damages, which is out of the purview of GST.

In this regard, request to issue a suitable clarification confirming transactions involving receipt of UoP charges are in the nature of liquidated damages

6. Transfer of CGST and IGST credit between registrations under the Same PAN

Background:
Businesses with multiple State registrations may accumulate credit in one registration while paying tax in cash in another, as corresponding electronic credit ledger balances cannot generally be transferred between distinct persons under the same PAN.

This results in stranded credit, unnecessary cash outflow and working capital blockage.

Suggestion:
CGST and IGST are Central levies, and permitting transfer of corresponding credit balances within the same PAN would not cause a loss of State revenue if the destination-based State allocation mechanism remains intact.

The reform would support the objective of tax neutrality and reduce simultaneous accumulation of credit and cash payment by the same taxpayer. The CGST Act should be amended to permit transfer of CGST and IGST credit balances between GST registrations held under the same PAN.

As an interim measure, transfer through an electronic mechanism or tax invoice similar to the ISD credit-transfer framework should be permitted.

7. Single or Optional National GST Registration

Background
Businesses operating across multiple States must maintain separate registrations, filings, audits and credit ledgers, leading to duplicated compliance, stranded credit, overlapping proceedings and artificial cross-charges.

The fragmented architecture is particularly burdensome for digital, asset-light and pan-India business models.

Suggestion:
A unified registration and compliance interface would reduce filings, enable coordinated audits, remove unnecessary internal supplies and improve utilization of credit. State revenue entitlements can be preserved through GSTN-based allocation of the State component according to the place of supply. The Government should introduce a single PAN-linked national GST registration with a unified compliance portal and backend allocation of State revenue. Pending full implementation, an optional centralised registration should be offered to large multi-State taxpayers above a prescribed threshold, such as ₹5,000 crore turnover, if not lower. Implementation may begin with digitalized sectors such as banking, financial services, insurance, telecommunications and information technology, followed by e-commerce, logistics and pan-India distributors. Depending on the outcome for select sectors initially, a uniform reform can be introduced, and de-centralised registration can be made optional with well-defined framework for its implementation.

8. Section 16(2)(c) of CGST Act, 2017 Re-haul of credit matching system

Background:
Section 16 provides conditions for availment of ITC. Section 16(2)(c) of the CGST Act, 2017 puts a restriction that a taxpayer can avail input tax credit only when tax has been actually paid to the Government by the Supplier.

It is observed that department issues notices to the Buyer on the following grounds:

- Reversal of ITC on inward supplies where tax has not been paid by the supplier to the Government.
- Payment of tax on outward supplies not reported/ tax not paid by the Supplier to the Government.

This has caused massive disruption in the ease of doing business and has practical ramifications on a bona fide buyer who has correctly paid tax to the Supplier but has been denied credit. This is also against the established principle of Law that once tax is paid by the recipient to the supplier, credit cannot be denied to such person.

The provisions of Section 16 are extremely harsh and call for a complete revamp considering the challenges they create for a bona fide buyer. This has also resulted in creating a substantial compliance burden on recipients to ensure that the supplier has filed the returns and has paid the tax. The provision is amenable to legal challenge in the long run and could lead to enormous litigation.

Also, based on the current on-going practice, the Department is using their dual power and recovering tax not only from the Supplier but also from the Buyer. However, in some cases, the tax recovery proceedings are being initiated only against the Buyer. These proceedings include issuance of garnishee notices, blocking of electronic credit ledgers, etc.

Suggestion:
It is recommended that section 16(2)(c) of the CGST Act, 2017 should be amended to the effect that where tax has not been paid by the supplier to the Government, it must be first recovered from the supplier. Only in the case of non-recovery from the supplier (by following the due process of law), such recovery may be initiated against the recipient.

Alternatively, a mechanism should be introduced permitting the recipient to pay GST not paid by the supplier *suo-moto* and issue a declaration to the supplier for such GST paid (as was prevalent during the VAT regime).

A mechanism should also be introduced whereby, in a case where tax is subsequently collected from the supplier, the recipient is informed or in case where credit has been disallowed / recovered, the recipient is allowed for such credit. The recipient has no means to find out whether the supplier has paid the tax subsequently.

Accordingly, suitable provisions should be introduced to compensate the recipient for such loss by way of restoration of credit with interest attributable to the period during which the recipient was unjustly deprived of the credit.

From an administrative perspective, the Government should implement a robust, technology-driven tracking mechanism enabling verification of payments made by suppliers against

specific invoices in real time, thereby insulating *bona fide* recipients from the defaults of their vendors.

9. Appropriate relief against Garnishee attachment orders from GST monthly payments issued by Sub Courts

Background:
Sub Courts in Kerela have been issuing garnishee notices on BPCL for attachment of taxes payable to Government of Kerela (GoK). As per Rule 46 of the Code of Civil Procedure 1908, courts can attach debts payable to principal debtor from the garnishee liable to pay such debts. Sub Courts issue such garnishee orders on account of non-payment of compensation by GoK to petitioners in relation to land acquisition and other matters.

During the erstwhile KGST/VAT regime also, this practice was followed and BPCL used to make deductions from sales tax dues to GOK and remit to the Sub Courts based on court orders. The Commercial Taxes Department, Kerala has not given credit for the garnishee payments made by us to various sub courts till 2014 based on the attachment orders. The total demand on account of garnishee deductions relating to the period from 2000-01 to 2013-14 is Rs.188 Crores. BPCL have filed Writ Petition before the Hon'ble High Court of Kerala – WP (C) 21626 of 2013 on which final decision is yet to come.

On this Writ Petition, High Court had given an interim order on our Writ Appeal – WA No. 388/2014 dated 13.03.2014. By this Order, High Court had given direction to all Civil Courts forbidding all garnishee deductions from sales tax payments based on Sec. 49A of KGST Act and Sec 79A of VAT Act, introduced w.e.f. 01.04.2005, which prohibits any deduction from tax dues.

However, there is no prohibitory clause under GST in line with the VAT Act. Further, there is no mechanism under GST to adjust such garnishee deductions from the outward GST liability. Hence, with the existing framework, we are not in a position to make any adjustments with respect to garnishee deductions while filing the returns.

Suggestion:
In view of the above, it is humbly requested that

a. Appropriate amendments in GST Act in line with Kerala VAT Act and Kerala General Sales Tax Act are brought about to prohibit such garnishee recovery from GST revenues; or
b. A gateway is provided for enabling the taxpayers to make garnishee payments through GST portal so that the same is reflected in Electronic Cash Ledger of the taxpayers which can be utilized for filing of Returns Or
c. Any other suitable mechanism is provided to adjust garnishee deductions against our outward liability in the GSTR 3B return.

10. Coordinated Audits and Prevention of Parallel Proceedings

Background:
Multi-State taxpayers may face multiple audits, investigations and notices from Central, State and enforcement authorities on the same issue, period or transaction. Automated notices may also be generated from different data sources and without considering earlier submissions or factual reconciliations

Suggestion:
Parallel proceedings increase compliance and litigation costs, create inconsistent outcomes and divert business resources from productive activities. Hence, a coordinated audit mechanism can preserve the Centre-State structure while ensuring consistency and reducing duplication.

A Central Processing Module should be created on GSTN for large taxpayers with multiple GSTINs to identify arithmetical variances using standardized parameters and data sources. Taxpayers should be given access to the source data and methodology underlying discrepancies and an opportunity to reconcile them before notices are issued. The GST portal should permit taxpayers to flag multiple or parallel proceedings and require a formal closure report when an investigation is concluded.

11. Formula for reversal of Input Tax Credit

Background:
Under GST law, the formula for reversal of credit is on the basis of turnover of the GST and Non-GST transactions.

Suggestion:
The formula prescribed under GST in case of reversal of input tax credit takes into account taxable as well as exempt supplies which include non-GST supplies. Currently, since LNG is outside the purview of GST, the ratio of turnover of exempt supplies is disproportionality larger than the non-exempt supplies, the physical volumes being almost equal due to which there is a huge loss of credit to LNG sector. It is submitted that formulae for reversal should be based on volume or any other method which is justifiable for natural gas.

12. GST payment and return filing due date

Background:
It is observed on many occasions that Payment of GST and return filing on the same day has led to overload on the GST portal slowing down of the system and increasing the processing time. Maintaining the same due date for payment of GST liability and filing of GST Return results in shortage of available time to complete both the activities. The last date of payment of GST liability as well as for filing of return is 20th of succeeding month.

Suggestion
It is suggested to have two different due dates for GST payment as well as Return filing. A gap of minimum 2-3 days between both activities will enable ease of doing business.

13. Availability of Input Tax Credit on construction of an immovable property

Background:
Hon'ble Supreme court in the case of Safari Retreats has upheld the constitutional validity of Section 17(5)(c) ['clause (c)'] and Section 17(5)(d) [clause (d)'] of the CGST Act,2017. Thereafter, vide Finance Bill 2025, amendment, has been made to Section 17(5)(d) to substitute the terms "plant or machinery" with "plant and machinery" retrospectively from the 1st day of July, 2017.

Now as per the amended provision, ITC is ineligible for goods or services or both received for construction of an immovable property (other than plant and machinery) on his own account.

Suggestion:
It is recommended that the CBIC issues clarification and the construction of an immovable property (other than plant and machinery) will/ will not qualify on his own account. Further, as part of credit liberalization reforms under GST 2.0, removal of such restriction of credit would provide a much-needed boost to the industry. Additionally, it is recommended that the CBIC issues clarification on the construction related items qualifying as plant and machinery such as HVAC, air compressor, submerged combustion vaporizer, gas metering system etc.

14. Overhaul of blocked input tax credits under section 17(5)

Background:
Section 17(5) blocks input tax credit on several categories of inputs / input services even where they are used in the course or furtherance of business.

The restrictions affect motor vehicles, insurance and maintenance, food and beverages, employee welfare, construction-related procurement, corporate social responsibility expenditure and goods lost, written off or distributed as samples

Suggestion:
The restrictions convert ordinary business expenditure into embedded tax costs and create cascading in sectors where the expenditure is directly connected with taxable outward supplies. A business-purpose test, supported by appropriate safeguards against personal consumption, would better reflect the principles of a value-added tax.
Section 17(5) should be comprehensively reviewed, and credit should generally be allowed for procurements used in the course or furtherance of business, subject only to a narrowly defined negative list for clear personal consumption and specified abuse-prone items. Credit should be allowed on business-related motor vehicles, insurance, servicing, repair and maintenance, food and beverages, outdoor catering, employee life and health insurance and other business expenditure, subject to prescribed business-use tests, caps or proportionate restrictions where necessary.

15. Taxability of long-term leases and assignment of lease

Background
Under GST, only the sale of land is specifically excluded from the scope of supply. There is no explicit clarity on whether:

- Long-term leases of land (e.g., 30 or more years leases, 99-year leases, etc), which are commercially akin to a sale of land, should also be treated as outside the GST net; and
- Assignment of leasehold rights, involving transfer of all rights and interests in immovable property from the assignor to the assignee, should be regarded as equivalent to a sale of immovable property.

The absence of an express provision results in uncertainty and continued litigation on the taxability of such transactions.

Suggestion:
Long-term leases granted against substantial upfront premiums often confer rights comparable to ownership and are economically similar to a sale of land. Likewise, assignment of leasehold rights results in a complete transfer of the lessee's interest in the property, with the assignee stepping into the shoes of the lessee.

Following the ratio of Hon'ble High Courts on this issue[1] and Supreme Court dismissing the SLPs filed against the order of HCs[2], finding no inclination to interfere with High Court judgment, assignment of leasehold rights and long-term lease constitutes transfer of immovable property and therefore must not be liable to GST, as enshrined on the principles under other Relevant laws on Property and Rights transfer (such as Transfer of Property Act, 1882).

It is requested to amend Schedule III of the CGST Act to expressly exclude long-term leases of land and transfer/assignment of leasehold rights, along with other transfers of interests in immovable property, from the scope of supply.

Alternatively, issue a suitable clarification confirming that transactions involving long-term leases and assignment of leasehold rights, are to be treated at par with sale of land and kept outside the GST levy.

16. Blocked Input Tax Credit (ITC) on supply of motor vehicles

Background:
Blocked Input Tax Credit (ITC) on supply of motor vehicles for transportation of persons having approved seating capacity of not more than 13 persons (including the driver). Motor vehicle Services are required for transportation of employees in the course of furtherance of business. Company utilizes the motor vehicles to transport employees for various official work requirement in the course of furtherance of business. The GST paid thereon is cost to the company as ITC is not available in view of blocked credit provisions of GST.

Suggestion:
The restrictive provisions of blocked credit in respect of supply of motor vehicle should be removed to enable availment of ITC which is the intent of the Law

17. Credit note distribution by ISD

Background:
Section 34 was amended to provide for issuance of credit note for multiple invoices, considering the same, GSTR-1 return does not require reference of original invoice for credit note.
However, ISD return (GSTR-6) in Table 5 still requires reference of original ISD distribution invoice. As distribution of credit note by ISD registration may involve multiple original documents, the mandatory requirement of reference of original invoice in table 5 of GSTR-6 may be removed.

Suggestion:
Mandatory requirement of reference of original invoice in table 5 of ISD return (GSTR-6) may be removed on GSTN portal.

Amendments

1. GST Relief for Transfer of Undertakings

Background:

- Presently, as per Schedule II, Para 4, CGST Act, 2017:
  (i) Clause (a) deems the transfer of goods forming part of business assets to be a supply.
  (ii) Clause (c) provides that when a taxable person ceases business, transfer of business assets is deemed a supply unless the business is transferred as a "going concern."

Ambiguity in law: Notification No. 12/2017-CT (Rate) exempts the "transfer of a going concern," but the CGST Act does not provide a clear definition of this term. This lack of clarity has led to conflicting views in Advance Ruling (AAR) and Appellate Authority (AAAR) decisions. The issue is especially significant in the Oil & Gas sector, where unincorporated joint ventures and complex financial structures make GST treatment uncertain. A similar challenge exists in the Renewable Energy sector, where companies often hold multiple standalone projects within a single entity, and GST complications arise when one such project is sold in its entirety.

- Contradictory AAR decisions:
  - Some states have held that transfer of business is a going concern (hence exempt), while others have treated it as an asset sale (taxable at 18%).
  - Exemption Granted Cases (Going Concern Treatment): Uttarakhand AAR - Innovative Textiles Limited, Karnataka AAR - Rajashri Foods Private Limited, Karnataka AAR - Pico2Femto Semiconductor Services)
  - Exemption Denied Cases (Asset Sale Treatment): Andhra Pradesh AAR - SCV Sky Vision, AAAR Andhra Pradesh - Shilpa Medicare Limited
  - Oil & Gas Participating Interest Transfers case: NIKO (NECO) Limited - Andhra Pradesh AAR Application withdrawn, no definitive ruling
- High transaction costs: If taxed, a ₹500 crore Participating Interest in Oil & Gas block acquisition attracts ₹90 crores of GST.
- Litigation delays: Advance ruling processes add 6–12 months and significant legal costs.
- Investor hesitation: Lack of clarity discourages Investors and utilities from consolidating assets.

Suggestion:
In Schedule II, Para 4 of the Central Goods and Services Tax Act, 2017, after clause (c), the following may be inserted to define "Going Concern":

"Explanation.—For the purposes of this paragraph, the expression "going concern" means the transfer of a business undertaking, transfer of participating interest (in unincorporated joint venture), whether wholly or partially, which is capable of being carried on by the transferee as a continuous business activity, and includes the transfer of assets, liabilities, goodwill, licenses, and other rights and obligations necessary for the operation of such business, but shall not include the mere transfer or disposal of individual assets without transfer of the business as a whole or substantially as a whole."

2. **Invoice Management System (IMS)**

Background:
The recent proposal to implement Invoice Management System (IMS) with the option to accept, reject or keep pending the Invoices/debit notes and only accept or reject the credit notes, is a difficult compliance process. Many a times the invoice reversal are through credit notes as the time limit to reverse the e-invoice is 24 hours. Since the buyers would have not received the invoice, they will reject the credit notes as both invoice and credit notes are not issued to them. Rejection of credit notes will automatically increase the liability in GSTR 3B with no option to modify, whereas rejection of invoice will not reduce the liability.

Even as a buyer, there will be few purchase invoices which will be in transit or yet to be accounted. The credit notes related to these invoices are either to be accepted or rejected by the buyer. Also, there is no link or details of the invoice in the credit note.

Suggestion:

- Credit note should mandatorily have the details of original invoices.
- Time limit for acceptance or rejection of credit should be one month instead of action within the current month
- Time limit for reversal of e-invoice to be increased from 24 hours to 72 hours as invoicing are done throughout in shifts. This will reduce the reversal through credit notes.

3. **Admissibility of Input tax credit in the manufacturing state incurred by the exporter for positioning of the non-GST goods for Export.**

Background:
As per section 16, zero rated supply means export of goods and the state which exports the non-GST goods are eligible for ITC. However, in case of movement of non-GST goods from manufacturing unit situated in one political state to Export warehouse situated in another political state, GST ITC is not eligible, as such stock transfer movement is not termed as transaction under section 16 of the IGST Act 2017 in the manufacturing state even though the Central excise procedure is fully followed in such cases for movement of bonded product to export warehouse.

Suggestion:
In view of above, Input tax credit to be allowed in the manufacturing state incurred by the exporter for positioning of the non-GST goods for Export, when the factory and export warehouse are situated in different political states. This would provide relief to the exporters from burden of incurring GST taxes involved in positioning of the goods in the export warehouse as per the fundamental principles that taxes and duties are not to be loaded in case of exports.

Clarifications

1. **Clarifications related to Input service distributor (ISD)**

Background:
ISD mechanism is mandatory w.e.f. April 01, 2025.

Suggestion:
It is recommended that there should be comprehensive operational guidelines and functionalities to facilitate smooth and efficient compliance of ISD provisions:

- It is too onerous for suppliers to track which invoices are to be raised on ISD GSTN and which on normal HO GSTN. A functionality may be provided to transfer credit from say HO to ISD registration (Currently only reverse charge credit can be transferred from HO to ISD)
- A clarification may be issued on Internally Generated Services (IGS) and Third-party services (TPS) on how they are to be distinguished and dealt with.
- Currently, mechanism is not available to transfer common reverse charge related credit paid by HO which is blocked under 17(5) to the ISD. Clarification is required on this since there are state circulars which necessarily require transfer of ineligible credit to respective states without which they would not get the funds from the center.

2. Clarification on classification of entities associated with Government as "Government Authority", "Government Entity" or "Central/State Government/Local Authority" under GST

Background:
As per Notification No. 13/2017 – Central Tax (Rate) dated 28.06.2017 (as amended), services provided by the Central Government (CG), State Government (SG), Union territory or Local Authority (LA) to a business entity attract GST under RCM. Services provided by rest all authorities are under FCM only. Further, exemption notifications and tax treatment differ depending on whether the provider is classified as Government authority, Government entity, or CG/SG/LA.

However, in practice, a number of statutory bodies, boards, corporations, societies and undertakings, though established or substantially controlled by Government, claim themselves to be CG/SG/LA resulting in RCM on services supplied by them.
In such cases, these entities are not charging GST under FCM under the pretext that they CG/SG/LA while in fact recipient is not required to pay tax under RCM. This results in non-payment of tax by any party to the transaction in some case.

Suggestion:
A clarification/representation is required on:

- The distinguishing parameters/criteria that may be applied while classifying an entity as CG/SG/LA, Government Authority, Government Entity.
- A specific list/compilation of recognized entities under each category can be notified/issued.
- The procedure taxpayers should follow where classification of a contracting entity is not clear.

This clarification will significantly reduce interpretational disputes, ensure correct discharge of GST under RCM, and promote ease of doing business.

3. Interest liability under rule 37 to be done away with

Background:
As per rule 37 of CGST rules, 2017, a registered person, who has availed input tax credit on any inward supply of goods or services or both, but fails to pay to the supplier thereof, the value of such supply along with the tax payable thereon, within a period of 180 days shall reverse such credit along with applicable interest.

Sometimes in the event of dispute w.r.t. quality of products or services payment is kept on hold beyond 180 days. The above provision regarding reversal with interest creates unnecessary burden on taxpayer, even when tax would have been rightfully paid by supplier to government and same is getting reflected in GSTR 2B as well. Also, there is no loss to revenue in the subject case.

Suggestion:
In view of the above it suggested that interest should not be applicable on such reversal under rule 37 to remove the difficulty for compliant taxpayers.

4. Payment to Supplier within 180 days (Section 16(2) of CGST Act, 2017)

Background:
Second proviso to section 16(2) provides that in case recipient fails to pay the value of goods/service along with tax to the supplier within 180 days from the date of invoice, ITC availed needs to be reversed along with interest thereon. The condition of payment to supplier is generally governed by the contractual agreement between the parties which depends on the various factors such as nature of work, credibility of the recipient etc.

Once the payment of tax has been made by the supplier to Govt., disallowance of ITC to the recipient where he is not contractually liable to release the payment within 180 days from the date of invoice is unfound and is unnecessary burden on the legitimate recipient.

Suggestion:
Necessary notification/clarification to be issued by Govt. that condition of 'fails to make payment within 180 days' to be reckoned with contractual conditions between the supplier and recipient and not from the date of invoice.