

Press Release of the Hon'ble Minister for Finance and Human Resource Management Dr. Palanivel Thiaga Rajan on the reduction of taxes on petrol and diesel

The Hon'ble Union Minister for Finance has announced on 21.05.2022 that the excise duty on petrol will be reduced by Rs. 8 per litre and on diesel by Rs. 6 per litre. It is heartening to note that the Union Government has finally heeded to the repeated requests of the Tamil Nadu Government to reduce the taxes on petrol and diesel, which were egregiously increased by the Union Government from 2014 to 2021.

Even before the Union Government had first reduced its taxes on petrol and diesel in November 2021, this Government, under the able leadership of Hon'ble Chief Minister Thiru M.K.Stalin had cut the VAT on Petrol in August 2021. That cut resulted in a relief of Rs.3 per litre to the people of Tamil Nadu. The State Government will incur a loss of Rs. 1,160 crores annually due to this reduction. Yet this was done, despite the financial strain inherited from the previous government, to reduce the burden on the people of Tamil Nadu. It is to be noted that even during the 2006-11 regime, the DMK Government had cut taxes on petrol and diesel for the welfare of the common man.

On the other hand, the Union Government's levies on petrol have gone up substantially in the past 7 years. Though the revenue to the Union Government has increased manifold, there has not been a matching increase in the revenues

to States. This is because the Union Government has increased the cess and surcharge on petrol and diesel while reducing the basic excise duty that is shareable with the States.

On 01.08.2014, the Union Government taxes were Rs. 9.48 per litre on petrol and Rs. 3.57 per litre on diesel. Prior to the reduction of taxes on petrol and diesel by Union Government in November 2021, the levy of tax, including cesses and surcharges by Union Government on petrol was Rs. 32.90 per litre and Rs. 31.80 per litre on diesel. This was reduced to Rs. 27.90 per litre for petrol and Rs. 21.80 per litre for diesel. Now, it has further been reduced to Rs. 19.90 per litre for petrol and Rs. 15.80 per litre for diesel. Though the Union Government has reduced the taxes, it is still higher than the 2014 rates by Rs. 10.42 per litre for petrol and Rs. 12.23 per litre for diesel. Therefore, there is a strong case for the Union Government to further reduce its taxes.

The Union Government's reduction in taxes that were announced on 03.11.2021 has caused an additional loss of about Rs. 1,050 crores in annual revenue to Tamil Nadu. The recent reduction will cause a further loss of around Rs. 800 crore in annual revenue to the State. This will put a huge strain on the finances of the States, that were already burdened due to the additional expenditure incurred by them for Covid relief activities.

Though this Government inherited a precarious fiscal position from the previous Government and incurred additional expenditure towards Covid relief

activities, it reduced the taxes on petrol in a few months after assuming office, for the welfare of the people. Tamil Nadu, despite its limited taxation powers, has taken proactive measures to reduce the tax burden on the people of the State.

It is pertinent to point out that the Union had never consulted the States when they increased the taxes on petrol and diesel multiple times. The exorbitant increase in taxes by the Union Government has been only partially reduced through their cuts and the taxes continue to be high as compared to the 2014 rates. Therefore, it is neither fair nor reasonable to expect States to reduce their taxes.

Issued By: - DIPR, Secretariat, Chennai - 9.

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