

Unfair to call windfall tax ad hoc, done in consultations with industry- Sitharaman

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- **FM pointed out that the industry was taken into full confidence before the implementation of the windfall tax.**

Finance Minister Nirmala Sitharaman on Monday said it is unfair to call windfall tax as ad hoc as the tax rate and its resetting is carried out in complete consultations with the industry. She pointed out that the industry was taken into full confidence before the implementation of the windfall tax. Last month, the government trimmed down the windfall tax from ₹23,250 per tonne to ₹13,000 per tonne on the sale of locally produced crude oil.

In an event organised online by Elara Capital, Sitharaman said, it is unfair to call windfall tax ad hoc, that is because the tax rate and its resetting are done in complete consultations with the industry.

Further, she added that the very idea was implemented after taking the industry into full confidence.

When the Indian government suggested the idea of the windfall tax, Sitharaman said, "we had told the industry that the tax rate will be reviewed every 15 days and we have been doing that," reported PTI.

With effect from August 19, the government reduced the windfall tax to ₹13,000 per tonne on the sale of locally produced crude oil. Also, they reduced cess on export of aviation turbine fuel (ATF) to ₹2 per litre. Further, the special additional excise duty on the export of diesel was hiked to ₹6 per litre from ₹5 per litre -- including a cess, it would ₹7 per litre.

On July 1, the government levied a windfall tax of ₹23,250 per tonne on the sale of locally produced crude oil. However, windfall tax does not imply to every oil company. Small crude oil producers with an annual production of fewer than two million barrels are exempted from this windfall tax. Apart from windfall tax, the government has imposed special additional excise duty of ₹6, ₹13, and ₹6 per litre on exports of petrol, diesel, and jet fuel, respectively.

Sitharaman also spoke about bond inclusion in the global index. She said, many things have changed since the pandemic, especially in terms of inflows.

Citing the pandemic as the reason, she highlighted that most of the fund inflows have not been as per expectations. However, the FM expects a logical conclusion to this sooner.

Talking about the government's plan to increase the tax-GDP ratio, the FM mentioned that widening the tax base is an issue and needs a lot of consultation and analysis. Though, she added, the increasing number of income tax filings gives some clue on the possibility of widening it.

However, She also said the government wants to ensure when the widening of the tax base is done, it looks reasonable and tech-driven. Currently, the tax-GDP ratio is about 10%.

Meanwhile, spotlighting on next 25 years of reforms and growth, the FM believes a lot of things are needed to be reset so that India can become a developed nation by then. Among the biggest tools are

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-- reset in digitisation, education, and building more and more infrastructure so that the country's hinterland doesn't remain unconnected to the cities.

Additionally, FM also spoke about the need for more caution and concerted efforts at sustaining growth as the world is encountering lots of newer challenges even when they come out of the Coronavirus pandemic.