

(TO BE PUBLISHED IN PART I SECTION I OF THE GAZETTE OF INDIA-  
EXTRAORDINARY)

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND NATURAL GAS

New Delhi, the 16<sup>th</sup> January, 2003

**NOTIFICATION**

**THE IRRECOVERABLE TAXES COMPENSATION SCHEME, 2002**

No.P-20029/18/2001-PP – The Government of India are pleased to make the following scheme for compensating the oil companies for irrecoverable state taxes to facilitate smooth transition from the administered pricing regime to the market determined pricing regime:

**1. Short title**

This scheme may be called the Irrecoverable Taxes Compensation Scheme, 2002.

**2. Commencement**

This scheme will come into effect from 1<sup>st</sup> day of April 2002.

**3. Definitions**

For the purposes of this scheme –

- (i) **Oil refining company** means a company engaged in the business of processing of crude oil for producing petroleum products;

**Part B :Oil Company Surcharge Collection (including subsidiary company )-  
Attachment**

Oil company:

Month:

Year:

States	Quantity in selling units				Value				
	MS	HSD	SKO	LPG	Rs 000				Total
State 1									
State 2									
.....									
<b>Total for the Company</b>									
<b>Less: Marketing under recoveries as per Annexure-II</b>									
<b>Net Surcharge collections</b>									

Notes: Attach rates of surcharge product wise, state wise.

Claims certified to be correct: \_\_\_\_\_

Designation, Department,

On behalf of oil company \_\_\_\_\_ Name \_\_\_\_\_

Auditors certificate & signature (all attached statements to be certified)-to be given quarterly

We have examined the above statements and found it to be correct and in accordance with the MOP&NG letter No. \_\_\_\_\_ dated \_\_\_\_\_

Signature, name & membership number of Auditor

## Form II

## Statement to be filed after filing of tax return

- A. Amount received as compensation Rs 000  
 Month/Quarter 1  
 Month/Quarter 2  
 .....  
 Total amount received
- B. Amount as per tax return
- C. Differential

Claims/Surrenders certified to be correct: \_\_\_\_\_

Designation, Department,

On behalf of oil company (associated Company) \_\_\_\_\_ Name \_\_\_\_\_

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**Part C :Attachment for Associated Co.s**

**(Separate sheet to be submitted for each Associated Co.)**

**Summary Sheet**

**Oil Company:** \_\_\_\_\_ **Associated Co. / Refinery:** \_\_\_\_\_

**Claim for the Month/Quarter:** \_\_\_\_\_ **Year:** \_\_\_\_\_

Particulars	Month/Quarter
	Rs Lakh
Claims (same as Part A)	
Refinery	
Total claims	
State surcharges collected (same as Part B) – Net of marketing under recoveries as per Annexure-II	
Total Claim/Surrender (Shown in Audited Summary Sheet against Associated Co.)	

Claims/Surrenders certified to be correct: \_\_\_\_\_

Designation, Department,

On behalf of oil company (associated Company) \_\_\_\_\_ Name \_\_\_\_\_

Claims verified: \_\_\_\_\_ (in case relate to quantities uplifted from refinery) \_\_\_\_\_

Designation, Department,

On behalf of oil company \_\_\_\_\_ Name \_\_\_\_\_

**Auditors Certificate & Signature (all attached statements to be certified)-to be given quarterly**

We have examined the above statements and found it to be correct and in accordance with the MOP&NG letter No. \_\_\_\_\_ date: \_\_\_\_\_

**Signature, name & membership number of Auditor**

- (ii) **Oil marketing company** means an oil company undertaking marketing (selling to consumers) of motor spirit (MS), high speed diesel (HSD), kerosene under the public distribution system (PDS Kerosene) and LPG used for non-commercial cooking (domestic LPG).
- (iii) **Irrecoverable state tax** means and includes: -
- (a) a tax levied on entry of crude oil in a local area including octroi;
  - (b) a tax levied on the sales turnover of an oil company marketing petroleum product(s) declared by law to be "irrecoverable as tax";
  - (c) central sales tax (CST)/purchase tax levied on inter company sales of petroleum products for moving the products inter-state.
- (iv) **state surcharge** means the state specific amount collected through the consumer selling price in a state to recover the cost of irrecoverable state tax.

#### **4. Irrecoverable taxes covered under the scheme**

##### **4.1 Compensation under the scheme will be provided for: -**

- (a) tax levied on the entry of crude oil in a local area including octroi, net of set off available, if any; and
- (b) tax levied on inter-company sale transactions for moving petroleum products of domestic refineries inter state namely, central sales tax (CST) and purchase tax.

being levied immediately prior to the commencement of this scheme, given in Annexure-I at the rates not exceeding the rates given in that Annexure.

4.2 Compensation will be provided for the aforesaid irrecoverable taxes payable on motor spirit, high speed diesel, PDS kerosene, domestic LPG, and on crude oil used in proportion to the production of these products to the total production during the relevant period.

4.3 If any new irrecoverable tax is imposed or the rate of an existing irrecoverable tax is enhanced after the commencement of this scheme, no compensation will be provided for such new tax or for the differential between the enhanced rate and the rate of an existing tax as given in Annexure-I.

## 5. Procedure for claiming compensation

5.1 Compensation for irrecoverable taxes levied on crude oil will be claimed by the oil company owning the refinery directly. In respect of irrecoverable taxes levied on products, compensation will be claimed through the oil marketing company through whom the petroleum products mentioned in clause 4.2 hereinbefore are marketed.

5.2 The cost of irrecoverable taxes payable on the products of an oil refinery owned by an oil marketing company will be compensated subject to the condition that such oil marketing company will make best endeavor to make up the under-recoveries of its oil refinery by collecting the state specific surcharge as was being done immediately prior to the commencement of this scheme.

5.3 Out of the collected state surcharge amount, the oil marketing companies will first set off their own under-recoveries on account of irrecoverable taxes, computed at the rates not exceeding the rates prevalent immediately prior to the commencement of the scheme, given in Annexure-II. From the remaining amount, the oil marketing

companies will meet the under-recoveries stated in clause 4.1 (b) hereinbefore and the balance requirement of amount, if any, for compensation under this clause will be met from the scheme.

5.4 Claim for compensation under the scheme will be presented in Form I given at Annexure-III to the Petroleum Planning and Analysis Cell (PPAC) under the Ministry of Petroleum & Natural Gas (MOP&NG) by the 10<sup>th</sup> of the second following month (e.g., claim pertaining to April will be submitted by 10<sup>th</sup> June).

## 6. Settlement of compensation

6.1 The PPAC will scrutinize and forward the claim to MOP&NG by 25<sup>th</sup> of the month in which the claim has been received. The eligible amount for compensation under the scheme will be paid by MOP&NG from the budget grants available for the purpose.

6.2 In cases where compensation under the scheme has been claimed on the basis of amount paid towards irrecoverable tax before filing of the tax return, the company shall, within one month of the filing of the tax return in respect of the period for which compensation has been received, submit to the PPAC a statement in form II given at Annexure IV along with a certified copy of the tax return. Where the return is filed in a language other than English, a certified English version of the return along with a copy of the original, will be submitted.

6.3 Any adjustment arising from the statement referred to in clause 6.2 hereinbefore, will be made in the month following the month in which such statement is submitted.

6.4 An oil company claiming compensation under the scheme will be required to submit such information and make available for inspection such records as may be required by MOP&NG or the agency/authority nominated by the Government for carrying audit.

6.5 The final claims for the financial year will be settled after audit.

## 7. Agreement

The companies participating in the scheme will be required to sign an agreement with the Government for abiding with the terms and conditions of the scheme.

## 8. Dispute resolution

Any dispute in regard to interpretation of any of the provisions of this scheme will be referred to the Government in MOP&NG and the decision thereon shall be final.

## 9. Validity

This scheme will be operated during the financial year 2002-03.

## 10. Miscellaneous

MOP&NG shall have the power to issue clarifications or such directions in public interest as may be necessary for smooth implementation of the scheme.



(SHIVRAJ SINGH)

JOINT SECRETARY TO THE GOVERNMENT OF INDIA



Table Showing Irrecoverable Taxes Applicable to Refineries/Refinery Despatch

Refinery Name	Crude		Products
	Entry Tax	Octroi	CST/Purchase Tax
	%	%	%
<b><u>IOCL</u></b>			
1 Panipat	4.00		4.00
2 Mathura	3.00		4.00
3 Koyali			4.00
4 Haldia			4.00
5 Barauni	2.00		4.00
6 Guwahati			4.00
7 Digboi			4.00
<b><u>IOCL Subsidiaries</u></b>			
8 Bongaigaon (BRPL)			4.00
9 Chennai (CPCL)			4.00
10 Naimanam (CPCL)			4.00
<b><u>HPCL</u></b>			
11 Mumbai		2.25	4.00
12 Visakh			4.00
<b><u>HPCL Joint Venture</u></b>			
13 Mangalore (MRPL)	2.00		4.00
<b><u>BPCL</u></b>			
14 Mumbai		2.25	4.00
<b><u>BPCL Subsidiaries</u></b>			
15 Kochi (KRL)			4.00
16 Numaligarh (NRL)			4.00
<b><u>RPL</u></b>			
17 Jamnagar			4.00

# Purchase tax will be considered for reimbursement upto 4%.

**Note:**

Compensation under the scheme shall be limited to the under-recoveries arising from the tax rates not exceeding the rates given in this table. In case of CST under recoveries incurred at off points/depots, the same would be compensated provided the product has not incurred recoveries at the time of despatch from refineries.

Table Showing Irrecoverable Taxes Payable by Oil Marketing Companies

State Name	Irrecoverable taxes	Rate (%)
Andhra Pradesh	Turnover Tax on MS/HSD	2.00
Bihar/Jharkhand	Surcharge on Sales tax + Additional tax	10.00
BMC	Octroi on products	2.25
Goa	Additional Tax on Sales Tax	25.00
Gujarat	Turnover Tax on MS/HSD	2.00
Madhya Pradesh/Chattisgarh	Terminal tax on LPG	Rs. 15/MT
Navi Mumbai	Cess on MS/HSD	1% & 0.1%*
Orissa	Surcharge on Sales Tax	10.00
Tripura	Additional Tax	0.50
Tamil nadu	Entry tax on HSD Additional Tax on SKO/LPG	18.00 3.00
West Bengal	Additional Tax on Sales Tax on MS/HSD	20.00

\* The rate is 1% for sales within municipal limits and 0.1% for sales outside.

## Form I : Monthly Claim Format

## Audited Summary Sheet

Oil company: \_\_\_\_\_

Claim for the month/quarter: \_\_\_\_\_

Year: \_\_\_\_\_

Particulars	Month/Quarter
	Rs Lakh
Claims for despatches from (Part A-Attachment)	
Refinery 1	
Refinery 2	
.....	
Total claims	
Net surcharge collected (Part B-Attachment)-	
Claims under the scheme	
Amount adjusted through monthly statement	
Balance claimed / adjusted	

Claims certified to be correct: \_\_\_\_\_

Designation, Department,

On behalf of oil company \_\_\_\_\_ Name \_\_\_\_\_

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Signature, name &amp; membership number of Auditor

Oil company:

Refinery name (products despatched from):

Month:

Year:

States	Qty. on which under recovery suffered MT/KL	Assessable Value for tax Rs/SU	Rate of tax % age		Value Rs 000
Entry taxes/Octroi/ proportionate basis					
Crude 1					
Crude 2					
Total					
Irrecoverable taxes - CST/Purchase Tax					
MS					
HSD					
SKO					
LPG					
Total					
Total for the Refinery	Quantity				Value

**Notes:**

- i) Attach copy of notification prescribing rate of tax.
- ii) Indicate elements included in assessable value for each product (where there are more than one assessable value for the same product, details may be shown in an enclosure)
- iii) Attach proof that tax/levy claimed for reimbursement, has been paid/deemed to have been paid.

Claims certified to be correct: \_\_\_\_\_

Designation, Department,

On behalf of oil company \_\_\_\_\_ Name \_\_\_\_\_

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**Signature, name & membership number of Auditor**