Theme :-

- There is a huge criticism over high fuel prices in India despite having low crude oil prices internationally.

Causes :-

- Petrol and diesel pricing depends on several factors. Final retail price = crude oil price (international price of crude oil) + refinery charges + transport charges + dealers’ commission + Central Excise Duty (Imposed by Central government) + Value Added Tax (VAT) & surcharges (Imposed by state government).

  Among all these factors, the main thing is crude oil, which is a raw material for petrol and diesel. But the retail price is more than double the price of crude oil. In 2014, one barrel of crude oil was priced at $105, and now it is at $74. But the present retail price of petrol and diesel are higher than the prices in 2014. Because taxes on petrol and diesel are continuously increasing.

  At present, approx 48% of final retail price is taxes (Excise duty, VAT & surcharges). This is the main reason for the high fuel prices in India despite low crude oil prices internationally.

- Petrol and diesel are not in the ambit of GST (Goods & Services Tax). If they come under GST, taxes would be lower and hence the retail prices.
- The efficiency of petroleum refineries in India are one of the worst in the world. This is contributing to the price rise of petrol and diesel.

Why Government is imposing high taxes on Petroleum products :-

- India is third in the top countries that use crude oil after USA & China. But the problem is that India do not have much oil reserves. 80% of the crude oil we use is imported. This is a huge burden on foreign exchange reserves (with which we import goods from other countries). To tackle with this situation, government is imposing high taxes to discourage usage of petroleum products. Government is of the opinion that high prices will force people to conserve oil and to use alternatives such as electric vehicles and renewable energy resources.
- More and more people are buying their own vehicles and hence the demand for petrol and diesel is increasing and thereby the pressure on foreign exchange reserves and ‘Trade deficit’ are increasing. This will further lower the value of rupee. To deal with
this, government had to increase taxes.

- Majority of the revenue from fuel is spent on improving infrastructure facilities, which is the most important need for the present India.
- Indian government is giving subsidies to electric vehicles. So, to compensate that expenditure it had to increase taxes on fuel.
- Vehicles that run on petrol and diesel are contributing to pollution.

What needs to be done :-

- Reducing taxes on petroleum products will result in reduction in costs of transport and thereby reduces the price of many consumer goods. This will result in increase of markets and economy.
- Instead of depending on these taxes on petrol & diesel, Indian government needs to create more revenue sources such as increasing the number of people that pay income tax (Right now only 4% of the population is paying income tax), collecting bad loans of public sector banks etc.
- There is a dire need to encourage people to conserve oil and to use renewable energy resources. This will reduce the burden on foreign exchange reserves as well as leads us towards eco-friendly living.

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Conclusion :-

If the crude oil prices are increased in the coming days, there will be a huge burden on people whether they own a vehicle or not. Because high fuel prices increases the cost of transport and thereby increases the price of consumer goods. To avoid that situation, government needs to work on reforms in petroleum pricing.

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