



## Windfall Tax

### Why in News?

With [crude oil](#) prices easing amid fears of a [global recession](#), the Indian government has cut the recently imposed [cesses and levies](#) on **diesel and aviation turbine fuel (ATF)** and **removed the cess on exports of petrol**.

### What do we know about the Reduction in Taxes?

- **Windfall Tax:**
  - A windfall tax is a **higher tax rate on sudden big profits** levied on a particular company or industry.
- **Reduction in Taxes:**
  - **Additional excise duties** equal to Rs 6 per litre on exports of petrol have been removed.
  - Duties on **diesel exports** have been cut to Rs 11 per litre from Rs 13 per litre earlier.
  - **The cess by way of special additional excise duty (or windfall tax)** on domestic crude being sold to domestic refineries at international parity prices has been cut to Rs 17,000 per tonne from Rs 23,250 per tonne,
  - The **export duty on Aviation Turbine Fuel** has been lowered by Rs 2 to Rs 4 per litre.

### Why did the Government Increase the Duties Earlier?

- The government on **1<sup>st</sup> July 2022** imposed **special additional excise duty** on **export of [petrol and diesel](#)** to address the issue of **fuel shortage in the country**.
- Starting June 2022, fuel pumps across the country have been **reporting fuel shortage, leading to their closure**.
  - The situation of fuel shortage **resulted in the government increasing the duties**.
    - The move assured of **enough fuel available in the country** and asked oil marketing companies to **ensure their fuel pumps remain open**.

### How has Global Crude Prices been?

- Global crude prices had **risen and domestic crude producers were making windfall gains**.
  - Private oil marketing companies **were exporting petrol and diesel to foreign countries** like Australia for better realisation.
- The **shortage of fuel at retail outlets** was because **oil marketing companies were not willing to sell the commodity at a loss** since **prices had not increased despite rising crude and [depreciating rupee](#)**.
  - These two factors had led to oil marketing companies losing Rs 20-25 per litre on diesel and Rs 10-15 per litre on petrol.
- Over the last fortnight, the benchmark contract of **Brent on the Intercontinental Exchange has fallen by over 12%** on fears of a **recession** in the US and overall global recession, prompting the government to undertake the review of the duties imposed.

## **Mains**

**Q.** Explain the salient features of the Constitution (One Hundred and First Amendment) Act, 2016. Do you think it is efficacious enough “to remove cascading effect of taxes and provide for common national market for goods and services”? **(2017)**

**Source: IE**

PDF Referenece URL: <https://www.drishtiias.com/printpdf/windfall-tax>

