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# Finance Minister Sh Arun Jaitley writes to State Chief Ministers to reduce burden of Value Added Tax on Petroleum Products used for manufacturing

The Union Minister of Finance, Defence and Corporate Affairs, Shri Arun Jaitley has written to State Chief Ministers urging the States to reduce burden of Value Added Tax (VAT) on Petroleum Products used as inputs in making of goods after the introduction of Goods and Services Tax (GST).

The letter by Finance Minister highlights a concern being raised by the manufacturing sector in the country regarding the rise in input costs of petroleum products happening on account of transition to Goods and Services Tax regime. In the pre-GST regime, because the petroleum products as well as the final goods produced both attracted VAT, input tax credit of petroleum products being used as inputs by manufacturers was allowed to varying extent by different States. However, in the post-GST scenario, the manufactured goods attract GST while the inputs of petroleum products used in the manufacturing attract VAT and, therefore, it would lead to cascading of taxes. In view of this, in the pre GST regime certain States had lower rate of 5% VAT on Compressed Natural Gas used for manufacturing of goods. Some States also had lower rate of VAT on diesel being used for manufacturing sector.

Thus Sh Arun Jaitley has requested other States also to explore the possibility of having a lower rate of VAT on petroleum products used for manufacturing of those items on which there is GST, so that there is minimum disruption in the costing of goods.

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