

Govt scraps windfall tax on local crude, fuel for export

Shishir Sinha

New Delhi

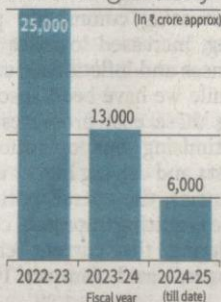
The government on Monday announced the withdrawal of the windfall gain tax on domestically produced crude and petrol, diesel and jet fuel for export. The levy is already zero.

Notifications have been "issued with immediate effect for withdrawal of windfall tax, that is, special additional excise duty (SAED) levied on production of crude and export of ATF, SAED and Road and Infrastructure Cess (RIC) on export of petrol and diesel," a Finance Ministry official said, adding that the notification has been laid in Parliament.

According to officials, the government got around ₹25,000 crore through the windfall levy in FY2023, which dropped to ₹13,000 crore the next year. In the current fiscal, it collected around ₹6,000 crore.

India first imposed the windfall profit tax in July 2022, joining several countries that tax super-normal profits of energy companies. At that time, an export duty of ₹6 per litre (\$12/bbl) was levied on petrol and ATF, and

Collection from
windfall gain levy



Source: Finance Ministry

₹13 a litre (\$26/bbl) on diesel.

A ₹23,250 per tonne (\$40/bbl) windfall profit tax on domestic crude production was also levied.

FORTNIGHTLY REVIEW

The windfall tax rates were reviewed every fortnight based on the average oil prices in the previous two weeks.

The domestic producers of crude, like ONGC, sell their oil at international parity price.

As international crude prices rose sharply, these producers made super-normal profits.

The prices of diesel, petrol and ATF rose even more

sharply, which led to extraordinary cracking margins (the difference between the product and the crude price) on export of these products.

The cess/duties were imposed in this background.

The windfall tax does not impact retail prices as petroleum products sold locally in the market are subject to a separate tax structure, including a Central levy (Central excise duty at a specific rate) and a State levy (VAT or sales tax at an ad valorem rate).

FUEL/LING EXPORTS

India imports approximately 85 per cent of its crude oil requirement and about 55 per cent of the LPG and 50 per cent of the natural gas it consumes.

The country's refining capacity exceeds its domestic demand for petroleum products, making the export of these products one of the largest contributors to foreign exchange earnings.

The government considers all factors when calibrating duties and taxes on petroleum products.

Recent interventions reflect this approach, according to a Finance Ministry official.

Windfall tax on domestic oil, fuel exports scrapped

No major revenue impact, say experts

SUBHAYAN CHAKRABORTY
& HARSH KUMAR

New Delhi, 2 December

The Centre on Monday scrapped the windfall tax on domestically produced crude oil, and the export of diesel, petrol, and aviation turbine fuel, with immediate effect.

The road and infrastructure (RIC) on exporting petrol and diesel too has been removed, the finance ministry said in a notification.

Falling global crude oil prices, and the subsequent shrinking of profits of domestic oil producers, has led to the tax being withdrawn, petroleum ministry officials said.

"The ministry had backed the review of the windfall tax to provide relief to state-owned upstream oil companies, considering their net profits had reduced in the past few quarters," an official said.

Global crude oil prices fell every month since June, when it had breached \$80 per barrel (bbl).

Since July 22, Brent Last Day Financial prices have crossed the \$80/bbl on just two occasions as oil prices factor in weak global demand growth and concerns of oversupply.

On Monday, Brent crude futures stood at \$72.6/bbl.



Classified as special additional excise duty (SAED), the windfall tax was levied on domestically produced crude oil on July 1, 2022, and was designed to tax the profits a company derives from the energy price rise as a result of the Russia-Ukraine conflict.

In tit-for-tat move, China bans export of key minerals to US

Commerce ministry curbs supply of gallium, germanium, and antimony

REUTERS

3 December

China has banned exports to the United States of items related to the minerals gallium, germanium and antimony that have potential military applications, it said on Tuesday, a day after Washington's latest crackdown on China's chip sector.

A commerce ministry directive on dual-use items with both military and civilian applications cited national security concerns. The order, which takes immediate effect, also requires stricter review of end-usage for graphite items shipped to the US.

"In principle, the export of gallium, germanium, antimony, and superhard materials to the United States shall not be permitted," the commerce ministry said.

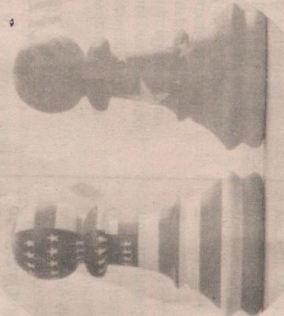
The curbs strengthen enforcement of existing limits on exports of the critical minerals that Beijing began rolling out last year, but apply only to the US market, in the latest escalation of trade tensions between the world's two largest economies ahead of President-elect Donald Trump taking office.

Chinese customs data show there have been no shipments of wrought and unwrought germanium or gallium to the US this year through October, although it was the fourth and fifth-largest

US chips 'no longer safe' to buy: China industry

Chinese companies should be wary of buying US chips as they are "no longer safe" and buy locally instead, four of the country's top industry associations said on Tuesday in a rare coordinated response to Washington's curbs.

The associations did not go into details. They include some of China's largest industries, including autos, and semiconductors and combined count 6,400 companies as members. Their advice could impact US chipmaking giants like Nvidia, AMD, and Intel. **REUTERS**



market for the minerals, respectively, a year earlier. Gallium and germanium are used in semiconductors, while germanium is also used in infrared technology, fibre optic cables and solar cells.

Similarly, China's overall October shipments of antimony products plunged by 97 per cent from September after Beijing's move to limit its exports took effect.

China accounted last year for 48 per cent of globally mined antimony, which is used in ammunition, infrared missiles, nuclear weapons, and night-vision goggles, as well as in batteries and photovol-

taic equipment. This year, China has accounted for 59.2 per cent of refined germanium output and 98.8 per cent of refined gallium production, according to consultancy Project Blue.

"The move is a considerable escalation of tensions in supply chains where access to raw material units is already tight in the West," said Project Blue co-founder Jack Bedder. Prices of antimony trioxide in Rotterdam had soared by 228 per cent since the beginning of the year to \$39,000 a metric ton on November 28, data from information provider Argus showed.

Petroleum product exports slip 12% in Nov

ARUNIMA BHARADWAJ
New Delhi, December 3

INDIA'S EXPORTS OF PETROLEUM products in November declined by 12% year-on-year to 1.29 million barrels per day, driven by a significant fall in the supply to Europe, according to data provided by energy cargo tracking firm Vortexa. The decline was 3% compared to the previous month.

India had exported 1.33 million barrels per day (mtpd) of petroleum products in October this year and 1.47 mtpd in November last year.

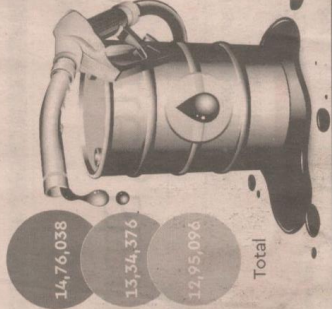
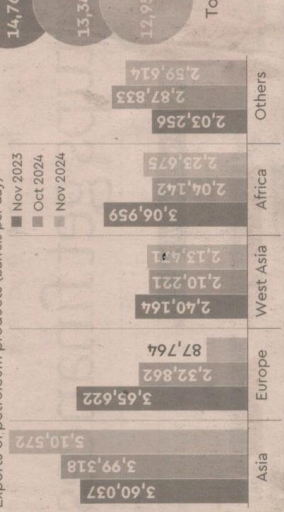
Asia remained the top destination for India's exports with a month-on-month increase of 28%, while supplies to Europe declined by 62% to 77,664 barrels per day, the lowest in two years, as the diesel arbitrage between the East and the West narrowed, according to Vortexa.

India exported 510,572 barrels per day of petroleum products to Asia last month, up from 399,318 barrels per day in October.

"The top destinations for India's product exports are the UAE, Singapore, US, South Korea and Aus-

SUPPLY TO EUROPE TANKS

Exports of petroleum products (barrels per day)



only a marginal increase of 2% in November at 213,471 barrels per day compared to the previous month.

The country's exports of crude oil products, which recovered in September, have once again started to follow a declining trend. Even though analysts fear a supply glut in the oil market 2025 onwards, rising uncertain geopolitical tensions and weak demand outlook from the world's top

consumers pose threats to the country's exports going forward.

Union minister for petroleum and natural gas Hardeep Singh Puri has said on multiple occasions that there is no shortage of oil in the market but if there are geopolitical tensions, it may lead to an increase in the cost of freight for shippers.

The country exports a variety of goods via the Red Sea including

petroleum products. However, the traffic diversion from the Red Sea and around the Cape of Good Hope owing to geopolitical tensions in the region has added 10 days to Asia-Europe journeys and led to an increase in fuel costs, the government had said earlier.

Meanwhile, the domestic consumption of petroleum products in April-October increased to 137.6 million tonne from 133.7 million tonne in the same period in FY24, according to data from the government's petroleum planning and analysis cell. The growth is largely driven by growth in demand for diesel, aviation turbine fuel, and liquefied petroleum gas. The country produced 162.9 million tonne of petroleum products in April-October, up from 158.4 million tonne in the same period of FY24.

The country's demand for petroleum products is likely to grow to 239 million tonne in FY25, according to estimates by the petroleum planning and analysis cell. The country's consumption of petroleum products stood at 233 million tonne in FY24.

Delays in obtaining NOCs for steel imports may drive up prices

QUALITY CHECK. Move to keep out imports not conforming to BIS standards: Ministry

Suresh P. Iyengar
Mumbai

In a major relief to domestic producers, the sharp rise in steel imports could slow down as imported consignments face delays at ports due to non-issuance of non-objection certificate (NOC) by the government.

The delay is expected to push up domestic steel prices and provide succour to domestic steel companies, which are reeling under a sharp fall in prices amid slowing demand.

Per the Ministry of Steel and Bureau of Indian Standards (BIS) standards, 151 BIS standards covering 1,376 grades have been notified and covered by Quality Control Orders (QCO). However, certain grades of steel, not covered under BIS, may be imported with NOC



AIDING LOCAL INDUSTRY. The NOC delay could provide relief to domestic steel companies hit by slowing demand REUTERS

from the Ministry of Steel. But the Ministry has been delaying NOC claiming that significant quantity of steel imports do not conform to BIS standards.

IMPORTS PILING UP

Some of the import consignments, especially from Japan, are piling up at the ports. This has raised serious concern for both the importers and exporters. Following this, Japan has already stopped shipping steel to India. The Ministry pointed

fair and will push up cost of many infrastructure projects. The government should put up a clear import-export policy and cannot keep tinkering it often, he added.

EXIM POLICY

Jathin Kaithavalappil, Assistant Vice-President, ChoiceBroking, said the delay in government NOCs might reduce supply and create upward pressure on domestic prices. With a revival in infrastructure and automotive demand, this may benefit domestic producers, he added.

Anirudh Garg, Partner and Fund Manager, Invasset PMS, said when imports are constrained, domestic producers typically gain pricing power due to reduced competition. While imposing import duties outright could escalate trade tensions and attract WTO scrutiny, non-tariff measures offer subtle means of achieving similar objectives, he said.

covered under QCOs is not

Business Line, St. 5/12/24

Cut import duty for finished rubber goods: AIRA

Subramani Ra Mancombu

Chennai

request for considering a level-playing field on the duty issue but there is no response yet, Singh said.

The tyre industry is the major consumer of natural rubber in the country. Tyre manufacturers have the advantage of importing rubber duty-free. "The non-tyre sector is different as it does not have the bandwidth to import directly and faces the heat of natural rubber prices. Even now, the price for goods manufacturers is ₹210-₹220 a kg," he said.

PLI SCHEME

AIRIA has urged the Centre to introduce the productivity-linked incentive (PLI) scheme for rubber goods companies. It has submitted certain proposals in this regard.

"There are certain limitations such as ₹100 crore turnover. In the non-tyre sector, only a few companies record such turnover. A majority of our 1,200 members

pared with 2,54,000 tonnes a year ago," said Singh.

Natural rubber prices almost touched ₹250/kg earlier this year before dropping. Currently, ribbed smoked sheet (RSS) IV grade rubber, used primarily by industries, is ruling at ₹197 a kg.

Tyre manufacturers have good stocks with them. After a good monsoon, tapping resumed and the availability has increased. These developments have pulled down prices and a drop in Chinese demand also aided the fall, he said.

SUPPLY-DEMAND

Besides, the use of new technologies and synthetic rubber have compounded the decline in prices. Singh said rubber production will likely exceed 8.5 lakh tonnes this year while demand could touch a new high at 18.5 lakh tonnes.

Stating that natural rubber cannot be replaced

totally, especially in tyres, he said certain grades of synthetic rubber can replace natural rubber to the extent of 18-20 per cent. In some conditions, synthetic rubber could prove to be better.

POSITIVE OUTLOOK

Rubber industries are doing well and next year (2025) will be good, particularly for tyre companies, as new cars are launched almost every day by automobile manufacturers, he said.

However, rubber industries are concerned over fluctuating prices of raw materials such as natural rubber, synthetic rubber and chemicals like carbon black. On the use of rubber for gloves and other medical purposes, he said the offtake has declined compared with the Covid pandemic.

"During Covid, everyone was using gloves whether they were in the medical field or not. But things have changed," said Singh.



Shashi Singh, President, All-Indian Rubber Industries Association

are micro, tiny or small industries. For the PLI scheme, we have suggested to the government to create some kind of cluster," the AIRIA president said.

Singh said natural rubber prices have dropped below ₹200 a kg currently since tyre companies have imported huge volumes. "Imports have increased by 22 per cent already this fiscal. Up to September, 3,10,400 tonnes have been imported com-

Export curbs drive boom in barter smuggling

Financial Express, 5/12/24

RAJENDRA JADHAV
Petrapole, December 4

GUARDS ON EITHER side of a border checkpoint between India and Bangladesh scour vehicles and frisk passengers in a hunt for illicit consignments of gold and drugs, as well as food staples such as sugar, grain and even onions.

"We caught smugglers in August who were transporting sugar concealed beneath a layer of sand in their vehicle," said an officer of Border Security Force (BSF) in Shillong, who sought anonymity.

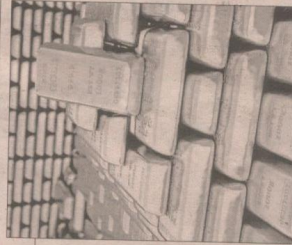
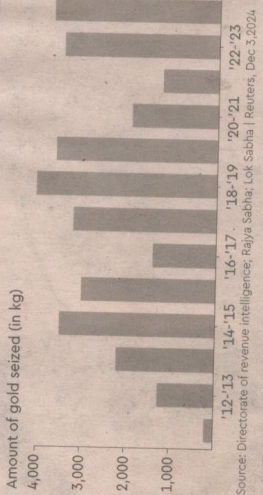
Despite such efforts, illegal barter trade of gold for food items has surged since mid-2022, as India's export curbs fuelled a vast disparity with prices in Bangladesh, causing combined government revenue losses of billions of dollars.

The smuggling distorts India's bullion trade with discounts from official prices, hides unaccounted wealth, and weakens India's efforts to curb food inflation by limiting exports.

At the same time, it undermines Bangladesh's import reduction measures aimed at boosting local farmers' production.

The practice of smuggling gold

GOLD SEIZURES ON THE RISE



grey market operators to exploit the arbitrage opportunity as food prices in Bangladesh spiked as much as 150% over those in India.

The gold-for-grain trade flourished as India steadily tightened curbs on food exports over the past two years, said a grains dealer in Kolkata, who spoke on condition of anonymity.

More than 2 million tonne of staples have been smuggled into Bangladesh each year in exchange for gold, up from less than 300,000 tonne before India's curbs, officials estimate.

"The government limits farm exports to quickly lower local prices. But smuggling weakens that strategy, and farmers end up bearing the brunt of the restrictions," said Balwant Holkar, a trader in Lalagang in Maharashtra.

Meanwhile, India's illegal imports of about 156 metric tons of gold last year, worth about \$9 billion, were up from 100 tons in 2022, the World Gold Council (WGC) says.

Nearly a third originated from Bangladesh, say industry and government sources, with the bulk used to settle payments for smuggled grain, the BSF and India's Directorate of Revenue Intelligence (DRI) officials told Reuters.

—REUTERS

lethal policy that reduces deterrence, unlike the western border with Pakistan, where officers carry firearms to block illegal entry, the officer added.

Lucrative arbitrage

Traditionally the biggest supplier of grains to Bangladesh, India imposed curbs on exports of staples such as wheat, sugar, rice, onions and pulses to rein in food inflation from 2022.

But gold prices have rallied more than 50% since the middle of that year, encouraging wider activity by

to buy grain has persisted even after India, the world's second-largest

gold consumer, slashed 9 percentage points from its import duty in July, taking it to the lowest in more than a decade.

It is driven by significantly higher food prices in Bangladesh, which traditionally relies heavily on Indian supply.

But instead of simply exploiting the price difference between Indian and overseas gold, grey market operators use gold to barter for items such as sugar, wheat, and

onions smuggled into Bangladesh.

The goods are concealed, said a BSF officer, citing the example of a smuggler in West Bengal, arrested in October with 4.7 kg of gold worth \$414,000 stashed in his motorcycle's air filter.

He had been offered just ₹10,000 to ferry 18 gold biscuits into India to pay for food items already smuggled into Bangladesh, said the officer, who spoke on condition of anonymity.

On India's border with Bangladesh, the BSF follows a non-

India's electronics exports may dominate US trade talks

Electronics exports, led by iPhone shipments, drive trade surplus from FY21 to FY24

SURAJEET DAS GUPTA
New Delhi, 8 December

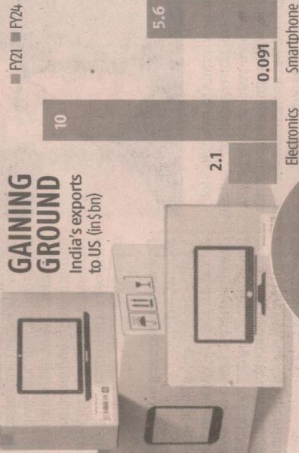
Electronic exports, which accounted for over 62 per cent of the increase in India's trade surplus with the US between 2020-21 (FY21) and 2023-24 (FY24), as well as their growing share in overall exports to the country, are expected to be a focal point as India negotiates trade issues with the new US Trump administration, according to sources.

During this four-year period (FY21-FY24), India's trade surplus with the US increased by \$12.6 billion, from \$22.7 billion in FY21 to \$35.3 billion in FY24. Electronics exports in the same period increased by \$79 billion, from \$2.1 billion to \$10 billion.

What is even more dramatic is the fact that smartphone exports, dominated by Apple Inc's iPhones, account for 44 per cent of the increase in the electronics trade surplus between FY21 and FY24. Electronics and iPhone exports to the US have come into prominence following the smartphone production-linked incentive (PLI) scheme. In FY21, when

GAINING GROUND

India's exports to US (in \$ bn)



Electronics

Smartphone

0.091

5.6

2.1

10

■ FY21 ■ FY24

Smartphone

0.091

5.6

2.1

10

■ FY21 ■ FY24

Smartphone

0.091

5.6

2.1

10

■ FY21 ■ FY24

Smartphone

0.091

5.6

2.1

10

Total exports

Source: department of commerce

The PLI scheme was first announced, India's exports to the US totalled \$51.6 billion, with electronics constituting 4 per cent at \$2.1 billion, which included smartphone exports of only \$92 million. At this time, Apple had not yet begun producing or exporting

iPhones from India. Fast forward to FY24, and India's exports to the US have jumped to \$77.5 billion — a 50 per cent increase. However, electronics exports during this period grew much faster, by over 370 per cent, reaching \$10 billion.

It is clear, therefore, that electronics exports, particularly smartphones, will become a discussion point between Indian and US authorities, including Jamieson Greer, the newly appointed United States Trade Representative by the Trump administration, and the commerce ministry.



Trade surplus

22.7

35.3

0.091

5.6

2.1

10

■ FY21 ■ FY24

Smartphone

0.091

5.6

2.1

10