

Petroleum Products (Surcharge) Ordinance, 1961

Significant amendments

Change in title of Petroleum Development Levy

Section 1(1)

The title of Petroleum Development Levy is proposed to be substituted by 'Carbon Surcharge', which is also defined under Section (4D) of the Ordinance to mean the Carbon Surcharge payable under Section 3 of the Ordinance.

Substitution of charging provision

Section 3(1)

The Bill seeks to substitute the charging provision of Ordinance with simultaneous introduction of Fifth Schedule to the Ordinance. Under the proposed substitution, every refinery and every company shall be required to pay to the Federal Government a carbon surcharge on such rates and on such petroleum products produced by a refinery or purchased by a company for resale, as specified in the Fifth Schedule.

Prior to substitution, the provisions of Section 3(1), the refineries and oil marketing companies are required to pay to Federal Government a petroleum development levy equal to the differential margin in respect of petroleum products, as purchased by it for resale, except for export.

Perusal of the proposed substitution entails that the newly introduced levy of carbon surcharge may also be imposed on export of POL products by the refineries / oil companies, as the words 'except for sale' are proposed to have been omitted. Further, it appears that any refund claim on account of carbon surcharge as attributable to export of POL products may not be entertained by the tax authorities, which would add to difficulties of the refineries / OMCs, whose huge refund claims of PDL are already outstanding with the respective field formations.

The Fifth Schedule as proposed to be enacted to the Ordinance is also appended below:

Petroleum Product	Rate of Carbon Surcharge (Rs. per litre)
High Speed Diesel Oil (HSDO)	8
Motor Spirit (MS)	10
SKSO	6
Light Diesel Oil (LDO)	3
HOBC	14
Compressed Natural Gas (CNG)	6

Licensee

Section 3(1A)

By virtue of Finance Act, 2008, the definition of the term 'licensee' was inserted. Simultaneously, sub-section (1A) was also enacted, whereby every licensee is required to pay development levy at such rate and in such manner as the Federal Government may, by rules, prescribe.

However, by introduction of new scheme of imposition of carbon surcharge, the provisions of Section 3(1A) are proposed to be deleted.