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NATIONAL

8 JULY 2017

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GST impact on biodiesel: Centre to ask Council to cut rates

07/08/2017 [News](#)



Sandeep Chaturvedi, president, Biodiesel Association of India, said that higher GST rate on biodiesel contradicts the government's efforts to push this clean and green fuel. (Reuters)

The Ministry of Petroleum and Natural Gas on Friday assured the biodiesel industry that the government is keen to promote green energy and it will intervene with the Goods and Service Tax (GST) Council to ensure that the rates on biodiesel and other green energy products are reduced. The assurance from the government came here at Bioenergy Urja Utsava by oil minister Dharmendra Pradhan. He assured the industry that the government would make all efforts to ensure reduction of high GST rates on green fuels. Under the GST rates announced recently, biodiesel, ethanol and other mixing products would be charged at 18%. For the last 10 years, biodiesel attracted

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zero excise duty. The green fuel — biodiesel — is required by the government which wants to cut its crude import by 10% and more so with an environment friendly fuel. However, the high incidence of tax on biodiesel will make it costlier than diesel and ultimately make it uncompetitive, industry members pointed out. “MoP&NG and ministry of power would together intervene with the Council to ensure that the GST rates on biodiesel and other green energy products are reduced,” Pradhan assured on the occasion.

Sandeep Chaturvedi, president, Biodiesel Association of India (BDAI), said that higher GST rate on biodiesel contradicts the government’s efforts to push this clean and green fuel. “The country presently produces 3.50 lakh tonnes of biodiesel. However, the production is intermittent because the industry is unable to bear the shock of frequent changes in taxes, duties and policies. Clarity is required,” he said.

India is the second-largest consumer of vegetable oils and consumes some 23 million tonne annually. This translates into 3-4 million tonne of used cooking oil (UCO) which is toxic and a health hazard for the country, he said, adding that Mumbai alone produces some 100 tonne of UCO which is then resold to roadside vendors and small hotels who use the oil for their products.

Unorganised food players buy cooking oil in the price range of around Rs 50-70 per litre. Given that this price is 40-50% below the lowest market price, following could be the reasons: oil purchased by these players is of low quality i.e. made out of cheap and low quality oil seeds. This oil is actually UCO/adulterated with UCO, a study conducted by Meunzer Bharat revealed.

The company conducted the study on 25 oil samples which were then shipped and tested in Austria revealed that not a single sample would be considered eligible for consumption in Europe. No policy in place for restricting re-use of used cooking oil (UCO).

According to Chaturvedi, UCO based biodiesel would reduce dependence on imports and ensure a cleaner system in the country. A regulation is required to ensure that UCO is not resold in streets and food processors and service industry provide this as a feedstock for biodiesel.

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According to BDAI, India needs promotional policy and initially no tax for green fuel biodiesel. Promoting green fuel biodiesel would go long way in curbing vehicular emission and to protect the environment. Any tax on biodiesel will discourage the users and kill this sunrise industry.

Source: Financial Express

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