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# Direct ATF import plan sent to GoM

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The Cabinet will soon meet to decide on allowing domestic airline companies to import aviation turbine fuel (ATF) directly, without routing it through the oil companies acting as canalising agent.

Official sources say the Directorate General of Foreign Trade (DGFT), the body for handling trade issues, has already given the in-principle approval to the proposal and sent its comments to cabinet.

"The Group of ministers' meeting to decide on this issue will be held very soon", sources said. Thereafter, DGFT will issue a notification to this effect.

The DGFT has offered three options on this issue. First, to allow all airline companies to import ATF directly by amending the rule. Second, to allow companies on a case-to-case basis without amending the law. The second option will not be a relaxation for all airline companies across the board. Each company will have to take permission to import individually, after submitting enough justification for the action. The third option is to allow direct import of ATF without routing it through trading agents and thus abolishing the law.

The permission in the first and second option for direct import has one rider through. "The permission for direct import is only for own use of airline companies and not for selling elsewhere, even among themselves. This is called "actual user



**NOT SO TAXING?** If allowed to import ATF directly, the airlines will not have to pay hefty state sales tax

basis". The onus of proving the end use lies on the airline companies who will be required to submit a monthly report to the regional offices of DGFT detailing the use by the airline. Severe penalty will also be imposed if there is any default since it will amount to loss to the exchequer- that is the government", explained the source.

Under the current law, ATF import is allowed only through canalising agents — state trading corporations and oil companies. The finance ministry is looking

into the possibility of a bailout for private banks in terms of a debt recast. This would primarily include rescheduling of interest payments and has to be discussed with the Reserve Bank of India, which sets the rules for asset classification, said a source.

Earlier, in a move to cut the high state taxes on ATF, the central government had suggested states agree to classify the item in the 'declared goods' category. The matter has been referred by the Union finance ministry to the Empowered Group of State Finance Ministers on tax matters. The value added tax (VAT) on ATF is usually between 24 and 35 per cent. VAT is a state subject. However, under Section 14 of the law on Central Sales Tax, if an item is part of the 'declared goods' category, the rate can be brought down to four per cent. The tax on ATF, forms at least 40 per cent of the operating cost of the airlines.

At present, ATF is part of the 'declared goods' list only in a few states, Maharashtra being one. The tax there is four per cent. Besides, ATF costs have soared this year, because of rise in oil import costs. On an average, fuel costs are 60 per cent higher in India than in other countries, primarily due to state taxes, often as high as 35 per cent.

Currently airlines buy ATF from oil companies, which is imported on their behalf. This is why airline companies are required to pay hefty states sales tax. By importing directly for their own consumption, the airlines would not have to pay the levy.