This note describes the taxation of energy use in India. It contains the country’s energy tax profiles, followed by country-specific information to complement the general discussion in Taxing Energy Use 2018 (OECD, 2018). The note contains four energy tax profiles for India:

- Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass
- Figure 2: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass
- Figure 3: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass
- Figure 4: Effective tax rates on energy in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the Taxing Energy Use database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in Taxing Energy Use 2018 (OECD, 2018) at: [http://oe.cd/TEU2018](http://oe.cd/TEU2018).
1. Energy tax profiles for India

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass
Figure 2. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass.
Figure 3. Effective tax rates on energy use in national currency and EUR/CO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass.
Figure 4. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass.
2. Country-specific notes

This note describes the taxation of energy use in India. It contains the country’s energy tax profiles, accompanied by country-specific information to complement the general discussion in Taxing Energy Use 2018 (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD’s Taxing Energy Use (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in Taxing Energy Use 2018 (OECD, 2018).

Energy and carbon taxes

The main taxes on energy use in India are the following:

- A Central Value Added Tax (CENVAT) applies to oil products, CNG and petroleum coke, including when used for electricity generation.
- The CENVAT rates for gasoline and diesel use are quoted on a per-unit basis, all other rates are provided on an ad valorem basis. Price information is used to convert these ad valorem rates into per-unit rates, as explained below.
- A Special Additional Excise Duty applies to gasoline and an Additional Excise Duty applies to gasoline and to diesel across all sectors.
- The Clean Energy Cess (CEC, renamed “Clean Environment Cess” as of 2017) applies to raw coal, lignite and peat, across all sectors, including when used for electricity generation.
- Electricity output is untaxed at the federal level, with responsibility for the structure and level of taxation lying at the state level.

The rates at which these taxes apply can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of India. Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to India’s energy use1 to calculate effective tax rates on energy use (in INR/GJ and EUR/TJ) or CO₂ emissions from energy use (in INR/tCO₂ and EUR/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Indian energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels’ energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

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1. Data on energy use is taken from the IEA’s Extended World Energy Balances, see Chapter 1 of Taxing Energy Use 2018 (OECD, 2018) for additional detail.
Of the six economic sectors, the road sector is taxed at the highest rates, both in terms of the fuels’ energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower effective rate in terms of TJ and in terms of CO$_2$. Fuel oil is taxed at a lower effective and statutory rate than gasoline and diesel. Natural gas, LPG and biofuels are untaxed.

Fossil fuels used in the off-road sector are taxed at lower effective rates than gasoline and diesel for road use. LPG and natural gas are untaxed.

Fossil fuels used in the industry and the residential and commercial sector are taxed. The statutory and effective rates on coal and coke products are substantially lower than those on oil products. Natural gas is untaxed.

Only oil products are taxed in the agriculture and fishing sector.

Oil and coal and coke products used to generate electricity are taxed, but their statutory and effective rates are substantially lower than those applied to oil products.

Electricity output is not taxed at the federal level.

**Assumptions and caveats**

Indian legislation quotes the CENVAT rates for aviation turbine fuel, petroleum coke, and fuel oil on an *ad valorem* basis.

The following price information was used to convert these rates into per-unit rates:

- For aviation fuels: the unweighted average of monthly prices for aviation fuels across Delhi, Kolkata, Mumbai, and Chennai for the calendar year 2015 (IndianOil, undated);
- For petroleum coke: The unweighted average of 30-60 day prices of fuel-grade petroleum coke with 6.5% sulfur for the calendar year 2015 (from platts.com, Latest News Headlines);
- For crude oil: The unweighted average of bi-monthly prices of crude oil for the calendar year 2015 (Ministry of Petroleum and Natural Gas, 2018);

For gasoline and diesel, the tax rates for un-branded gasoline and diesel have been used to calculate effective tax rates.

Kerosene under the public distribution system (PDS Kerosene) and LPG cylinders for domestic use (domestic LPG) benefit from a subsidy scheme and are exempt from CENVAT, and they are assumed to represent the majority of LPG and kerosene consumption (Ministry of Petroleum and Natural Gas, 2016).

Where not separately indicated, these assumptions are based on previous *Taxing Energy Use* publications.

**Reported tax expenditures and rebates**

India does not report any tax expenditures with regards to the taxes included in the *Taxing Energy Use* database at the federal level.
Sources

The main insights from the second vintage of the Taxing Energy Use database are analysed in:


Apart from the sources included in OECD (2018), the following country-specific sources were used:


