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The new levy on unblended fuel: Is there more to it than meets the eye?

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Summary:

A gasoline charge proposed in Budget 2022 may have just given the government some leeway on fuel costs. Unblended gasoline would be subject to an extra levy of Rs 2/litre, notwithstanding the fact that non-blended fuel accounts for the vast majority of petroleum used in India. The Finance Minister attributed it to continuing fuel blending efforts. On several occasions, the Modi government has emphasized the need of encouraging Indian consumers to use ethanol-blended gasoline or pure ethanol. A project initiated last year attempts to reduce traffic emissions as well as oil imports in the country. So far, the new budget manoeuvre has mainly been seen as an endeavour toward the stated goal.

Facts and Figures:

- A fuel levy introduced by Budget 2022 may have just given the government some extra room for manoeuvre on fuel prices.
- This is essentially an enabling provision that will allow the government to levy an additional excise duty
- Fuel bill that will still jump because most of the fuel India uses is of the non-blended kind. As for the move's rationale, the Finance minister put it down to ongoing attempts at blending of fuel.
- An initiative, launched last year, aims to cut vehicular pollution in the country as well as oil imports.

Opinion:

Cars are taxed at a rate of 52%, and automobile costs have more than quadrupled in the last five years. In times of EV, ethanol mixture is unreasonable. This merging is occurring at an alarming rate, and older vehicles are not being considered. Instead of pushing this through, they might have decreased the GST on automobiles with flex fuel engines.