

VAT on jet fuel cut to 18% in city, Pune and Raigad

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Mumbai: In a major relief to commercial airlines, the state government in its budget presented on Thursday announced a reduction in value-added tax (VAT) levied on aviation turbine fuel (ATF) to 18% from 25% in the city, Pune and Raigad.

Now, VAT on ATF has been brought down to 18% in two of the top three airports in the country. As the airport here is the second busiest in the country, the drop in VAT is expected to bring considerable savings to airlines.

In Delhi, the busiest airport in the country, VAT on ATF continues to be high at 25%. In December 2021, VAT on ATF charged at the third busiest airport in the country, Bengaluru, was brought down to 18% from 28%.

Civil aviation minister Jyotiraditya Scindia tweeted that with the cut, the state had joined the group of 19 states and union territories that had rationalised VAT rates in the past year and a half.

“Alongside enhanced connectivity for Mumbai, Pune and Raigad, this will also make travel more affordable and boost growth,” Scindia tweeted.

ATF is heavily taxed in the country and typically accounts for about 45% of the operating cost of an airline.

When ATF prices hit a high in June, the fuel was costing airlines Rs 120 per litre in the city.

Along with a weakened

MOVE TO BOOST AIRLINE YIELDS

18%	25% Old rate.
New VAT on aviation turbine fuel at Mumbai, Pune and Raigad airports	Continues to be applicable in Delhi. The national capital and Mumbai are the country's two busiest airline hubs

19 Number of states and UTs that have rationalised VAT rates in the last 1.5 years

PURPOSE | Lower VAT will improve airline yields, especially given that Mumbai is the second busiest airport in India

rupee, the high cost of ATF affected the yields of airlines.

Despite the high air fares, the airline industry is estimated to post a net loss of Rs 110 billion to Rs 130 billion in the current April-March period, according to credit rating agency ICRA.

Following efforts by the civil aviation ministry, VAT on the jet fuel was brought down to 5% in Gujarat and 18% in Karnataka.

It was brought down to 1% to 4% in Andaman and Nicobar Islands, Uttarakhand, Jammu and Kashmir, Ladakh, Himachal Pradesh, Tripura, Madhya Pradesh, Haryana, Uttar Pradesh, Dadra and Nagar Haveli, Daman and Diu, Arunachal Pradesh, Manipur, Jharkhand, and Mizoram.