

Direct Benefit Transfer in PDS Kerosene Scheme, 2016.

1. **Short title:** The scheme for transfer of subsidy on PDS kerosene directly to the bank account of the consumers shall be called "Direct Benefit Transfer in PDS Kerosene Scheme, 2016" (DBTK).
2. **Commencement:** The scheme will come into force for such States/UTs/areas /districts as may be decided by the Ministry of Petroleum & Natural Gas (MoPNG), Government of India from time to time.
3. **Objective:** The objective of the scheme is to transfer subsidy directly into the bank account of eligible consumers of SKO through the Public Distribution System (PDS) as identified by the State / UT Government, on purchase of PDS kerosene at non-subsidized Retail Selling Price to be sold by the person/entity authorized by the respective State /UT Government.
4. **Participants:** States/ Union Territories, Public Sector Oil Marketing Companies (OMCs), Petroleum Planning and Analysis Cell (PPAC), and Government of India.

5. Definitions

In this scheme, unless the context otherwise requires,

- 5.1 "Non- Subsidized Price " is the cost price (i.e. Price for a depot termed as Ex – Depot Price) calculated on the import parity basis as per methodology given in the 'PDS Kerosene and LPG subsidy Scheme 2002' and as amended from time to time, applicable to a depot before statutory and other local levies (i.e. Excise duty/VAT/local freight and dealer commission, etc.) to be billed for PDS Kerosene by the OMCs which will be worked out and declared by Indian Oil Corporation Limited (IOCL) on a monthly basis, before the start of the month.
- 5.2 "Non- Subsidized Retail Selling Price (RSP)" is the price which will be determined by State/ UT on the basis of non-subsidized price billed by the OMCs effective from 1st day of the month.
- 5.3 "Subsidized Price" is the price that is fixed by the Central Government from time to time excluding Sales Tax/VAT and local levies, Dealer commission, etc.
- 5.4 "Cash Subsidy" per litre of PDS Kerosene to be given will be equal to the difference between the non-subsidized price (equivalent to cost price) applicable to a depot covered under this Scheme (before statutory and other local levies i.e. Excise duty / VAT / local freight, dealer commission etc.) and the subsidized price of PDS Kerosene ex-depot fixed by the Central Government from time to time.
- 5.5 "Cash Transfer compliant (CTC) consumer" is a consumer holding a Aadhaar Number linked to a digitized Ration card with a

unique identity issued by respective State / UTs, and who becomes Cash Transfer compliant (CTC) by linking its bank account to a Aadhaar Number, and will also be termed as "Beneficiary" under the Scheme. In case an Aadhaar number is not assigned to a consumer, the consumer shall be offered alternate and viable means of identification for delivery of subsidy under the intimation to MoP&NG and consumer can become Cash Transfer compliant (CTC) by linking of bank account to a digitized Ration card with a unique identity issued by respective State / UTs.

- 5.6 "Implementing Agency" includes any department of the State Government or Local Authority or Government Undertaking or Non-Governmental Organization authorized by State Government to undertake the implementation of the Scheme.

6. The salient features of the scheme are:

- 6.1 This scheme will be administered by State Governments/UTs through district level agencies (viz. District Supply Officers).
- 6.2 Each beneficiary will have a digitized ration card having a unique ID.
- 6.3 Each beneficiary will have a Aadhaar number with linked bank account and digitized ration card ID through which subsidy can be transferred directly to the linked bank account. In case an Aadhaar number is not assigned to a consumer, the consumer shall be offered alternate and viable means of identification for delivery of subsidy under the intimation to MoP&NG.
- 6.4 Ration card holders using PDS Kerosene for end use other than cooking and illumination, and consumer with LPG connection shall not be entitled to receive subsidy under this scheme.
- 6.5 States / UTs through its Implementing Agency will establish an appropriate institutional mechanism to undertake transfer and monitor monthly cash subsidy to the authenticated bank account of the ration card holder and intimate MoP&NG or its designated agency.
- 6.6 The State Governments/ UTs will have to work out the detailed modalities for transferring the monthly Cash Subsidy to the beneficiary bank account under intimation to MoP&NG.
- 6.7 OMCs would transfer monthly Cash Subsidy to the State Government/UT on the basis of actual upliftment of PDS Kerosene from depots in the preceding month.
- 6.8 The State Government/UT through its Implementing Agency shall transfer the monthly Cash Subsidy to the beneficiaries' bank account based on actual upliftment of PDS Kerosene by the beneficiaries in the preceding month.
- 6.9 PDS Kerosene will move at non-subsidized price from the depot to the wholesaler, retailer and ration card holders plus

margin/taxes at each point. The additional increase in non-subsidized Retail Selling Price (RSP) on account of ad-valorem nature of taxes/duties/VAT/commission on the difference of subsidized and non-subsidized rate of PDS Kerosene, if any, will not form part of subsidy under this Scheme. To this end, States may make VAT specific and equal to the current ad valorem rate on the present subsidized PDS Kerosene rate to ensure that the net cost of PDS Kerosene (after subsidy transfer) to the beneficiary is not higher than its cost in the States/UTs/areas/districts not implementing the scheme.

- 6.10 The admissible subsidy per litre of PDS Kerosene sold applicable to each depot will be worked out by IOCL. Audited workings shall be provided by IOCL to PPAC within 15 days of the start of the month and the depot wise admissible subsidy shall be declared by PPAC after due verification on a monthly basis within 21 days of the start of the month.
- 6.11 Each district shall be provided with one time grant of Rs 10 lakh to meet various expenses incidental to implementation of the Scheme activities which may include training of officials, publicity, etc. In addition to the one time Project Management Expenditure of Rs. 10 Lakh per District, transaction charges payable to sponsored bank as per DOE O.M. dated 26.02.2016 (and as amended from time to time) will be reimbursed to OMCs and Implementing Agency under the State Government / UTs.
- 6.12 The scheme will be deemed to come into effect in the State/UT/area/ districts as soon as the State/UT/area/districts draws one time grant of Rs 10 lac as Project Management Expenditure.

7. Parking Period :

- 7.1 All non-CTC consumers will get 6 months Parking Period, during which the sale will happen at non-subsidized Retail Selling Price to all consumers in a district, but for non-CTC consumers the subsidy on the sale made to such consumers (as per their entitlement) shall be held back with the respective State / UTs implementing Agency, to be transferred to the consumers' bank account in case the consumer becomes CTC anytime during the Parking Period.
- 7.2 In case the consumer does not become CTC during this Parking Period the parked funds will lapse and the consumer shall become ineligible to receive the parked funds and sale will continue at non-subsidized Retail Selling Price.
- 7.3 When non-CTC consumers become CTC beyond the Parking Period, they will be eligible to get "Cash Subsidy" entitlement from the date of joining the scheme for balance entitlement of PDS kerosene Quota from that Month.

8. Modalities for payment by OMCs to States / UTs

- 8.1 Based on the actual upliftment of PDS Kerosene under this Scheme from each depot and the admissible subsidy per litre declared by PPAC, OMCs will transfer the entitled monthly subsidy amount by 10th of the subsequent month to implementing Agency under the State Government/UT for enabling subsequent transfer of cash subsidy to the beneficiaries through their bank accounts not later than the end of the subsequent month.
- 8.2 Each State Government / UTs is required to submit a Quarterly Utilization Certificate (say for Q1) within 30 days of the end of quarter to State Level Coordinator of Oil Marketing Companies, who in turn will forward the same to PPAC within 40 days from the end of the quarter (say Q1) which would make the State Government/ UT eligible for the next tranche of monthly subsidy release. (i.e. monthly subsidy for the month of Sept will only be released after the receipt of Apr- Jun (Q1) Quarterly Utilization Certificate)
- 8.3 On the basis of the Quarterly Utilization Certificate submitted by State Government /UTs under Para 8.2 above, the difference between the monthly Cash Subsidy released to them and actual Cash Subsidy transferred to the CTC consumers in that month will be worked out on quarterly basis. The adjustments for the differences will be carried out from the Cash Subsidy payable by OMC in the last month of subsequent quarter. (i.e. adjustment of differences of Apr – Jun (Q1) will be made from the Cash Subsidy payable to State / UTs in the month of Sept (last month of Q2) and so on)
- 8.4 The other details of monitoring, procedure for the transfer of cash subsidy to the States/ UTs and the formats for quarterly /annual returns and utilization certificates from the States/UTs will be finalized and issued by MoP&NG, and States/UTs agree to follow the same.

9. Modalities for claim by OMCs

- 9.1 OMCs shall raise monthly claims with PPAC for the amount of Cash Subsidy released to the Implementing Agency under State Government/UT. In addition, OMCs will be entitled to claim transaction charges paid to the bank for monthly remittances to State /UTs Implementing Agencies.
- 9.2 The claims will be lodged in the format as prescribed by PPAC from time to time and shall be accompanied with audit certificate(s).

- 9.3 OMCs will submit claims by 15th of the succeeding month to PPAC. PPAC will scrutinize and forward the claims to MoP&NG by 20th of the same month. The final payment will be released by MoP&NG to OMCs not later than 10th of the following month.
- 9.4 PPAC will scrutinize the claims of the participating companies from their books of accounts and can cross-check claims from accounts maintained at depot level where necessary, and for this purpose, may call for any related information or visit and examine records maintained by the oil companies at site, regional office, head office etc.

10. Incentives to Implementing States

- 10.1 States/UTs shall be given cash incentive on Savings in kerosene consumption in the following manner: 75% of subsidy savings during the first two years, 50% in the third year and 25% in the fourth year. In case, the States voluntarily agree to undertake cuts in kerosene allocation, beyond the savings due to DBTK, a similar incentive will be given to those States/UTs. The calculation will be based on net savings in kerosene consumption at State level from the baseline. The baseline for calculation of savings shall be 90% of the 2015-16 allocation.
- 10.2 Incentives for savings due to DBTK and voluntarily cuts in Kerosene allocation as mentioned above will be provided on a Quarterly basis. The All-India weighted Subsidy rate as applicable for the Quarter in question will be considered for working out the amount of incentive applicable to the States / UTs.
- 10.3 All voluntarily cuts in the kerosene allocation should be advised by the State / UTs to MOPNG at least one month before the start of the Quarter through authorized agency or such local Authority as the State Government / UTs may, by notification, authorize in this behalf. Any further adjustments for that quarter should also be intimated through authorized agency or such local Authority as the State Government / UTs may, by notification, authorize in this behalf, to MOPNG. The incentives payable to States / UTs will be based on the net voluntarily cuts in Kerosene allocation intimated by the States / UTs.
- 10.4 PPAC will calculate the eligible amount of incentive payable to respective State / UTs and forward the same to MOP&NG within a period of 45 days from the end of the Quarter in question, along with the Quarterly Utilization Certificate as submitted under Para 10.2 above.
- 10.5 MOP&NG will release the incentives within 60 days from the end of the Quarter to the respective State Government / UTs implementing Agency.

11. The State Government/UT will be required to conduct an annual independent third party audit of the funds transferred into the account of the beneficiaries. Statistically adequate number of beneficiaries in each district should be randomly selected for checking of the actual disbursement and its linkage to off-take during the period under audit scrutiny. This audit should certify that the funds have actually been transferred into the accounts of such sampled beneficiaries, who have lifted the PDS Kerosene and this audit report will have to form part of the Utilization Certificate for the entire year. The cost of this audit may be borne out of the one-time grant given by the Central Government.

12. Any dispute in regard to interpretation of any provision of the scheme will be referred to the Ministry of Petroleum & Natural Gas, Government of India whose decision thereon shall be final.

13. MoP&NG shall have the power to issue clarifications or directions or modifications for smooth implementation of the scheme.