India plans to cut taxes on edible oils to cool surging prices

India is planning to cut taxes on some edible oils to cool the domestic market after the war in Ukraine and Indonesia's ban on palm oil exports sent prices skyrocketing, according to people familiar with the matter.

India, the world's top importer of vegetable oils, is looking to cut the agriculture infrastructure and development cess on crude palm oil imports from 5%, the people said, asking not to be identified as the information is private. The new tax amount is still being deliberated, the people said.

The cess is levied over and above basic tax rates on certain items, and is used to finance agriculture infrastructure projects. The base import duty on crude palm oil has already been scrapped.

A finance ministry spokesperson didn't immediately respond to calls and a text message seeking comment. The agriculture and food ministries also weren't immediately available to comment.

Prices of palm and soybean oil have soared on supply concerns
India is especially vulnerable to soaring vegetable oil prices as it relies on imports for 60% of its needs. Prices, which have been rallying for the past two years, extended the surge after Russia's invasion of Ukraine locked out exports of sunflower oil and Indonesia, the biggest shipper of edible oils, imposed a ban on palm oil exports to protect its domestic market.

India has tried to cool prices in the past, including by reducing import duties on palm, soybean oil and sunflower oil, and limiting inventories to prevent hoarding. Success has been muted because the measures stoked expectations of higher purchases, which further boosted international prices.

The government is now looking to cut import duties on crude varieties of canola oil, olive oil, rice bran oil and palm kernel oil to 5% from 35% to help boost domestic supply, the people said.

Source: Economic Times