BUSINESS RECORDER
Founded by M.A. Zuberi

18th January, 2019

PTEA for an out-of-court resolution of GIDC issue

Pakistan Textile Exporters Association (PTEA) has offered an out of court settlement plan to the government to resolve the long outstanding issue of Gas Infrastructure Development Cess (GIDC) levied on gas supply to export oriented textile industry prior and post GIDC Act 2015. Out of the court settlement would release the financial stress of textile manufacturers and help increase the industrial activities.

Briefing the newsmen here on Thursday, PTEA Chairman Khurram Mukhtar appreciated the government for its consent to negotiate an out of court solution of long outstanding GIDC issue. Giving a brief background of GIDC, he said GIDC was levied first time in December 2011 on industrial consumers at Rs 13 per MMBTU to develop infrastructure for a number of projects, including the Iran-Pakistan pipeline, Turkmenistan-Afghanistan-Pakistan-India pipeline and the liquefied natural gas (LNG) project and for price equalization of imported alternative fuels, including liquefied petroleum gas (LPG).

In December 2013, the Peshawar High Court declared the levy, imposition and recovery of GIDC unconstitutional with a direction to refund the money collected so far within a reasonable time, either in lump sum or by adjusting in monthly bills. Federal government challenged the decision of PHC in the Supreme Court which dismissed the appeal and upheld the PHC verdict on 22nd August 2014 declaring GIDC a fee and not a tax.

Later in September 2014, Federal Government promulgated an ordinance namely Gas Infrastructure Development Cess Ordinance, 2014 and the same was challenged in different courts and the PHC suspended the levy and collection of gas infrastructure development cess. However, majority of the industrial consumers did not challenge the GIDC ordinance and continue payment of GIDC in law abiding manner to avoid further penalties. In May 2015, GIDC Act 2015 was enacted and u/s 8 sub section (2) of the act, industrial gas consumers were exempted from previous liability if it has not been collected by the consumers; whereas GIDC was further imposed at the rate of Rs 100 per MMBTU.

This created unrest among the industrial consumers as their huge amounts pain prior to GIDC Act were not settled/adjusted by the gas authorities and the issue is still unresolved. Now the government, in order to ease out the financial stress on export oriented textile industry, has consented to settle down the issue out of the court. Textile manufacturers, after detail deliberations, proposed the government that in accordance with the section 8 sub section (2) of the GIDC Act 2015, no GIDC should be charged from all categories (Captive and Processing (Industrial) before promulgation of GIDC Act and amounts paid prior to implementation of the Act should be adjusted for both Captive and Processing (Industry) consumers; whereas GIDC should be levied from implementation of the Act to 27th September 2018 at Rs 100/mmBTU for Captive Power consumers and at Rs 50/mmBTU for industrial consumers. Furthermore, gas supply for zero rated industry including captive power after 27th September 2018 onward be ensured at USD 6.5/mmBTU inclusive of GIDC in order to maintain regional competitiveness; whereas arrears of GIDC, if any, be recovered in 8 quarterly equal installments w.e.f the date of agreement.

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