

### **FBR feared to incur Rs14.4bln in CNG tax losses**

KARACHI: The Federal Board of Revenue (FBR) is feared to incur around Rs14.4 billion in losses annually on account of sales tax due to a wide difference between retail prices and fixed value of compressed natural gas (CNG), source said on Friday.

The sources said a huge gap between retail price of CNG and fixed value for collection of sales tax might result in revenue losses despite latest increases in government-determined prices.

CNG stations significantly increased retail price for end-consumers in the wake of recent hike in gas prices. The FBR, however, still collects sales tax on CNG through fixed value mechanism.

The sources said the retail price of CNG increased to around Rs123/kilogram. Fixed retail price for collection of sales tax is around Rs74/kg. "Sales tax on the difference of Rs49 is still unaccounted for and resulting in a huge loss to the national exchequer," a FBR official said.

The official said the government was convinced to increase the fixed value of CNG for the purpose of sales tax collection after hectic efforts of the past two years. The FBR notified a statutory regulatory order (SRO 690(I)/2019) on June 29 to raise the fixed value of CNG supply to consumers for the purpose of charging sales tax from CNG stations.

The FBR increased the fixed value of CNG to Rs69.75 for region-I (Khyber Pakhtunkhwa, Balochistan and Potohar region including Rawalpindi, Islamabad and Gujar Khan) and Rs74.04 for region-II (Sindh and Punjab excluding Potohar region).

The FBR sources said the sales tax calculation of existing retail price and fixed value would cost around Rs1.2 billion/month or Rs14.4 billion a year. Large Taxpayers Unit (LTU) Karachi, around two years back, advised the FBR to increase the value of CNG to improve the sales tax revenue.

The LTU Karachi proposed increases in the prices from Rs75 and Rs67, respectively, for both the regions. Though the FBR raised rates, the prices existed around two years back.

Tax loss on one kilogram is around Rs7.33 and average monthly consumption by a CNG station is estimated at around 50 million kilograms, according to a calculation of the LTU Karachi for CNG stations linked to the Sui Southern Gas Company.

The LTU Karachi further said the loss in case of Sui Northern Gas Pipelines Limited, which caters to more than three times of CNG stations, is fairly high. The tax unit advised the FBR to notify value of supply of CNG to consumers in line with the prevailing market prices and in the same way as it is in case of sales of petroleum products every month.

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