

### **Sindh asks Centre to increase FED on gas to Rs18 per mmbtu**

ISLAMABAD: Sindh has asked the Centre to increase the rate of Federal Excise Duty (FED) on natural gas from existing rate of Rs10 per mmbtu to at least Rs18 per mmbtu and also urged to link the FED-specified rate on natural gas with CPI in future budgets. The demand has been made in a letter of Sindh Chief Minister Murad Ali Shah written on May 23 to Adviser to Prime Minister on Finance and Revenue Dr Hafeez Shaikh. The letter, a copy of which is available with The News, also highlights the demand of the provincial government to levy the FED on crude oil which is at the rate of 5 percent ad valorem as it was done in the past and the receipts which are collected be transferred to the provinces concerned as straight transfer.

The freezing of FED rate for natural gas at Rs10 per mmbtu and non-imposition of FED on crude oil has affected the provincial revenue resources. The Sindh government wants the federal government to make its demands part of the Finance Act of forthcoming budget for 2019-20.

The Sindh chief minister's letter also quoted the constitutional provisions in favour of his arguments, saying the clauses (a) and (b) of Article 161(1) of the Constitution which stipulates the collection of levy and federal excise duty on natural gas and the receipts so collected shall be paid to the province in which well head of gas and oil is situated.

The chief minister said the rate of FED on natural gas was last fixed at Rs10 per mmbtu through Finance Bill, 2010 and there is no change in the rate since then knowing the fact that the real value at Rs10 of 2010 has reduced in terms of 2019 to around Rs5. He stressed that if the rate has been linked with the CPI then it would have been over Rs18 per mmbtu.

The FED was last levied on crude oil at the rate of 5 percent ad valorem through Finance Ordinance 1982 (CED) which remained in force till 1995. Now it is needed to revive the FED on crude oil in accordance with the provisions of Article 161 (1) (b) of the Constitution with a view to providing adequate revenue resources to provinces as per Constitution provisions.

Like other provinces, the letter says, Sindh has limited its avenues to mobilise its revenue resources. Sindh also solely depends upon its share in federally collected revenues to discharge its constitutional role and responsibilities for the welfare of the people. Freezing of FED rate for natural gas at Rs10 per mmbtu and non-imposition of FED on crude oil has badly affected the provincial revenue resources.

Khalid Mustafa