

**Zero-rated industrial sectors, KE tariff relief dependent on certification by FBR's IR**

ISLAMABAD: Karachi Electric (KE) is to extend relief in electricity tariff to only those zero-rated industrial consumers who will be verified and certified by the Federal Board of Revenue's (FBR's) Inland Revenue (IR), well-informed sources told Business Recorder.

In this regard, KE's Director Finance and Regulations, Ayaz Jaffar Ahmed has held a telephonic conversation with the Power Division aimed at getting clarity regarding special relief for zero-rated industrial consumers.

KE has been given an understanding during discussion that SRO 12(1)/2019 of January 1, 2019 through which special relief for zero-rated industrial consumers was provided has not been withdrawn and the special relief for zero-rated industrial consumers has been approved by the Economic Coordination Committee (ECC) of the Cabinet till June 2020. Therefore, this is to be provided to such consumers accordingly.

Further, regarding the applicability of zero-rating following the withdrawal of zero-rating status through SRO 694(1)/ 2019 of June 29, 2019, based on the letter of January 15, 2020 issued by Federal Board of Revenue (FBR), KE says that it understands the special relief to zero-rated industrial consumers will be provided on the basis of letter to be issued by the Commissioner Inland Revenue validating the zero rated status of such consumers. Accordingly, KE would apply special relief for zero-rated industrial consumers effective July 01, 2019 to June 30, 2020 for consumers having zero-rating status duly verified by the Commissioner Inland Revenue.

"KE's claims' in respect of special relief provided to zero-rated industrial consumers' for the period January to July 2019 based on SRO 12(1)/2019 are pending for verification with the Power Division. KE has requested Power Division to expedite the process of verification and release of KE's outstanding claims in regard," said, Ayaz Jaffar Ahmed, Director Finance and Regulations.

The federal government has extended a special tariff of 7.5 cents for export-oriented sectors. However, the government imposed taxes, financial cost component, surcharges, Neelum Jhelum surcharge and positive fuel price component, which sent a shocking message to the industry which according to it was not expecting the government to withdraw the incentives.

KE maintains that in the light of telephonic discussion and clarification provided by FBR through its letter of January 15, 2020, it would apply for special relief of zero-rated industrial consumers effective from July 1, 2019 to June 30, 2020 for consumers having zero-rating status verified by the Commissioner Inland Revenue.

On January 15, 2020, FBR wrote a letter to Chief Executive Officer (CEO), KE, Syed Moonis Abdullah Alvi, saying that it has been observed that KE has issued zero-rating without compliance of certain legal requirements. The five zero-rated sectors falling under erstwhile S.R.O 1125(1)/2011 of December 31, 2011 has been discontinued through SRO 694(1) 2019 of June 26,2019. However, validation of zero rating through a letter by the Commissioner-Inland Revenue, Imtiaz Ali Solangi's required to be obtained by the respective taxpayer before availing reduced rate tariff as directed by the Lahore High Court in its judgment of October 9,2019 which is reproduced as follows " this clearly means that any industrial consumer who claims entitlement to the zero-rated facility must first establish that it is zero-rated industrial consumer and that it fulfills the criteria for getting the benefit of the notification before it can be granted any such facility. The basis of making zero-rated regime for the sectors was to give a benefit to the units so registered in the five sectors named in SRO 1125(1)/2011 of December 31, 2011. The benefit was given to the registered taxpayers who appear on the active taxpayers' list of the FBR. Therefore verification and certification of the criteria can only be done by the FBR. Since the petitioners before the Court have not been certified to be zero rated consumers, therefore, are not entitled to the relief to the relief sought for. It is also clarified that those petitioners before the court who claim entitlement on the basis of having moved an application for verification before the relevant Commissioner for even before the Distribution Company does not entitle to the benefit of the notification until they are verified and certified by the relevant Commissioner as zero-rated industrial consumers."

A senior official of Power Division told this newspaper that this issue was raised in the National Assembly Committee on Finance and Sub-Committee of Senate on Commerce. However, the Power Division has not received any instruction from the Prime Minister for review of the decision. He claimed that the financial impact of imposition of financial cost component, surcharges, taxes, Neelum Jhelum Surcharge and positive fuel price component will be around Rs 2.5 billion per annum on industry. However, the industry argues that the financial impact will be many times more as is being claimed by the Power Division.