

FBR loses Rs30bln sales tax on POL products in four months

KARACHI: Lockdown-led subdued consumption has been estimated to wipe away Rs30 billion worth of sales tax on petroleum products for the Federal Board of Revenue (FBR) in the past four months, sources said on Wednesday.

The sources said the FBR estimated the losses mainly due to lower consumption and massive reduction in oil prices.

The FBR sources said sales tax collection from petroleum products fell 23 percent to Rs98 billion from March to June. That compared with Rs128 billion collected during the corresponding four months a year earlier.

The sources said the lockdown following the coronavirus outbreak in March brought economic activities to a grinding halt, while consumption of petroleum products also waned during the period.

According to Oil Companies Advisory Committee, the sales of petroleum products fell 12 percent to 1.48 million tons in May. That compared with 1.67 million tons in the same month of the last year.

The sources said sales tax collection from petroleum, lubricant and oil products has been consistently declining since the lockdown imposed in late March. Although the lockdown has been partially lifted, oil shortage surfaced due to declining reserves in the country.

The revenue collection shortfall, under the sales tax on POL products head, was recorded at 13.59 percent in March, compared with the same month of the last year. It continued with decline of 35.8 percent and 35 percent in April and May this year.

Shortfall in sales tax collection from POL products has been estimated at around Rs7 billion in June.

The sources said significant reduction in fuel prices also adversely affected the revenue collection from sales of POL products. In line with the massive decline in international oil prices, the government also notified significant cut on domestic sales of POL products.

The FBR collects tax from sales of four major petroleum products, including petrol, high speed diesel, furnace oil and liquefied natural gas.

The sources said in the past when prices were down the government used to adjust the sales tax rates. Since the sales tax has been fixed at a flat rate of 17 percent, it is not possible now.

They said the FBR recorded up to 73 percent growth in sales tax collection from POL products in November last year. However, the collection under the head registered contraction in growth during January-February and later on registered negative growth in subsequent months.

The FBR estimated that total sales tax collection for the fiscal year 2019/20 at Rs374 billion, a five percent growth when compared with Rs356.19 billion in the last fiscal year.