Govt imposes tax on POL products instead of passing benefits to consumers

thenews.com.pk/print/622370-govt-imposes-tax-on-pol-products-instead-of-passing-benefits-to-consumers

ISLAMABAD: The government has jacked up the petroleum levy on POL products for pocketing at least additional Rs4 to Rs5 billion through consumption of two major products petrol and diesel. The government has made commitments with the IMF for increasing non tax revenues in order to compensate the revenue shortfall being faced by the FBR. The FBR has been facing a massive shortfall to the tune of Rs325 billion for achieving its revised collection target.

The FBR's target was initially envisaged at Rs5.555 trillion that was revised downward to Rs5.238 trillion on the eve of first review with signature of Advisor to PM on Finance Dr Abdul Hafeez Shaikh and Governor State Bank of Pakistan Dr Reza Baqir on Letter of Intent (LoI) and Memorandum of Financial and Economic Policies (MEFP). Against the revised target, the FBR's shortfall stands at Rs325 billion in first eight months. Now the FBR will have to collect Rs2524b in remaining four months (March-June) for achieving its revised target of Rs5238 billion that seems impossible.

Now the government adopted strategy toincrease its reliance on non tax revenues. This strategy is under implementation. Through increased non tax revenues, the government has saved IMF programme from derailment. Through submission of revised fiscal plan where the reliance on SBP profit increased and dependence on petroleum levy also jack up it paved the way for striking staff level agreement with the IMF last week. Now after getting implementation on additional measures, the IMF's Executive Board will consider approval of third tranche worth $450 million under $6 billion Extended Fund Facility (EFF).

However, the government has adopted this course of path for increasing non tax revenues because it does not become part of federal divisible pool (FDP) under National Finance Commission (NFC) and the provinces do not have any share in this revenue stream. If the government had decided to raise GST on POL products then it had become part of FDP and the provinces would have lion's share out of it in accordance with resource distribution formula under the NFC arrangement.

Keeping in view the increased FBR's shortfall, the government took decision to jack up petroleum levy under the IMF programme because the POL prices had tumbled in the international market and there was option available to the government not to pass on full benefits to the consumers through increasing petroleum levy in substantial manner.

When contacted to former finance minister and renowned economist Dr Hafeez A Pasha on Sunday, he said that the petroleum levy was increased for the purpose not to pass on full benefits of reduced prices into international market. "If the full benefits of reduced oil prices passed on consumers, the prices of petrol would have fallen close to Rs100 per liter in the domestic market" he added. He said that the government increased non tax revenues because it wanted to avoid its distribution with the provinces. He recalled that during the tenure of last regime the GST on diesel had once touched 51 percent rate but at that time the levy was not increased up to such an extent. He said that the government would pocket additional Rs4 to Rs5 billion into its pocket with increased petroleum levy on two major products petrol and diesel on monthly basis.

However, the sources said that the Oil and Gas Regulatory Authority (Ogra) had staggered reduction in prices through its calculation as the proposed reduction should have on higher sides and then the government took the measures to increase the petroleum levy and keep GST at standard rate of 17 percent for March 2020.

The petroleum levy on diesel has been increased by Rs7.05 to Rs25.05 per liter. If the government did not increase the PL (petroleum levy) on diesel, it will be cheaper by Rs7.05 per liter if PL remained constant on previous level of Rs18 per liter.

The Petroleum levy on petrol increased by Rs4.75 to Rs19.75 per liter. If not increased, the petrol will be cheaper by another Rs4.75 if PL remain constant at Rs15 per liter.

The PL on kerosene up by Rs6.33 to Rs12.33 per liter. Kerosene oil will be cheaper by Rs6.33 per liter if it remains constant at Rs6 per liter.

The PL on light diesel up by Rs1.94 to Rs4.94 per liter. If PL not increased, the light diesel will be cheaper by another Rs1.94 if it would be constant at Rs3 per liter.