


MoE-FBR tiff puts ECC decision implementation on hold

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ISLAMABAD: A dispute between Ministry of Energy (MoE) and Federal Board of Revenue (FBR) on eligibility criteria for concessionary regime of electricity and RLNG for five zero-rated sectors, has put the implementation of ECC decision on hold, well informed sources told Business Recorder.

On Oct 19, the Economic Coordination Committee (ECC) of the Cabinet had approved, in principle, the procedure for registration under the concessionary regime of electricity, RLNG and domestic gas for the export-oriented sectors (erstwhile zero-rated sectors) with instructions to ensure better targeting of recipients of the subsidy.

According to sources, PM's Special Assistant on Revenue, Dr Waqar Masood, who was head of subsidy cell in Finance Ministry, prior to his appointment as SAPM, did not agree with the eligibility criteria, proposing that subsidy should be directly given only to the exporters instead of all industries related to the five sectors.

This proposal, has however, been challenged by other Ministries including commerce, industries and energy.

The ECC decided that the previous list of manufacturers or exporters declared zero-rated by the Federal Board of Revenue (under condition (xii) of SRO 1125) may be adopted for the export-oriented sectors.

In Sep, the government had approved supply of electricity to five zero rated sectors at cents 9/kWh and RLNG at \$ 6.5 / MMBTU till June 30, 2021. However, the decision is yet to be implemented.

The sources said, when the minutes were presented before the Federal Cabinet on Oct 27, for ratification, Minister for Power, Omar Ayub requested to defer ratification of case title 'Procedure for Registration under Concessionary Regime of Electricity, RLNG and Gas under export oriented sectors (erstwhile zero-rated sectors)', which the cabinet deferred.

The sources said, the decision recorded in the minutes of the ECC was reconsidered at a meeting of five cabinet members and after arguments and counter arguments the minutes of the ECC were altered as per the ministries of Commerce, Industries and Energy.

The sources maintained that the cabinet minutes file, along with proposed amendment has been sent to the Secretary Cabinet, who will submit the revised decision before the cabinet, in its forthcoming meeting for ratification. The sources said, since it is expected that Rs. 10 billion available to Petroleum Division for RLNG would remain unutilized, therefore, the amount would be transferred to Power Division. For the month of July and Aug 2020, electricity will be provided at Cents 7.5/KWh all-inclusive and thereafter at Cents 9/KWh all-inclusive for rest of the financial year 2020-21 to export oriented sectors namely textile, leather, carpet, surgical and sports goods.

It was also decided that RLNG will be charged at \$6.5/mmbtu to export oriented sectors regardless of whether the actual is higher or lower.

The sources further stated that as at this stage, it is difficult to estimate the future financial requirements to provide electricity at Cents 7.5/KWh all-inclusive for July-August 2020 and thereafter at US Cents 9/KWh all-inclusive for remaining months of FY 2020-21 and RLNG

at \$6.5/MMbtu for FY 2020-21, therefore, the Finance Division will give financial commitment that additional funds if required by the Power Division and Petroleum Division, shall be provided.