

FBR sees Rs20bln loss in revenue after tax on POL products reduced

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KARACHI: The Federal Board of Revenue (FBR) has estimated Rs20 billion monthly losses in revenue collection due to significant reduction in sales tax rates on petroleum products applicable during June 2018, officials said on Tuesday.

The government has adjusted the rise in international oil prices by reducing sales tax rates instead of passing it on to the consumers for the month of June 2018.

The Pakistan Muslim League-Nawaz government which concluded its five year tenure on May 31, 2018,

decided not to increase the petroleum prices and left the decision on the interim government.

Miftah Ismail, former finance minister, said that POL prices would be kept unchanged till June 6.

The FBR issued SRO 663(I)/2017 to notify sales tax rates applicable during June 2018. According to the notification, the sales tax rate on petrol has been sharply reduced to seven percent from 15 percent.

The sales tax rate on high speed diesel has been reduced to 17 percent from 25 percent.

The sales tax rate on kerosene oil has been reduced to seven percent from 12 percent, and on light diesel to one percent from 11.5 percent.

FBR sources said the reduction in sales tax would adversely affect the revenue collection efforts.

The FBR collected Rs3,274 billion during July-May 2017/2018 and it needs Rs661 billion in June 2018 in order to achieve the downward revised revenue collection of Rs3,935 billion.

An official at Large Taxpayers Unit (LTU) Karachi said the revenue collection impact of Rs20 billion due to reduction in sales tax rates would also add to the required collection amount during the last month of the current fiscal year.

The official said LTU Karachi would alone absorb Rs18 billion revenue loss due to reduction in sales tax rates, adding that the impact of Rs20 billion was calculated on the basis of revenue collected in the month of May 2018.