

Move to Cut Petrol Price By Over Rs20 per Litre

ISLAMABAD: The prices of petroleum products in Pakistan are set for a steep fall — up to 57 per cent — on Thursday (today) for a month owing to about 30pc slump in the international oil market.

Though a decision would be announced in consultation with the International Monetary Fund (IMF) on Thursday, the Oil and Gas Regulatory Authority (Ogra) has worked out up to 57pc cut in various products' prices with effect from May 1 based on existing tax rates.

At present benchmark Brent crude prices have plunged by a massive 30pc to \$20 a barrel from about \$27 per barrel on March 25 when Pakistan last revised oil prices. The Brent crude price has tumbled by almost 65pc since February 25. This is the steepest fall in oil prices in recent history.

An official told Dawn that based on existing tax rates, Ogra had calculated about Rs33.94 and Rs20.68 per litre reduction in the prices of high speed diesel (HSD) and petrol, respectively.

Oil prices to be reduced because of slump in international market

In contrast, he said, the Ministry of Finance and the Federal Board of Revenue (FBR) were trying their best to pass on about half of the price reduction calculated by Ogra to consumers and retain the remaining amount as windfall by increasing the rates of petroleum levy.

He said the finance ministry wanted to make up for revenue losses arising out of lower import parity price for crude and petroleum products and lower consumption due to the lockdown and the overall revenue shortfall it had faced in the first 10 months of the current fiscal.

The Ogra summary of workings on oil pricing seen by Dawn has proposed about 31.6pc reduction in the price of HSD. It has worked out the ex-depot price of HSD for next month at Rs73.31 from Rs107.25 at present, down Rs33.94 per litre.

Likewise, Ogra has calculated the ex-depot price of petrol for next month at Rs75.90 per litre instead of Rs96.58 at present, a reduction of 21.4pc or Rs20.68 per litre.

Similarly, the ex-depot price of kerosene has been worked out at Rs33.38 per litre instead of current rate of Rs77.45, showing a massive reduction of 56.9pc or Rs44.07 per litre.

Also, the ex-depot price of light diesel oil (LDO) has been estimated for next month at Rs37.94 per litre instead of Rs62.51 at present, a 39.3pc or Rs24.57 per litre cut.

The official said the prime minister had been told that reduction in HSD price would be great support to the agriculture sector, currently at the peak of wheat harvest, and help pull down the rate of inflation because it was the primary source of transportation in the country.

The government has already increased the general sales tax (GST) on all petroleum products to a standard rate of 17pc across the board to generate additional revenues.

Until January last year, the government was charging 0.5pc GST on LDO, 2pc on kerosene, 8pc on petrol and 13pc on HSD.

Besides the 17pc GST, the government has more than tripled the rate of petroleum levy on HSD in recent months to Rs24.20 per litre from Rs8 per litre. The levy on petrol has also been almost doubled to Rs18.90 per litre instead of Rs10 per litre. The petroleum levy on kerosene and LDO remains unchanged at Rs6 and Rs3 per litre, respectively.

Over the last many months, the government had been increasing petroleum levy rates to partially recoup a major revenue shortfall faced by the FBR. The levy remains in the federal kitty unlike GST that goes to the divisible pool taxes and thus about 57pc cent share is obtained by the provinces.

Petrol and HSD are two major products that generate most of revenue for the government because of their massive and growing consumption in the country.

Average petrol sales are touching 700,000 tonnes per month against monthly consumption of around 600,000 tonnes of diesel. However, the sales of petrol have dropped in recent weeks due to the lockdown imposed in the country in the wake of the coronavirus pandemic. The diesel consumption has also dropped after the lockdown but has since picked up owing to wheat harvest. The sales of kerosene and LDO are generally less than 11,000 and 2000 tonnes per month, respectively.

Last month the international oil prices had dropped by almost 52pc but the government had reduced the local prices by 12-13pc to make up for the revenue loss.

Courtesy: Dawn news

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