

Price of Petrol Slashed By Rs15, Diesel by Rs27

ISLAMABAD: The government on Thursday reduced the prices of petroleum products in the range of 15 to 38 per cent for a month to partially pass on the impact of international price crash and also increased tax rates on oil products to mop up windfall revenues.

The decision was announced by the finance ministry in a balancing act to share the drastic fall in international oil prices between the consumers already affected by coronavirus-induced lockdown and the public revenues facing shortfalls after consultations with representatives of the International Monetary Fund.

Under the announcement, the ex-depot price of petrol was fixed at Rs81.58 per litre, showing a reduction of Rs15 or 15pc from the existing rate of Rs96.58. In doing so, the government increased its taxes by Rs5.68 per litre. The Oil and Gas Regulatory Authority (Ogra) had proposed the ex-depot price of petrol for next month at Rs75.90 per litre, a 21.4pc cut.

Likewise, the ex-depot price of high speed diesel (HSD) was set at Rs80.10 per litre instead of the existing rate of Rs107.25, showing a reduction of Rs27.14 or 25.3pc. Here again, the government increased its tax take by Rs6.79 per litre. Ogra had proposed about 31.6pc (Rs33.94 per litre) reduction in the price of HSD to Rs73.31 per litre.

Similarly, the government fixed the ex-depot price of kerosene at Rs47.44 per litre, down by Rs30.01 per litre (38.75pc) when compared to the old price of Rs77.45. In this case, the government increased taxes by Rs14.06 per litre. Ogra had recommended a reduction of 56.9pc (Rs44.07 per litre).

Finance ministry increases tax rates on oil products

Also, the ex-depot price of light diesel oil (LDO) was fixed at Rs47.51 per litre instead of Rs62.51, showing a reduction of Rs15 per litre or 24pc. Here too, the government increased the tax rate by Rs9.57 per litre. Ogra had proposed a reduction of 39.3pc or Rs24.57 per litre in the LDO rate.

An official said the petroleum levy was increased by 24pc on HSD, 26pc on petrol, 300pc on kerosene and 273pc on LDO on Thursday.

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

The official 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 government has already increased 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 had almost quadrupled the rate of petroleum levy on HSD to Rs30 per litre from Rs8 per litre in January last year. The levy on petrol had also been increased to Rs23.76 per litre from about Rs10 almost a year ago.

On Thursday, petroleum levy on kerosene was also increased to Rs18 per litre, up by 300pc when compared to Rs6 per litre last month. Also, the levy on LDO was also jacked up by 273pc to Rs11.28 per litre from existing rate of Rs3 per litre.

Over the last many months, the government had been increasing petroleum levy rates to partially recoup a major revenue shortfall faced by the Federal Board of Revenue. The levy remains in the federal kitty unlike GST which goes to the divisible pool taxes and thus about 57pc of its share is grabbed 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. 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.

Meanwhile, Ogra increased the price of LPG by 24pc to Rs 112 per kg.