IMF CONDITIONALITIES: GOVT RAISES FUEL PRICES IN A GESTURE OF COMPLIANCE

ISLAMABAD: The government has announced to increase the prices of petroleum products by Rs 35 (petrol, diesel) and Rs 18 per litre (kerosene oil, light diesel) with decision to immediately implement the increase few minutes after their announcement by Finance Minister Ishaq Dar.

Finance Minister in a press statement issued through state-owned news channel stated that devaluation of rupee and 11 percent increase in petroleum prices in the international market were taken into consideration to increase the prices of petroleum products. Dar said it was decided to increase the price of petrol and diesel by Rs 35 and the price of kerosene oil and light diesel oil by Rs 18 per litre.

Dar stated that the after the increase in petroleum prices, the price of petrol is Rs 249.80, High speed diesel Rs 262,80, Kerosene oil Rs 189.83 and light diesel oil Rs 187 per litre. He said that immediate action taken on the recommendation of the Oil and Gas Regulatory Authority (Ogra) would help counter the artificial shortage of petroleum prices reported in some part of the country. He said there were reports of artificial shortage in some areas; therefore, Ogra recommended that prices to be immediately implemented. He said that last week, the value of Pakistani rupee has decreased significantly, but the government has not increased the price of petrol from October to January 29 instead the prices were reduced.

Sources in the finance ministry said that the government has increased petroleum levy on high speed diesel from Rs 35 on per litre to Rs 40 whereas PL on kerosene was decreased to Rs 0.32 per litre from Rs 6.22 per litre and light diesel oil were reduced to Rs27.25 from Rs30.45.

Federal government decided to increase the petroleum levy (PL) on HSD by Rs 5 per litre to meet a monthly target of Rs 32 billion.

The PL rate on kerosene oil and light diesel oil whose consumption was increased significantly in the winter have been reduced by Rs 5.9 per litre and fixed at 32 paisa and LDO Rs 30.45 to Rs 27.25 per litre or Rs 3.2 per litre.

Sources in Petroleum Division said that based at the consumption in last six month, the government is expecting to generate through PL, Rs 160-170 billion in next five months (end of June 2023). The raise in ex-depot price will further reduce the sale/ consumption of petroleum products. Oil Companies Advisory Council (OCAC)’s data shows that the sale of petroleum products in last six months of financial year 2022-23 compared with corresponding year HSD imports was down by 38 percent to 1.285 million tons and petrol imports down by 27 percent to 2.624 million tons. When contacted a senior FBR official told Business Recorder that the sales tax has not been imposed on petroleum products. Sales tax rates remained zero percent on POL items. In this regard, Revenue Division has moved a summary to Finance Minister Ishaq Dar for imposing a lower rate of sales tax on all petroleum products, but the FBR’s proposal was rejected by the Finance Minister. Therefore, the FBR has not issued any notification. The FBR wanted to gradually raise the sales tax rate of petroleum products, the official added.

DAR SAYS FISCAL DISCIPLINE HAS TO BE IMPOSED

ISLAMABAD: Finance Minister Ishaq Dar said on Sunday big decisions are required to be taken to deal with the current economic crisis, and fiscal discipline has to be imposed. Addressing a “Bacha Khan Wali Khan & 21 Century” conference, he said that till 2013 discretionary funds were Rs 43 billion but first thing was done by him to abolish discretionary funds after taking the charge of finance minister in 2013 to bring about fiscal discipline. He said that everyone has to decide if this country is to put on the right path along with democracy, fiscal discipline has to be imposed.

However, he came hard on the previous government and stated that last five years were worst in terms of fiscal indiscipline and the present government is paying the price of it. The Minister said that total debt of the country was at Rs 30 trillion in 2018, which was increased to Rs 55 trillion in the last five years. He said that last five years were worst in terms of fiscal indiscipline and the present government is paying the price of it. He emphasized that in order to achieve self-respect there is need to put the country in the right path of fiscal discipline, along with democracy.

Fiscal discipline has to be implemented, he said adding that external debt of the country has reached to $110 billion and all the political parties have work to make the financially self-reliant. The Minister said that 18th Constitutional Amendments was a gift.

Dar praised Bacha Khan's ideology of non-violence and stated that Bacha Khan was very perturbed over Afghanistan situation and had advised Noor Muhammad Tarakai to initiate dialogue with all the groups of Afghans instead of unleashing violence. He also said that his emphasis to use locally produced goods instead of imported one was the solution to the prevailing economic situation of the country. He said that the terrorism is the biggest challenge for the country and security forces sacrificed their lives and no one can forget Army Public School (APS) Peshawar tragedy which led to devise a national action plan to deal with the menace. He said that the non-implementation of NAP pushed the country from black to grey list. He said that once again terrorism is resurfacing, he said that the after the APS tragedy Zard-e-Azab was initiated and the then government finance it from the country's own resources by providing Rs 100 billion.

SBP DENIES USD RATE CAPPING CAUSED LOSS

KARACHI: The State Bank of Pakistan (SBP) on Sunday rebutted the claim or reports that capping the price of dollar caused loss of $3 billion in remittances and exports. There has been a narration that suggests that capping the price of dollar caused aloss of $3 billion in remittances and exports.

SBP has responded this view and termed it incorrect due to a number of factors. First, export of goods have been facing headwinds due to moderating demand in international markets as most of our major trading partners are going through a period of monetary tightening, the SBP said.

For instance, US Federal Funds rate has surged from 0.25 percent in March 2022 to 4.5 percent to date; suggesting a noticeable global monetary tightening. Meanwhile, inflation has been significantly higher in developed world, eating into the purchasing power of consumers. These, together with domestic factors like devastating floods and ensuing supply disruptions, have negatively impacted exports.

In this backdrop, linking decline in exports to relatively stable exchange rate is not appropriate. Second, workers' remittances were gradually tapering off from all time high level of $3.1 billion achieved in April 2022 due to Eid-related flows.

According to SBP this decline is primarily attributed to global economic slowdown as higher inflation in developed countries has led to higher cost of living abroad, thus reducing the surplus funds that could be sent back to homeland as remittances. Moreover, with the resumption of international travel post COVID, some remittances have switched back to FCY cash transfers via overseas Pakistanis travelling to Pakistan. Thus the decline in Pakistan's exports and remittances is a result of numbers of exogenous factors and domestic reasons and it wouldn't be appropriate to ascribe it to exchange rate only, the SBP said.

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GOVT PREPARES NEW OIL REFINERY POLICY THAT ENVISAGES SEVERAL TAX EXEMPTIONS

To inject fresh impetus into the planned $ 4.5 billion oil refinery plant by a Chinese company in Gwadar as well as more than $ 10 billion oil refinery plant by Saudi Arab and UAE in Hub, Balochistan, the Pakistani government has finalised a draft of the oil refinery policy 2023 that envisages several tax exemptions and incentives. According to a report published by Gwadar Pro on Sunday, the refining policy comprised of two components with one related to existing local refineries and the other about the investment for the new refineries in the country.

The policy proposes an exemption from customs duty, surcharges, withholding taxes, general sales tax, any other ad valorem tax, or any other levies/ duties on the import of equipment to be installed or materials to be used in the refinery without any precondition of certification by the Engineering Development Board.

The federal government will facilitate the grant of similar exemption from the provincial and local taxes, the Policy revealed. The exemption will be available to foreign contractors or sub-contractors from the provincial and federal taxes concerning the execution of services for construction, operations, and engineering performed in Pakistan.

Refineries will be exempt from the withholding tax requirements under the Income Tax Ordinance 2001 on payments to be made to non-resident persons (including the contractor or an associate of the contractor) on account of the purchase of machinery/equipment to be installed in the project. According to the draft policy, in case the pricing regime is deregulated, during the period from January 1, 2023 to December 31, 2028, the refineries will be allowed to retain the prevalent customs duty in the ex-refinery price.

PO 30-1-2023

SOLAR PROJECTS: GOVT ALTERS STANDARDISED 'SECURITY PACKAGE DOCUMENTS'

ISLAMABAD: The government has altered standardised Security Package Documents (SPDs) of solar projects including duration of indexation to lure investment, well informed sources told Business Recorder.

Power Division, sources said, recently informed the Economic Coordination Committee (ECC) of the Cabinet that the Federal Cabinet on October 18, 2022 had approved several interventions under the Framework Guidelines for Fast-Track Solar PV Initiatives 2022 for fast-track deployment of solar PV, inter alia, substitution of expensive imported fossil fuels with solar PV Energy Initiative.

According to Secretary Power, the Framework Guidelines, at Section 2.1.2 (xi) stated that "(xi) seventy percent of the total tariff will be indexed quarterly -basis with exchange rate variation (USD/PKR). No other indexation will be provided for the term of the project. Further, the Framework Guidelines, at Section 2.1.2 provided that (xvi) in addition to the GoP guarantee, the payment under the EPA would be ensured on the 60 day after invoice through bank debit from the dedicated solar account to be maintained by CPPA-G."

Power Division further informed that the ECC in its meeting held on November 14, 2022, while approving the standardised Security Package Documents (SPDs) (i.e. Energy Purchase Agreement (EPA) & Implementation Agreement (IA)) for the large scale solar PV projects under the initiatives approved that "(i) the new payment mechanism proposed under the Security Package Agreements for settlement of invoices through bank debit from a dedicated solar account to be maintained by the purchaser be deleted and replaced with the standard payment mechanism given under the earlier ECC approved agreements; and (ii) the tariff would be indexed annually rather than on quarterly basis on rate variation (USD/PKR)."

The decisions of the ECC were subsequently ratified by the federal cabinet. Power Division stated that based on market response on the approved modifications by the ECC and in order to ensure the viability of the project, Alternative Energy Development Board (AEDB) argued that the changes made in the Standardised Security Package Documents be reverted to the extent of indexation and payment mechanism for making the initiative successful.

The payment mechanism given in the original Standardised Security Package Documents was shared with the ECC. Power Division submitted following proposals for consideration and approval of the ECC:

(i) indexation of tariff in the SPDs be retained on quarterly basis as per Section 2.1.2 (xi) of the Framework Guidelines; and (ii) the proposed payment mechanism for settlement of invoices through bank debit from a dedicated solar account to be maintained by the purchaser be included in the Security Package Agreements as per Section 2.1.2 (xvi) of the Framework Guidelines.

After detailed discussion, the ECC has approved amendments to the SPDs, which will now be placed before the federal cabinet, in its forthcoming meeting.

LPG HITS HISTORIC HIGH OF RS300/KG: LPGA DEMANDS SETTING UP OF PROBE COMMISSION

ISLAMABAD: A judicial commission should be formed to inquire into corrupt practice and people behind black marketing of LPG as it has touched historic high of Rs300/kg across the country.

Although the fixed price of LPG by Ogra is Rs204 per kg, but on the contrary, the government-owned SSGC has increased the price of LPG per kg to Rs300 with rate of domestic cylinder increasing by Rs235 to Rs3,550 and the price of commercial cylinder has reached a high of Rs13,620, ie, up by Rs908. IrfanKhokhar, chairman LPG Association slammed the "criminal" silence of Energy Ministry, Ogra, and SSGC over unabated overcharging of LPG, adding that in the ongoing crisis, the state-owned gas company has become a mafia, by making illegal profits of 0.1 million rupees per tonne of LPG as 5,000 tonnes of LPG is sold in the country every day. The mafia and black marketers are minting millions. He again stressed on a thorough judicial inquiry into this highly serious matter. He told media that currently, the country is facing the worst economic crisis apart from dollar shortage, and in these circumstances, measures of greater self-reliance by getting rid of the mafia are very necessary. Khokhar strongly stressed on forming a judicial commission to probe into the corrupt practices and people minting money through overcharging of LPG, the commodity of a poor man.

The LPG Industries chairman said if Jamshoro Joint Venture Limited is made operational, it will end the mafia's monopoly by obtaining production of 550 MT to 750 MT of LPG per day in the country. LPG can be imported for consumers at a fixed government price. IrfanKhokhar said that the country currently has only 2,000 metric tons of LPG production while the consumption has crossed 5,000 tons. In this way, 60 per cent of the country has become dependent on imported LPG. IrfanKhokhar said that due to astronomical prices, LPG has gone beyond the reach of consumers. He said that a nationwide protest against the high price of LPG and black marketing was underway and he was travelling across the country to highlight this issue. Khokhar gave an ultimatum to the government for strictly check the overcharging, saying, otherwise, the sale of LPG in the entire country will be on a complete halt from January 31.

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