

## **GST, petroleum levy on kerosene oil, LDO abolished**

The government has abolished General Sales Tax (GST) and Petroleum Levy (PL) on Kerosene Oil (KO) and Light Diesel Oil (LDO), while it has reduced PL on Motor Gasoline from Rs 4 per litre to Rs 2.25 per litre to pass on the lower international fuel price to domestic consumers. Sources in the Ministry of Petroleum & Natural Resources told *Business Recorder* that the Ministry of Finance had revived the mechanism of Price Differential Claims (PDL) after eight years in a bid to subsidise some of the petroleum products.

On PDL account the government from 2004-2008 paid an amount of Rs 29.8 billion to Oil Marketing Companies. Sources further quoting an official letter of the Ministry of Finance to Oil and Gas Regulatory Authority (OGRA) said the Ministry directed the regulator to workout High Speed Diesel (HSD) price on the basis of 31 percent GST, and the Authority commuted and forwarded following recommendations to the government: An increase of Rs 4.16/litre in the price of MS 92 RON petrol, Rs 4.29/litre in the price of HSD, Rs 16.71/litre in the price of KO and Rs 12.53/litre in LDO.

The government fixed GST on MS 92 RON petrol @28 percent against OGRA workout of @31 percent, while to not pass-on the impact to end consumers of KO & LDO it revived PDL system and reduced PL on petrol from Rs 4 per litre to 2.25 per litre. HSD is the largest selling petroleum product with an average monthly consumption of 0.6 million tons while MS 92 RON petrol per month consumption is around 0.5 million tons. HSD monthly consumption in 2014-15 was 0.45 million tons which now has crossed 0.6 million tons a month. However, monthly consumption of LDO, KO and High Octane Blending Component is not more than 10,000 tons each.

Sources said the government was likely to achieve the set target of Rs 150 billion of Petroleum Levy as the sale volume of two major petroleum products ie Ron 92 and HSD has increased manifold. They added that in coming March to May HSD consumption will further increase from current level of .06 million tons a month to 0.75-0.08 million tons as a result of Kharif crop season.

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