Despite Drop in International Oil Prices, Govt. Raises GST & Petroleum Levy on IMF condition to Bridge Tax-Gap --- Petrol Prices remains Unchanged!

(Rs per liter)	New Price 1-Dec-21	Old Price 16-Nov-21	Change per Ltr	% Change per Ltr
*** Weighted average PSO's Cost of Supply**	**118.58**	**125.27**	**-6.69**	**-5.34%**
** IFEM	4.40	4.05	0.35	-
***OMC's margins	2.97	2.97	-	-
***Dealers Commission	3.91	3.91	-	-
****Petroleum Levy	13.62	9.62	4.0	-
****General Sales tax (GST)	2.34	-	2.34	-
Retail price (per ltr)	**145.82**	**145.82**	**-**	**-**
*******Taxes contribution to Retail price**	**15.96**	**9.62**	**6.34**	4.34%
% of total taxes to Retail prices	**10.94%**	**6.59%**	-	-
Avg. Exchange Rate PKR vs USD	**175.16**	**171.56**	-3.6	**-2.09%**

**** Weighted average cost of PSO's supply dropped by Rs6.69 per Ltr or 5.34%.*** **(Source: OGRA)**
*****IFEM inched up by Rs.0.35 per ltr***
******OMC's Margin & Dealer's commission remained unchanged.***
*******Federal Govt. Increased Petroleum Levy by Rs.4 per ltr & GST by Rs2.34 ltr***
********Tax component to the retail price grew by Rs.6.34 per ltr to Rs.15.96 per ltr. Therefore, % of total taxes to retail price has increased from 6.59% to 10.94%.***

➢ OUTLOOK:

Despite the drop in international oil prices (weighted avg. PSO's cost of supply dropped Rs.6.69 ltr), Federal government opted not to pass-on relief to public on IMF condition. After Pak-IMF talks, Finance Ministry has revealed that Federal Government will keep on increasing petroleum levy & GST subsequently to bridge tax gap and accomplish the annual tax revenue target of Rs 6,100 billion in FY22. On the other hand, CPI for November 2021 skyrocketed to 11.53% which is 21 months high. This is mainly due to rupee devaluation vs USD, recent hike in petroleum, energy tariffs, food prices & transport tariffs. This has badly hurt the purchasing power of masses. In addition to this, deterioration in external account largely effects CAD and exchange rate which is increasing import bill of the country. On top of it, tight monetary regime hitting the private sectors increasing economic woes. Under IMF plan, government has limited options to manure the situation. Therefore, by improving governance, revisiting imports, fixing ongoing bleeding in power sector & PSEs, cutting-down luxuries imports ($2 billion mobile phone imports in FY21, high auto imports) food imports ($8 billion in FY21) and other current expenditures, which could make the difference.