

ISLAMABAD - The cash-starved government is seemingly set to fetch billion of rupees from over burdened masses by inflicting unusual duties on various sectors in a bid to finance the intensifying circular debt instead of putting his own house in order, it has learnt. The incumbent government by inflicting various taxes worth in billions is likely to get rid from growing circular debt causing long hour loadshedding in the country, sources familiar with the matter said, adding that end consumers of oil, gas and power sectors would bear the cost of mismanagement and inefficiencies of concerned authorities resultantly inflation-hit masses would have to face a series of jolts. In an effort to partly retire circular debt that according to unofficial estimates has been soared up to Rs 332 billion, the government to finance the debt mulls squeezing Rs 100 billion from oil and gas sector while power sector is also supposed to contribute Rs 100b through experiencing unusual levies, sources added.

The government may introduce variety of duties to generate funds only to end mounting circular debt instead of setting own house in order, sources said, adding, that the government is likely to tax other sectors along with energy sector in order to tone down the swelling debt.

It is learnt that the Petroleum Ministry has proposed extracting Rs100 billion from oil and gas sector through taxes. Dr Asim Hussain Minister for Petroleum and Natural Resources has presented the package during meetings of the special cabinet panel on energy crisis, said sources, adding, that according to a proposal, the government can extract Rs100 billion by charging different levies on fuels. The minister is also said to have proposed increasing the gas development surcharge and a proposal in this regards would be tabled in the cabinet meeting, sources maintained.

Preparations are at full swing to impose worth billion of rupees new taxes on the energy sector and end consumers will have to face burden of new proposed steps aimed at ending the circular debt, sources said, adding, that a proposal is in the process to impose Rs5 to Rs7 per kg development tax on CNG and an increase in this tax on LPG and Sui Southern Gas Company and Sui Northern Gas Company have also proposed increase in development tax. There is also a proposal at high ups level to change Nepra s procedure to determine power price, sources said.

Analysts commenting on the move said this offer was practical since gas prices in Pakistan are comparably low so far. It is clear now that the government despite moving against the influential oil and gas lobby in the country has ostensibly decided to impose various taxes on over burdened masses only to end circular debt issue, they argued. They were of the view that despite removing crystal clear flaws in electricity tariff determination by National Electric Power Regulatory Authority (Nepra) resulting in escalation of circular debt, the government seems forced to press the over-burdened general public. Power subsidy for consumers of Karachi Electric Supply Company is also compounding the circular debt issue along with accounting for line losses of the power sector. For the current fiscal year, the government has budgeted Rs24 billion in subsidy for KESC - the remaining amount will add up to the circular debt, they said, adding that non-availability of finances from IFIs and volatile law and order situation has barred foreign investments in the country surfaced as major obstacles to end the debt.

It is worth mentioning here that reportedly the term circular debt began to be used to describe economic problems in Pakistan s energy sector arising in 2008. Poor

accounting practices and inefficient power generation led to losses among oil refineries, power generation companies and oil marketing companies. For a time, each sector was able to pass losses on to the next company, but Pakistani power outages began to spike in 2010, because utilities companies could no longer pay to keep electricity flowing to all consumers. Increases in petroleum prices and government inability to answer the root causes of circular debt caused Pakistan s oil refineries to be operating at only 45 percent at the end of 2010 and is apparently below 50 percent now a days. </p><div align="justify"> </div><p class="MsoNormal" align="justify">◆</p><div align="justify"> </div><p class="MsoNormal" align="justify">◆</p><div align="justify"> </div><p class="MsoNormal" align="justify">Courtesy: Courtesy: Nation</p>