

Fuel taxes set to be refunded set to be refunded

The government will refund value-added taxes on gasoline and diesel imported by the country's two largest oil companies in the second quarter, the Ministry of Finance has said.

Value-added taxes on 500,000 tons of gasoline and 1 million tons of diesel imported by China National Petroleum Corporation (CNPC) between April 1 and June 30 this year will be refunded, the ministry said on its website yesterday.

It will also return collected taxes to China Petrochemical Corporation (Sinopec) on imports of 500,000 tons of gasoline and 1.5 million tons of diesel in the same period, the statement said.

Analysts said the 17 percent tax refund is aimed at reducing the refining losses of the oil companies and increasing refined oil products supply in the domestic market to prevent a shortage.

"The tax rebate will reduce the refining losses of CNPC and Sinopec to some extent," said Zheng Zhiguo, an energy analyst with Shen Yin Wanguo Securities in Shanghai. "But the amount is small and cannot fully cover the losses."

High crude prices in the international markets have caused big losses for domestic oil producers in their refining businesses as prices of refined oil products are controlled by the government.

Industry experts said government-controlled oil prices in the domestic market have led to supply shortfalls as refineries cut back production to avoid losses while producers and dealers hoard oil in anticipation of more price rises.

Both CNPC and Sinopec will see big losses in their refining businesses in the first quarter. "We estimate that the country's largest refiner Sinopec will lose 16 billion yuan in refining during the period," said Liu Gu, an analyst with the Guotai Jun'an Securities in Shenzhen.

Previous media reports had said the country is working to grant a hefty tax rebate on crude imports to help oil firms limit their refining losses. The buzz is that the government may cut the 17 percent value-added tax on crude imports to 4.25 percent.

Both CNPC and Sinopec declined to comment on the report yesterday.

In the first two months of this year, China imported 5.95 million tons of refined oil products, an increase of 17.7 percent. The total value of the imports stood at \$3.97 billion, according to Customs.

Source: China Daily