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FBR working on proposals to slap RD on luxury items

Discouraging imports, boosting exports

ISLAMABAD: In a bid to further discourage imports as well as boost exports through fiscal measures, the Federal Board of Revenue (FBR) is working on proposals to make adjustments in Regulatory Duty (RD) regimes under which there are items where the duty will be slapped and jacked up in the mini-budget especially on luxury items. However, there are items especially related to raw material or intermediary products, there are proposals under consideration to slash down RD on certain items in order to boost up exports.

“The work is in progress on a proposal for achieving more contractions of imports through bringing more items into the list of RD. There are 1994 items already into the list of RD and there is possibility of bringing over 50 more items into it with the aim to further discourage imports in the remaining period of the current fiscal year,” two top official sources confirmed to The News here on Tuesday.

One top official at Finance Division claimed that there would be certain items on which the RD might be reduced or abolished in a bid to promote investments and boosting exports. There are some luxury items on which there is possibility of jacking up rates of RD in the coming mini-budget. The government is all set to increase duty rates for import of IPhone, luxury imported cars of 1800cc and above, tyres, tiles, yarn, papers, imported vegetables, fruits and many more items.

When one top official of Commerce Ministry was contacted for seeking comments, he said that no decision was yet finalised on it. However, the official sources confirmed that relevant ministries were given deadline to finalise items till January 20, 2019 on which the RD would be slapped and jacked up in the coming mini-budget. The consultation among Ministry of Finance, Ministry of Commerce, Industries and FBR are underway to propose measures for further contraction of imports in the remaining period of the current financial year.

The PTI-led government claimed that its policy measures had resulted into shrinking of trade deficit that augurs well for overall balance of payment of the country. The trade deficit stood at $17.7 billion in July-December 2017 as it shrunk by 5% to $16.8 billion in the corresponding period in 2018. The overall imports from July-December 2018 have shrunk by over 2% from $28.7 billion in July – December 2017 to $28 billion in July – December 2018.

This trend is even more pronounced in respect of imports under RD regime, where the import value has declined from $5.2 billion in July – December 2017 to $4.4 billion in July – December 2018, showing a contraction of 16% (effective on 1994 tariff lines).

This trend is even more pronounced in December 2018 in respect of imports under RD regime (effective on 1994 tariff lines) wherein the imports declined from $896 million in December 2017 to $691 million in December 2018 (-23%).

The official data states that the import compression measures taken in the supplementary Finance Act, 2018 had firmly taken hold and were now effectively curtailing imports as per policy regime of the government. The FBR had slapped Regulatory Duty on import of 570 items from range of 5 to 90 percent in the aftermath of enactment of revised supplementary finance act on October 17, 2018.

The FBR had already imposed Regulatory Duty on vehicles, SIM cards with rate of 5 percent, wheat 60 percent, cotton yarn 5 percent, betel leaves Rs400/kg and many others imported food items and dairy products in October last.

The Regulatory Duty was imposed on import of pistol, firearms and other items in the range of 20 to 25 percent. The FBR had imposed 70 percent duty on the import of used cars and jeeps from 1801cc to 3000cc and above so now this rate of duty would be increased up to 80 to 90 percent in the coming mini-budget which the government would announce on January 23, 2019.

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