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Govt may abolish duty on 150 to 250 items in mini-budget

ISLAMABAD: With the decision to increase import duty on 1800cc cars by 10 percent and jacking up tax on import of high end user mobile phone sets, the government is considering major relief in terms of downward adjustments in four import slabs by 1 percent as well as abolishing Regulatory Duty on 150 to 250 items through upcoming supplementary finance bill.

"The government is going to announce implementation on five-year Strategic Trade Policy Framework (STPF) from 2018-19 to 2023-24 in phased manner under which the customs duty will be adjusted downward by 1 percent in all four slabs and the RD will also be abolished on 150 items at least," top official sources in the FBR told The News.

Minister for Finance Asad Umar is going to unveil mini-budget that is called supplementary finance bill and macroeconomic framework before the Parliament tomorrow (Wednesday). The government, the sources said, decided to reduce and abolish RD on 150 items at least against 250 items recommended by the Ministry of Commerce for waiving off RD on items related to industries including raw materials on electronics, engineering, chemicals and other sectors. It is proposed that the slab of 21 percent will be brought down to 20 percent, 16 percent to 15 percent, 11 percent to 10 percent and 6 percent to 5 percent through upcoming finance bill.

On income tax side, the government is going to provide exemption of income tax for banking sector on the provision of loan for low cost housing in the country in the coming supplementary finance bill.

When Adviser/spokesman for the Finance Ministry Dr Khaqan Najeeb was contacted for comments, he said the main objective was to bring incentives for micro and Small and Medium Enterprises (SMEs), low cost housing and agriculture sector. The government has taken serious view the credit flow to housing sector is negligible and wants to reverse this trend. The government is also aware that the import compression must continue so that the balance of payment (BoP) remains stable. To a query, he said the government is contemplating upon options for increasing duty on luxury cars.

However, the sources said the rates of advance tax on sale and purchase of securities was doubled from 0.01 percent to 0.02 percent through Finance Act, 2016. It is now recommended to consider reducing the rate of advance tax from 0.02 percent to 0.01 percent of the value of either purchase or sale of securities taking into account the fact that in day trading only one side commission is being charged by the broker. Furthermore, such advance tax shall not be applicable on proprietary trades as they do not yield any brokerage commission.

Sub-section (5) of section 37A of the Income Tax Ordinance (ITO) does not allow carry forward of capital losses made on disposal of securities. In order to remove this tax arbitrage, amendments may be carried out in the ITO to allow carry forward of capital losses made on disposal of securities.

The Finance Bill 2010 imposed Capital Gains Tax (CGT) in three tiers of holding period with progressive rates. The Finance Act, 2016 modified tax irrespective of holding period at the rate of 7.5 percent. Subsequently, through the Finance Act, 2017 a flat rate of 15 percent CGT was introduced irrespective of holding period. The said CGT regime is not in line with the taxability on other asset class, i.e. lower progressive tax rates are applicable and there is no tax on gain on disposal of immovable property if the holding period is three years or more. This tax arbitrage discourages public from investing in the capital market. Tax rates on gains made on disposal of securities and immovable property may accordingly be aligned, by bringing the tax rate for immovable property at par with securities, to reduce this arbitrage.

Promote list of Govt of Pakistan (GoP) and CPEC projects debts at PSX Section 65C of the ITO allows incentives for listing by companies through tax credits. If a company opts for listing at a stock exchange in Pakistan, a tax credit equal to 20 percent of the tax payable is allowed for the tax year in which the said company is enlisted and for the following three tax years; with tax credit for the last two years at ten per cent of the tax payable. This incentive can be further enhanced to encourage new listings.

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