

### **‘Govt compromised on documentation of economy’**

KARACHI: The government has compromised on documentation of the economy by extending facility to commercial importers in the latest finance supplementary package, a leading chartered account firm said on Thursday.

PWC - A F Ferguson Chartered Accountants firm said Pakistan faced the menace of presumptive / final tax regime.

“This ill, which started in 1992, has eroded the tax base and documentation of the economy,” it said, adding that there had been a policy of gradually reducing the presumptive / final tax regime.

“In the present package, primary principles on this ground have been compromised for commercial importers.”

It suggested the government to re-examine the time of budget for the year 2019.

Through the Finance Act 2018, a major shift has been made in the tax policy measures and the right to be taxed under presumptive regime has been abolished for commercial importers.

Such importers were taxable on net income arising out of such import transactions, and the tax collected at the import stage has been treated as minimum tax liability in this respect.

The minimum tax payable under this clause was five percent of the import value, as increased by the Customs duty, sales tax and federal excise duty.

Now, the bill proposes to restore the position prior to the Finance Act 2018 and the commercial importers will be taxed under the final tax regime.

Sources in the Federal Board of Revenue (FBR) said the government surrendered to this provision on the demand of the business community.

There was resistance from the tax authorities on this particular issue because huge chunk of undocumented / black money still persists due to benefits given to commercial importers, they said.

The sources said the FBR had initiated investigations in money laundering and concealment of income sources against some importers, who were allegedly involved in sending foreign exchange abroad against their mis-declared imports.

However, the business community at the Karachi Chamber of Commerce and Industry (KCCI), which strongly advocated for restoration of FTR for commercial importers, welcomed the step.

“The restoration of FTR for commercial importers is a major step taken by the government in the supplementary finance bill, which was proposed by the KCCI,” a statement issued by the chamber said.

“This decision will prevent unnecessary audits of taxpayers who were already paying withholding tax at a very high rate,” it added.

Shahnawaz Akhter