

Govt opposes 1pc additional Customs duty to raise revenue

ISLAMABAD: The PTI-led government is considering different proposals for increasing taxes on cigarette industry in the range of Rs15 to 20 billion through mini budget expected to be unveiled during the ongoing month, The News has learnt.

The government is considering different tax proposals for slapping additional taxes of Rs150 to Rs160 billion in remaining second half (Jan-June) period of the current fiscal year. Now different proposals are under consideration to find out ways and means to bridge the shortfall in FBR's tax collection target that had already touched more than Rs160 billion in first six months of the ongoing fiscal year.

The official sources claimed that the proposal of slapping 1 percent additional custom duty has been rejected by the PTI government arguing that it could cause harm to the industry as their cost of doing would escalate with approval of major revenue spinner. The additional 1 percent custom duty could fetch Rs80 to 85 billion. But when the officials were asked how the additional collection of Rs150-160 billion would be collected they stated that the tax proposals would be finalised next week.

In a bid to firm up proposals, an important meeting held at Finance Ministry in which the FBR's Members also participated to finalise tax proposals for upcoming mini budget. However, the chairman FBR could not attend the meeting because he had gone abroad on his personal visit.

There are different proposals related to tobacco industry including abolishing third tier system and place two tier system. The second proposal is to increase tax rates to bring in line with the advice of WHO as there is still some room for increasing tax burden while sticking to the three tier system.

There is another proposal under consideration to increase duty and taxes on petroleum products at import stage because the government considers that it can be done keeping in view reduced oil prices in international market.

Sources in tobacco industry argued that the price differential between formal and illicit cigarettes stood at Rs30 per packet and in case the additional tax burden imposed it would be jacked up to Rs40 differential thus incentives for illegal tobacco would be more lured.

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