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Budget 2019-20, Commerce Division, MoF in row over proposed taxation measures’

ISLAMABAD: The Commerce Division and the Finance Ministry are reportedly engaged in a war on proposed taxation measures to be announced in the ‘IMF-dictated’ federal budget 2019-20 which are expected to badly hurt local industry and subsequently exports, well-informed sources told Business Recorder.

This was the crux of different inter-ministerial meetings including meetings presided over by Prime Minister, Imran Khan.

Prime Minister’s Advisor on Commerce, Textile, Industries and Production, Abdul Razak Dawood along with his team, is at odds with the Finance Division and the Revenue Division. Prime Minister, Imran Khan is lending his weight to Finance Ministry’s team led by Abdul Hafeez Shaikh. Recently, former Commerce Minister, Hummayun Akhtar has also become a supporter of the Finance Ministry’s team and is openly supporting FBR which has prepared a revenue growth plan by increasing tariffs on almost all imports, including raw materials.

There is a buzz in the federal capital that Hummayun Akhtar is expected to replace Hammad Azhar, the Minister of State of Revenue, after the federal budget. There is speculation that Hummayun Akhtar is interested in the portfolio of Commerce but Razak Dawood is not ready to leave this Ministry.

The sources said Prime Minister is holding meetings with the top gurus of the business community and sensitizing them to a very hard couple of years but has pledged that as the government finds fiscal space it will reverse the tariff measurers.

“Whatever concerns the business gurus raise in the meetings the Prime Minister deflects them to Dr. Abdul Hafeez Shaikh, who merely states that it is not possible at least for now,” the sources continued.

FBR has committed to the IMF that its revenue target would be Rs 5.550 trillion for the fiscal year 2019-20 and to attain this target tariff on almost every product will have to be increased.

Commerce Division argues that fixation tariff is not the domain of FBR, adding that mere tariff increase and withdrawal of concessions available to different sectors including raw materials is not the solution to tax related problems. FBR should also look into other factors.

Globally, the countries slash their tariffs to boost their exports but in Pakistan, the theory is contrary as the focus is on revenue from industry due to which exports are not picking up, sources in the Commerce Ministry maintain.

The sources further stated that Commerce Division is also suggesting that concessions should be available to sectors instead of specific industries.

The logic of FBR is that since it has agreed with the IMF to increase revenue to Rs 5.550 trillion in 2019-20, it does not have sufficient fiscal space to accommodate Commerce Division's tariff reduction proposals.

The sources said, the high level meeting presided over by Prime Minister on Sunday at Bani Gala remained inconclusive as both sides stuck to their respective positions. The Prime Minister, however, has directed the FBR to hear the viewpoint of business tycoons and find a way to deal with their concerns, which insiders believe was a mere lollypop. Commerce Division is continuously in contact with the FBR top brass as a last ditch effort to get something for industry so that exports do not make a nose dive.

Another meeting is expected between Commerce and Finance on Tuesday (today) under the chairmanship of Prime Minister Imran Khan.

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