

Coca-Cola threatens to withdraw \$200m planned investment

ISLAMABAD: M/s Coca-Cola Beverages Pakistan Limited (CCI Pakistan) has reportedly threatened to withdraw its new investment of \$ 200 million planned in three years, saying that business environment is beginning to look bleak and uncertain, well-informed sources in Prime Minister's Office told Business Recorder.

This has been conveyed by Ahmet Kursad Ertin, General Manager, Coca-Cola Beverages Pakistan Limited, in a letter to Prime Minister Imran Khan.

The CCI met with Prime Minister in November 2018 and shared its new investment plan with him. CCI Pakistan is one of the most compliant companies operating in Pakistan and has already invested upwards of \$ 500 million since 2008.

The Coca-Cola team held a meeting with the Ministry of Finance during which it was unveiled that the following measures are being introduced in the upcoming budget proposals: (i) increase in the FED on CSDs to 12 per cent; (ii) health levy of Rs 1 per 250 ml of sugar sweetened beverage; and (iii) new FED on 10 per cent on juices.

The company says that these proposals for new taxation are inconsistent with the messaging it received from senior members of the government recently. In specific reference to the health levy, the company is assured that the discussion was off the table and that the industry would be given the opportunity to invest and grow.

“With regards to our future plans in the region, we have reiterated our commitment to bring more investment to the country based on reassurances given by the government, however, in the light of recent developments, the business environment is beginning to look bleak and uncertain,” Artin added.

Expressing deep concern regarding recent proposals for new taxes on his company, he said that imposition of these taxes will not only halt the company's planned investment in the country but will also make its existing business unsustainable, thus resulting in the closure of its plants and a consequent loss of hundreds of jobs.

The overall tax rate for carbonated soft drinks in Pakistan is one of the highest in the region. The industry has no further capacity to absorb any increased costs. Given the price sensitive nature of the industry, a price increase will most certainly lead to a decline in our sales thus resulting in reduced tax revenue collected by the government.

“The existing tax rate of 28.5 per cent (11.5 percent FED and 17 per cent sales tax) coupled with steep rise in inflation, has already had a negative impact on our sales and revenue.

A water charge of Rs 1 per litre of water extracted has already been introduced by the Supreme Court which has eroded our profitability to an alarming level...if the proposed health levy along with increase in FED is passed, the burden of revised 40 per cent tax regime will seriously challenge our sustainability as a business,” he continued.

General Manager CCI Pakistan further stated that taxation regime being proposed for the beverage industry will be counterproductive to the government’s agenda of increasing revenue in both the short-term and long-term.

Coca-Cola Beverages Pakistan Limited has requested the Prime Minister to reconsider the proposed taxes as fate of the beverage industry depends on his decision.

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