FBR to announce three schemes to bring millions of retailers into tax net

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ISLAMABAD: The government has decided in principle to abolish zero rating for five export oriented sectors especially for textile from the next budget 2019-20 but the rate of General Sales Tax (GST) might be less than the standard rate of 17 percent.

The FBR has also decided to announce three schemes for bringing millions of retailers into the tax net whereby all those retailers possessing covered area of 1,000 square feet will be bound to install cash machines linked with the tax department to ascertain the exact sale value and then deduction of tax on it.

The FBR has also decided to bring distributors of motorcycles, cars, ghee, cooking oil andmany others into the tax system through the next budget. “We will bring transaction into tax system,” said a top official of the FBR on Friday.

He said that the tax collection target of Rs5,550 billion could not be materialised by sucking the blood of the existing taxpayers so new avenues would have to be found out to achieve the desired results.

“We have made up our mind to abolish zero rating regime under SRO 1125 for five export oriented sector including textile, leather, carpets, surgical and sports goods. We will implement the Bangladeshi model to provide refunds instantly through the central bank in order to resolve the issue of liquidity crunch for exporters. However, the rate of GST might be reduced from the standard level of 17 percent,” top official sources confirmed to The News here on Friday. The rate of GST could be anywhere from 10 to 16 percent, they added.

According to estimates prepared by the FBR, the total value of domestic and exports stood at Rs3 trillion out of which approximately Rs1.2 trillion was exported while remaining share of Rs1.8 trillion being consumed into the country. If anyone argues that the whole country was wearing second hand clothes, it could easily be termed wrong and incorrect, said the FBR official and added that the FBR would ensure instant release of funds through SBP to all exporters when export receipt was being cleared through banking channel. “We will continue reconciliation at later stages”, they added.

The rate of GST might be less than 17 percent as the FBR considers that the higher rate at initial stage would create more problems so the rate might be fixed lower than the standard rate.

For retailers, the FBR has decided to come up with three schemes for small, medium and big retailers. For small retailers, the FBR will come with fixed rate of tax in the coming budget where all shopkeepers will be asked to come into tax system by paying fixed amount of tax having covered area of 240 square feet. The medium size retailers are those having covered area of more than 240 sq feet but less than 1000 sq feet. The FBR is considering to link their tax with electricity bills. Earlier this scheme was announced but it failed to yield the desired results. Now the FBR is considering to bind the power distribution companies to provide electricity connections to only those who are registered with the tax system.

For mega retailers, the cash machines would be made mandatory where the covered areas would be standing at 1000 sq feet.

When contacted to former member FBR Shahid Hussain Asad on Friday, he said that the fixed scheme for retailers had failed in the past as once it was introduced during the decade of 90s when the FBR had spent more on its advertisement but the tax collection was less than the spent amount.

He said that the FBR would have to link up with other avenues to ascertain its exact worth of sale of retailers and installing cash machine at big retail center at post areas could be a step in the right direction for documentation of economy.