

Senate committee rejects Finance Bill, asks SBP to freeze dollar at Rs150 and interest rate at 12pc

ISLAMABAD: The Senate Standing Committee on Finance on Thursday rejected with majority vote the Finance Bill 2019 which envisages increase in taxes and prices, maintaining that it will badly burden the masses.

The proposal was floated by Senator Talha Mahmood of the JUI-F during clause by clause reading of the finance bill. The way taxes have been increased and prices are going up as a result shows that the tax proposals are too harsh and need to be rejected, he said.

Senator Ayesha Raza Farooq of the PML-N supported the idea, saying the country always had deficit budgets but the people should not be burdened for the past one-year's mistakes of Pakistan Tehreek-i-Insaf. She said the government had opted to squeeze the existing tax payers and the common man instead of capturing the true tax potential of economy.

Senator Mohsin Aziz of PTI said the committee should have a sympathetic view of the need to increase tax collection to Rs5.55 trillion. He, however, agreed that even he had criticised many areas of the budget on the floor of the house and had demanded withdrawal of harsh measures. Rejecting the finance bill in entirety would create serious problems for the country, he added.

Move has little bearing on the bill's prospects for passage

However, the opposition senators did not agree. Presiding over the meeting, Chairman of the committee Senator Farooq H. Naek suggested that a formal resolution should be passed to reject the finance bill. The resolution said an increase in taxes through the finance bill, whereby there is tremendous burden on the common people and increase in the prices of daily use commodities used by common persons, is rejected in totality.

The resolution was then put to formal vote.

However, Senator Aziz and independent Senator Dilawar Khan said they would rather walkout of the meeting. The remaining senators including Ms Farooq, Mr Mahmood and Imaduddin Shouqeen of the PPP voted in favour and passed the resolution rejecting the finance bill.

SBP intervention

The committee unanimously recommended that the State Bank of Pakistan should intervene, where necessary, to bring down the exchange rate and freeze it at Rs150 against the dollar. Senator Aziz said it was critical to freeze the dollar at Rs150 as some foreign players had entered the country and were interfering with exchange rate.

The committee also unanimously recommended that policy rate of the SBP should kept at 12 per cent and maintained at this stage to let the businesses to grow. Senator Mohsin Aziz demanded that policy

rate should be reduced to single digits because there was no cushion left for the industry after paying 14-15pc interest to the banks. The committee also unanimously recommended stabilisation of electricity and gas prices.

Senator Naek raised serious legal questions over the Asset Declaration Scheme (ADS).

He noted that it was strange that the ADS Ordinance was also placed before both houses of the parliament while ADS Act had also been included in the finance bill. Calling the move 'total confusion', he said that if the ADS was a money bill, then it should have only been introduced in the National Assembly but if not, the ordinance could be introduced in both houses.

The representatives of the Ministry of Law conceded to the serious mistake and said the Federal Board of Revenue (FBR) should not have presented the ordinance before the Senate. The FBR representatives also acknowledged their mistake. Mr Naek suggested that only way to condone the situation was for the committee to consider to have made no discussion on the ordinance. It was therefore, decided to consider Asset Declaration Ordinance but would not give recommendation. The committee chairman also pointed out that there was no definition of asset declaration in the law. "Your title in the law is asset declaration and there is no definition of asset at all in the bill".

The committee was informed by FBR's member Inland revenue Dr Hamid Ateeq that the government is banking on Rs250 billion revenue flows from the withdrawal of zero-rated regime, of which it would get a net revenue of about Rs100bn after paying off Rs150bn refunds.

Tobacco tracking

The FBR said the 'track and trace system' on tobacco packing would be introduced from February 2020.

The FBR is also in contact with Azad Kashmir regarding making changes in cigarette packing label, provision of real time. Member IR added that a joint mechanism was also being evolved to ensure monitoring.

The members FBR told the committee that local markets even in federal capital were full of imported cigarettes and those being sold at Rs24 per packet whereas minimum price of legal cigarettes was not less than Rs50 per packet. The government, he said has decided to impose penalty between Rs20,000-100,000 on those selling cigarettes at lower prices. The committee, however, recommended that the fine should be subject to the approval of Commissioner.

Khaleeq Kiani