Move to withdraw 5th Schedule of Customs Act opposed

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KARACHI: Industry leaders on Friday strongly opposed the possible withdrawal of the 5th Schedule of Customs Act fearing it would not only render domestic industry uncompetitive but also unleash fresh wave of cost-push inflation in the country.

Referring to news reports that the government is mulling removing the concessionary regime in order to meet the International Monetary Fund (IMF) conditions, business leaders feared this would prove disastrous.

Warning that the move would be devastating, convener FPCCI committee on budget and FBR Zubair Tufail said the concessionary duties allowed under this schedule were mostly given to industries producing consumer goods or exports.

If the government withdraws the 5th Schedule, it would result in cost push inflation and a fresh wave of price hike would hit the general public, he said.

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) would never approve this move particularly when most of these concessions are given to the industry at Customs stage but are transferred to end consumers by the industry, he added.

The biggest beneficiaries of the concessions given under the regime are important sectors including pharmaceuticals and other consumer goods industries.

If these concessions are taken back, the industry would be left with no choice but to pass on the cost to end consumers, Mr Tufail warned.

Pakistan Business Council (PBC) CEO Ehsan Malik in a statement expressed deep concern on the issue.

He said that PBC, a private sector business policy advocacy forum is promoting manufacturing under its “Make-in-Pakistan” initiative. The purpose of this initiative is to create jobs, promote value added exports and encourage import substitution.

However, if the 5th Schedule of Customs Act is removed it will frustrate all such initiatives being worked out by the PBC which are badly needed to create jobs for the youth of the country, he said.

The 5th Schedule was introduced in 2013 with the objective to provide protection to domestic and export oriented industry by allowing them concessional tariffs under stringent conditions, he noted.

The manufacturing sector represents 12.1 per cent of GDP but contributes up to 58pc in taxes, he said and added that it was pertinent to say that the rate of growth of manufacturing sector is half of that of India, Bangladesh and Sri Lanka and investment level is also well below the South Asian peers.

“This is a time when industry needs to invest in capacity building and gearing up for exports but withdrawal of the 5th Schedule will work contrary to these national objectives,” he added.

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