

FBR looks to regulatory duties in ambitious revenue plan for 2019-20

ISLAMABAD: The government is planning to increase regulatory duties on hundreds of products from existing two per cent to 3pc in order to discourage imports of non-essential commodities as part of the move to control the widening current account deficit, according to the revenue proposal plan available with Dawn.

The plan aims to build on and continue regulatory duties imposed by the previous government on imports of almost 1,900 items.

On top of that, the government is also evaluating a revenue plan to impose duty on import of new items and withdrawal of exemptions on certain sectors from the next budget to raise additional revenue.

According to the customs' revenue plan and senior officers of the Federal Board of Revenue (FBR), the proposed revenue measures will be considered and finalised in the next few weeks.

Under the plan, customs duty of five per cent will be imposed on import of Liquefied Natural Gas (LNG) in the next budget which is expected to increase FBR revenues by Rs100 billion. The government is already charging 12pc sales tax on LNG.

Moreover, another 3pc regulatory duty is being considered on import of petroleum products. The FBR is expecting around Rs40bn in revenue from for the customs department in the FY2020.

The plan also proposes to increase additional customs duty rate to 3pc from existing 2pc on tariff lines currently subject to 3pc and 11pc normal customs duty.

For items falling under 16pc slab, the plan proposes to double the additional customs duty rate from 2pc to 4pc and for items with duty slab of 20pc, the government plans to raise the additional customs duty rate to 5pc from existing 2pc.

The government is also working on gradually phasing out the 5th Schedule of the Customs Act, which deals with items that are eligible for zero rating or reduced customs duty rate.

The proposal seeks to withdraw concessions on several hundred items placed in the Part 1 of the schedule in the year 2019-20 to generate additional tax revenue of 25bn in 2019-20. Similarly, it was also suggested to phase out remaining exemptions in the next few years.

According to the customs' revenue plan, the government is also working on rescinding SRO565 of 2006 which will help increase FBR revenue by Rs18bn in FY20.

Moreover, an amendment has also been proposed to terminate certain exemptions of customs duty to raise around Rs7bn in revenue in the fiscal year.

Furthermore, the plan also proposes to rescind SRO655 of 2006 which is expected to generate Rs6bn in FY20.

The previous government had resorted to regulatory duties to help discourage imports and raise revenues amid widening fiscal and current account deficits.

The 1,900 items, on which these duties were implemented, included spare parts, components and materials being used by domestic producers and the repairers of electronics, refrigerators, televisions and air conditioners too.

The measure subsequently led to an increase in the retail prices of home appliance and electronics.

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