

Tariff rationalization: Dawood unhappy with FBR for "not backing" proposals

Prime Minister's Advisor on Commerce, Textile, Industries and Production, Abdul Razak Dawood is reportedly unhappy with Federal Board of Revenue for not supporting his tariff rationalization proposals in the federal budget 2019-20 under preparation as per staff level agreement with the IMF, well informed sources told Business Recorder.

On Wednesday, FBR team headed by Minister of State for Revenue Division, Hammad Azhar met Abdul Razak Dawood in his office half an hour prior to the scheduled formal talks with the Commerce Division in the committee room; Commerce Ministry remained unconvinced with FBR arguments with respect to tariff reduction. Abdul Razak Dawood wants an increase in revenue through industrialization instead of revenue collection that would kill existing industry.

Commerce Division and FBR have already discussed tariff rationalization plan threadbare however FBR's team, which held formal talks with Commerce Division, has made it clear that there is very little space to accommodate any tariff reduction proposals to achieve the revenue target of Rs 5.550 trillion for 2019-20 given by the Advisor to the Prime Minister on Finance Hafeez Sheikh. This implies the Commerce Division's proposals are being thrown in the dustbin.

The FBR team requested Commerce Division to present alternate revenue generation plans to meet the revenue target if it wants its tariff proposals accommodated. However, the Commerce Division has not yet undertaken any such exercise so far. "FBR has conveyed the maximum level it can go to accommodate Commerce's tariff reduction proposals," the sources added.

Business Recorder has reported that the cabinet has already agreed to the proposal to withdraw incentives to five zero rated sectors in the forthcoming budget which has sent shock waves to those sectors.

The country's industry maintains that all raw materials must attract zero or low custom duties and government must eliminate Regulatory Duties (RD) and Additional Custom Duty (AD) on raw materials so that local industry is able to compete with smuggled items and mitigate the effect of low tariff FTAs.

Local industry has further suggested that Custom Duties on intermediary products be reduced so that industry is able to import quality materials, components and machinery from the rest of the world at the same duty rates at which it imports through different FTAs.

It has been suggested that rate of duties for trade and industry must be the same, so that SMEs who procure from traders have a level playing field. Industry urges a reduction in the total number of taxes by taking account of labour related taxes ie EOBI, PESSI, WPPF, WWF, professional property tax besides federal and provincial sales taxes.

Insiders envisage an imminent match between Razak Dawood, Hafeez Shaikh, Hammad Azhar and Shahbbar Zaidi to be umpired by the Prime Minister, Imran Khan.

FBR has asked Commerce Division to seek more concessions through DLT and DTRE and other schemes instead of direct reduction in tariff on raw materials and other sectors. Analysts argue that the IMF's tough conditionalities which are yet to be shared even with the federal cabinet members account for the anti-industry budget 2019-20.