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## **Traders strike a deal**

Jehangir Tareen-led negotiating team reached an agreement with the striking traders though from the perspective of optics, he gave Advisor to the Prime Minister on Finance Hafeez Sheikh centre-stage during the subsequent press conference. Shabbar Zaidi, the scion from the private sector lured by Prime Minister Imran Khan to head the Federal Board of Revenue (FBR) to plug all loopholes that he was fully cognizant of in his previous avatar looked suitably depressed. During previous negotiations with the traders Zaidi had insisted that there would be no backing down or compromise from mandatory use of the national identity cards for sale/purchase of 50,000 rupee worth of goods with the express objective of bringing all those outside the tax net into it – an objective fully supported by Business Recorder.

Be that as it may, this is the second delay in the implementation of the CNIC condition for purchases up to 50,000 rupees – the first was given in August for a period of two months. This raises the likelihood of yet another strike action by the traders as the 31 January deadline approaches.

In this context, it is relevant to note that while the government was willing to negotiate the taxes levied downward as well as fine-tune a few other measures yet it had repeatedly refused to take away the condition of the mandatory use of CNICs because that condition alone was targeted to enhance documentation. The traders argued that their opposition to this condition was not due to their resistance to being documented but to the fact that the online forms uploaded by the FBR required the hiring of a chartered accountant, which would add to their costs, as the forms were too difficult to be filled out by majority of their members. This justification holds no water especially as the new agreement includes a simplified form in Urdu for registration of new traders. Sadly, the PML-N administration has always given in to traders' demands because of their political support for the PML-N and one would sincerely hope that the incumbent government does not give in to traders' threats and demands.

The other salient points of the agreement are as follows: (i) those with turnover of 100 million rupees would not become withholding agents and pay 0.5 percent tax instead of 1.5 percent; (ii) annual electricity bill for sales tax registration has been doubled from 600,000 to 1.2 million rupee; (iii) lower profit-making units would have their turnover tax payable reviewed; (iv) jewellers' problems to be resolved after consultations; (v) review withholding tax on renewal of licences; (vi) special desk to be set up at FBR to hold meetings on monthly basis; and (vii) any shop up to 1000 sq meters would be exempted from sales tax registration. All these concessions are supported if the CNIC condition is implemented by 1 February.

So what changed that compelled the government to give another extension to the striking traders? The fact that the agreement was made on the eve of Maulana Fazlur Rehman's marchers' scheduled entry into Islamabad may be a factor that accounts for the government backing on the issue. Given that Nepra during its hearing on Wednesday also deferred the decision to raise utility rates till next week shows that the government maybe fearful of the possibility of any support by any pressure group or the general public for the marchers.

To conclude, Imran Khan has repeatedly stated that he will take unpopular decisions to ensure that the economy is firmly on the path towards sustainable growth. Ensuring that traders begin to pay income tax on their profits is not only fair to the general public but also the need given the current economic impasse facing the country.