

Khaleeq Kiani

Lawmakers ask IMF to ease pace of adjustments; oppose centralisation of tax on services

ISLAMABAD: The parliamentarians on Wednesday opposed government's proposed move to centralise sales tax on services on the grounds of it being against the constitution and asked the International Monetary Fund (IMF) to relax economic targets set under the \$6 billion extended fund facility that was adversely affecting the country's businesses and the people.

The IMF mission, however, showed its satisfaction over government's macroeconomic policies including taxation, exchange and interest rates to steer the country out of challenges.

This was the crux of a joint meeting of Standing Committees of the Senate and the National Assembly on Finance and Revenue with a visiting staff mission of the IMF led by Ernesto Ramirez-Rigo.

Secretary Finance Naveed Kamran Baloch led the government side in the absence of PM's Adviser on Finance Dr Abdul Hafeez Shaikh.

The members of both houses called for rationalising the pace of stabilisation and adjustment to minimise shocks to the people, businesses, industry and the economy and reduce interest rates to help job creation and revenue generation.

They also called for relaxing the revenue collection target for the year while suggesting the interest rates and reform process should be gradual.

PML-N MNA Aysha Ghaus Pasha said the delegation listened to their demands but committed nothing.

Soon after the meeting, Senate Standing Committee on Finance Chairman Farooq H. Naik said the IMF delegation repeatedly clarified that it was not IMF's programme but government's own programme which was currently being implemented.

"Therefore, we should not blame the IMF much; we have to deal with the government".

He said the most important thing now being introduced was the centralisation of sales tax on services.

He said the collection of sales tax on services is a provincial domain under the constitution after the 18th amendment but as part of the proposed Pakistan Revenue Authority (PRA), they are trying to centralise it so that provinces will have to be dependent on the federation.

"If this is done, or the IMF gives it a priority and presses for it or the government accepts, it will be a violation of the constitution and it will undermine the rights of the provinces", he told the meeting.

The sales tax on services was a provincial or state subject in other countries and likewise the provinces in Pakistan had also introduced tax laws, he added. "You cannot abolish these laws and if you try to do this it will be a violation of relevant entries in the federal legislative list of the constitution."

Naik said that it was also explained to the delegation that with the existing level of high interest rates and inflation, no investment could be made, no business could be run and hence no employment could be created and that is exactly is happening in the country at present.

He said the people were losing jobs, gas and electricity rates had been increased by 60-70 per cent and essential eatables had become dearer by 15-20pc and middle class was being eliminated.

A PML-N MNA Qaiser Shaikh said the IMF team was satisfied with government's performance and its economic policies and believed everything was going smoothly.

He said the members complained about high interest rates that were affecting the businesses and industry and other policies that were taking a heavy toll on the condition of the common man.

He said the mission was told that the government was taking credit for contraction in the current account deficit but it was no achievement given the maximum reduction was done by squeezing imports that had in fact jammed the industry and business.

The success would have been laudable if the current account deficit was achieved through export growth to ensure non-debt creating inflows.

Also, he said, the mission was told that the revenue target of Rs5.550 trillion was unrealistic to begin with given the negligible economic growth. Hence, the target should be reduced by at least Rs500-600bn.

"But they were satisfied with everything and believed the plan was moving ahead as envisioned", said Shaikh.

PPP MNA Sherry Rahman said that while listening to IMF's answers on how growth would be achieved, debt can be reduced and inflation controlled, she received an impression that the entire film was being screened somewhere else.

She said it should not be expected from the IMF to show its non-satisfaction at this early stage but then the government was answerable to the people and not the IMF.

She said every section of the society was suffering due to prevailing economic policies while adding that interest rates, inflation, taxes, energy prices and exchange rates had made the lives of farmers, labourers and daily wage earners miserable as their buying power had drastically been compromised.