

Our Correspondent

ECC approves new tax regime for non-resident firms

ISLAMABAD: The Economic Coordination Committee (ECC) of the cabinet on Wednesday approved a new tax regime for non-resident companies to attract investment into the local debt market, while it also directed officials to check wheat price hike in Karachi and other parts of the country.

The ECC approved the tax regime at a meeting presided over by adviser to Prime Minister on Finance and Revenue Hafeez Shaikh. The ministry of finance presented a proposal to the ECC for simplification of tax regime for non-resident companies investing in the local debt market.

“The new tax regime as approved by the ECC would apply to the non-resident companies having no permanent presence in Pakistan,” the ministry said in a statement. This would also deepen the country’s capital markets, reduce cost of debt for the government, and increase foreign exchange inflows and reserves, it added. Foreign portfolio investment in the country posted an outflow of \$415.2 million in the last fiscal year of 2018/19, the State Bank of Pakistan’s data showed. Foreign direct investment dropped 50 percent to \$1.737 billion, hitting the five-year low, during the last fiscal year, while total foreign investment plummeted 94.2 percent to \$329.9 million.

The ECC was further briefed on the wheat situation in the country. The meeting was told that there were certain areas and places such as Karachi where the wheat and flour prices had escalated, though prices were stable in most parts of the country.

The ECC directed the ministry of national food security and research to sit down with all the stakeholders and “ensure that the situation does not get out of hands and supply of wheat and flour at regular prices is ensured”. The ECC approved revision of cess rate on tobacco for the year 2019/20 and payment of outstanding amount of Rs5.85 billion as gas subsidy to the fertiliser industry.

The committee also considered a proposal by the ministry of energy for application of quarterly adjustment notified on 1 July, 2019 to the zero-rated industrial consumers and for it to be charged over and above the notified tariff for zero-rated industrial consumers at 7.5 cents. It was proposed that financial cost surcharge, Neelum Jhelum surcharge, taxes and positive fuel adjustments would not be part of billing to zero-rated industrial consumers and would be part of subsidy claims to be picked by the government. The committee discussed the pros and cons of the proposal in view of its financial implications and asked the finance division to hold a meeting with the stakeholders, including the power, commerce and industries and production divisions and resubmit the case to the ECC with concrete proposals.

The ECC also took up a proposal for extension and rehabilitation of gas network in the oil and gas producing districts of Khyber Pakhtunkhwa and referred the matter to the Development Working Party headed by the secretary petroleum for an appropriate decision.