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By Our Staff Reporter

FBR moves to slash duties on import of mobile phones

KARACHI: The Federal Board of Revenue (FBR) has proposed to slashregulatory duty (RD) on import of mobile phones by up to 50 per cent in some cases, saying the move is aimed to `provide relief to the common man and to support digitisation endeavours.

The move is expected to have no impact in overall collection of duties under this head, since the FBR believes it will lead to higher volume of imports.

`This reduction in duty/ tax is expected to increase import volume of mobiles inPakistan,` the summary, which carries the signature of FBR Chairman Shabbar Zaidi, says. This may `to some extent, neutralise the otherwise negative impact of this measure.

Duties and taxes on mobile phones were reduced inthelastbudgetannouncedin May.

The sharpest reduction in RD will be on mobile handsets with a cost and freight value between $100 and $200, where the existing RD rate is Rs2,430 that the FBR is proposing to bring down to Rs1,200 [see table for full detail].

The proposal will reduce the price of mobile handsets in the market, but could also provide a disincentive for local assembly, say businesspersons who are in advanced stages of setting up local mobile phone assembly plants in the country.

`This will effectively kill smartphone local assembling feasibility,` one such businessperson, who did notwish to be named, told Dawn when reached for comment.

Industry sources tell Dawn that a mobile phone manufacturing policy is being finalised by the Adviser to PM on Commerce Razak Dawood in collaboration with the Engineering Development Board. Assembly of mobile phones is one of the industries that is potentially being moved out of China, providing opportunities for other countries to attract investment in the sector.

In addition, the same summary also proposes to eliminate the RD imposed on `worn clothing and other worn articles`, arguing that `these clothing articles are used by low income people`.At the moment, worn clothing and articles are subject to 10pc RD.

Polyester filament yarn (PFY), an important input in the country`s textile industry, including in exports, had seen their duties reduced from 5pc to 2.5pc in a supplementary budgetlastñscalyear.

In the last budget for FY2020, this was further reduced to zero. But now, theFBRhashadachangeof heart, keeping the interests of the local PFY manufacturing sector in mind.

`As the local industry of PFY manufacturing is expanding its capacity, the Commerce Division has now recommended levy of 2.5pc RD` on the four tariff lines that are applicable to import of PFY.

`Therefore, it is proposed that in order to support the domestic industry in expansion of its capacity, RD rate may be rationalised at 2.5pc on import of PFY, falling under five Pakistan Customs Tariff codes .... uniformly to avoid misdeclaration at import stage,` the summary says.

Approval of Finance Adviser Hafeez Shaikh will be required for both proposals, following which the summary will be moved to the cabinet.