

NA body told. More sectors to be brought into tax net

ISLAMABAD: Federal Board of Revenue (FBR) is said to be planning to bring more sectors into the tax net in the forthcoming budget as per agreement with the International Monetary Fund (IMF). This was disclosed by the Member Board on Sales Tax in his comments shared with National Assembly Standing Committee on National Food Security and Research.

According to the FBR, cotton seed oilcake was brought into the tax net through Finance Act, 2014, in the Eighth Schedule at serial number 2 @ 5 per cent. However, through SRO 253(1) 2019 of February 26, 2019 a special procedure was notified wherein cotton ginnerers were required to pay sales tax @ Rs 7 per 40/ kg for the period from July 1, 2018 to June 30, 2019 and Rs 8 per 40 kg for the period starting from July 1, 2019.

According to Member Sales Tax, sales tax on supply of oilcake was exempted for oil expelling units paying tax. However, through Finance Act, 2019, special procedure has been rescinded and sales tax @ 5 per cent on supply of oilcake has been restored.

FBR argues that exemption of cotton seed oilcake is not supported because exemptions and reduced rates not only adversely affect the revenue but have also created distortions in the sales tax regime. "FBR is planning to bring more exemption items into tax net in the coming years rather than to support exemptions," the sources quoted FBR as saying in its comments. He said, loss of revenue estimated on account of proposed exemption has been calculated at Rs 5 billion (2019-20).

Member FBR Sales Tax further stated that IMF has also proposed removal of distortions in sales tax law due to exemptions, adding that discrimination in sales on cotton seed oilcake will be done away with in the coming budget by bringing more sectors into the tax net.