DAWN

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Comments:

Budget fails to impress industry

Adil Bashir, Punjab Aptma Chairman

There was no relief in the budget for textile industry except reduction of sales tax on local retail from 14pc to 12pc whereas the All Pakis-tan Textile Manufac-turing Asso-ci-ation (Aptma) had de--man-ded its complete elimination for the sector. Export orders are on hold or cancelled and the industry is already on the verge of bankruptcy.

The government needs to realise the importance of liquidity for business in these difficult times. Conti-nuity of regionally competitive rates for gas and electricity is essential. Busi-nesses are facing losses but they have to pay 1.5pc. The government should reconsider and give confidence to businesspersons.

There are also concerns over massive cut in the subsidy on energy. Aptma feels the budget is negative for the textile industry. Subsidy on energy was reduced from Rs24billion to Rs10bn. There is nothing positive for textile industry in the budget.

Ehsan A. Malik, CEO PBC

This is not a Corona Budget, as the measures do not adequately address the challenges or opportunities in the Covid-19 impacted economy. The budget is prepared on a "business as usual" basis when the reality is very different.

The budget has no relief for distressed masses and no measures to bring down the cost of essentials. Neither have any stimuli been provided to sustain employment. The tax target is unrealistic given the Federal Board of Revenue's current capability and government's weak political will to broaden the tax base. The budget appears to have been set to please the IMF.

The Pakistan Business Council (PBC) fears exports would remain depressed given the poor global demand in the main export destinations — USA and Europe. Hence, the domestic market has to be the engine of growth. With-out this, it is unrealistic to expect 2pc GDP growth next year.

Even for exports, there is no assurance that the current energy tariffs would be renewed. The budget has no new measures to simplify duties and taxes reclaims or to automate the credit of export rebates upon realisation of export proceeds for SME exporters.

The PBC appreciates the cascading import tariffs and reduction in withholding tax on import of plant and machinery. However, it is disappointing that the budget did not reduce minimum tax on turnover in view of declining profits.

M. Abdul Aleem, CEO and Secretary General OICCI

Under the highly challenging economic environment amid Covid-19, the fiscal measures, by and large, appear positive for business community with various incremental measures directed towards ease of doing business. However, the government has not levied additional taxes or increased the tax rates instead announced various measures to encourage retail and small and medium enterprises to participate in the economic activity.

The Overseas Investors Chamber of Commerce and Industry (OICCI) members are surprised that the government has failed to announce measures to boost large investment or announce an incentive to kick start new investment.

Sectors with large turnovers but limited profit to turnover percentage would be disappointed as there is no proposal to rationalise high turnover tax of 1.5pc. No incentives were added nor extensions given for tax credits expiring within one year under Section 65 and section 64 of the Income Tax Act. Removal of advance tax on tobacco is beyond comprehension as it will boost tax evasion. The positives include reduction of withholding tax on import of machinery and raw material from 5.5pc to 1-2pc.

In addition, withdrawal of RD together with custom duty reduction on 40 items being raw materials, mainly pertaining to pharmaceutical, textile, chemicals, etc. is also proposed. New incentives were announced for the real estate sector.

Other positive measures include relief to the organised retail sector which is integrated online with FBR through Point of Sale system by reducing their sales tax from 14pc to 12pc, reducing timelines on CGT on Immoveable property from five years to four years.

The KCCI feels that this is certainly not a relief budget for industries and businesses and even it is not prepared keeping in view the aftershocks of coronavirus, rising unemployment, low factory output and falling income of people.

The last few months under coronavirus have pushed the country a decade back in time in terms of economic development and it will take years to come out of the economic meltdown. However, the government has not made the Budget FY21 keeping in view current and upcoming challenges.

Agha Shahab Khan, KCCI President

The government would also fail to achieve its ambitious revenue target under the current economic crisis, he said, adding that the government has not focused on boosting domestic economy, employment generation, manufacturing and wealth creation.

The government did not focus on information technology and startups.

However, the government has accepted some two to four of the Karachi Chamber of Commerce and Industry KCCI proposals and taken some steps on identical education system, artificial intelligence, research and development, structural reforms, speeding up refunds process, dams, agriculture package, e-governance, etc.

Zubair Motiwalla, Chairman CAPTA

The government has given an impression in the budget that the Federal Board of Revenue (FBR) failed to collect Rs900 billion due to Covid-19 and lock down during the last quarter.

The pandemic is continuing and it is unlikely to end in the next two to three months. The government would angina complain in future regarding low tax collection.

The government should have not presented the Budget FY21 on Friday. It should have been extended for 24 months by clubbing it with 2019-2020 and then looking into the situation next year.

In another way, the government should have unveiled the new budget after the end of Covid-19 from Pakistan but more surprisingly, the government has suggested a 25pc increase in revenue target in FY21.

I do not understand this as Covid-19 still exists. Foreign buyers have reduced their imports while the USA and European markets will shrink by 40pc, which means reduction in exports at the same intensity.

The government is yet to pass on gas price cut to consumers despite falling oil prices around the world.

Under the current crisis, the government should have withdrawn sales tax on five zero-rated sectors.

Closure of industries and trade in the last two and a half months has reduced the FBR's income by 20pc and the government looks determined to take 1.5pc turnover taxes regardless of loss or profit in the trade sector.

Irfan Iqbal Sheikh, LCCI President

Though the government has done well by presenting a tax-free budget, it ignored relief measures demanded by the LCCI including cuts in markup rate, squeezing it to 4-5pc to bring down the input cost of the industrial sector. The budget has no special package to boost exports and remove hurdles in export growth.

The LCCI is calling on the government to come up extraordinary measures to overcome the extraordinary challenges during and post-pandemic.

No policy to reduce the energy cost, one of the biggest reasons of high industrial input cost was introduced in the budget. The government has not accepted the chamber's demands related for interest-free loans to small and medium enterprises, further improvement in refunds system, removal or cut in withholding tax, end to advance tax at import stage and help in certification for SMEs in the Federal Budget.

However, we do appreciate the decision on allocation of funds for water and power projects and agriculture sector. The chamber also is happy with the measures regarding exemption of additional custom duties on those tariff lines and regulatory duty.

Fawad Ijaz Khan, PLGMEA Patron in Chief

The government has not accepted the demand for zero-rating of sales on five sectors despite repeated requests. Overall, the budget looks satisfactory under prevalent situation.

The government has also not cut the rate of general sales tax of 17pc. The government has taken measures a month back to improve cash flow position and ensure salaries by offering loans but the Budget FY21 lacks any additional relief to boost local production.

Many countries had provided financial help to its trade and industries while there was no such help offered by the government.

PLGMEA is ruling out the possibility of any boost in export after announcement of some incentives in the budget like zero customs duty on import of raw materials of leather and abolishment of additional sales tax on raw materials import. Orders from the world market are still far lower than last year and cost of production is still high.

Besides, industries were also expecting some relief in gas and power tariff for bringing down the cost of doing business but the Budget FY21 remained silent on this issue.