BUSINESS RECORDER
Founded by M.A. Zuberi

13th June, 2020

SOHAIL SARFRAZ

Supplies by retailers, CNIC made mandatory for transactions above Rs100,000

ISLAMABAD: The government neither has cut the rate of further sales tax, revive reduced rate regime for export-oriented sector or waive the CNIC condition on supplies to unregistered persons in the Finance Bill, 2020-2021.

According to the sources, through the Finance Bill, the minimum threshold of supplies by retailers for obtaining the CNIC of the buyers is proposed to be increased from Rs50,000 to Rs100,000.

After a significant slump in export figures and severe recessionary economic conditions, it was expected that the government may go all out to boost economic growth through tax concession and relief in this budget to review the economy.

Commenting on these unfulfilled demands, Arshad Shehzad, a prominent Karachi-based expert explained, the textile sector having weightage of around 20 percent of the LSM according to the economic survey 2019-2020 was demanding revival of sales tax zero-rating or reduced rate regime.

The government; however, did not offer any concession, rather the tax policymakers have continued with their favourite policy of collecting tax, and then its repayment through refunds.

In the budget speech, the minister has proudly disclosed that they had paid almost 130 percent more refunds this year; however, he was perhaps not aware that last year GST on exports sectors was slapped from zero percent to 17 percent, given that whooping incremental rate, any layman even can estimate the actual amount of refund should have been refunded to the exporters, the official figures actually reflect a sorry state-of-affair.

Textile exports in April alone are down 65 percent year-on-year (YoY) basis, and thousands of jobs lay-offs have taken place.

The revival of the export sector in the expert's opinion was the need of the hour, which unfortunately has not been taken care of.

Likewise, the CNIC condition introduced last year under Section 23(1)m was also one of the serious issues the industrialists have been pursuing the government on since then.

In this budget, the exclusion limit is enhanced from Rs50,000 to Rs100,000; however, it was not clarified that this exclusion is only available to retailers selling goods to the end consumers.

Legally, end consumers are not required to be registered; hence, this exclusion itself is nothing more than a consoling relief.

It is therefore, loud and clear, that all the industries selling goods to the unregistered persons even after this budget, are legally required to share CNIC numbers of their customers irrespective of any sort of threshold limit.

In his opinion ideally, though there is nothing wrong with this legal requirement but considering the influence of the larger undocumented sector in our economy, and failure of state enforcement to get them registered, how could they expect the industrial sector to play the role of state's policemen and obtain CNIC from them?

Resultantly their sales will suffer, which further depletes our GDP growth.

The expert, however, appreciates that introduction of the provision of Section 56 AB in this Finance Bill given access to information to the different databases, which can be used for broadening of the tax base.

Reduction in the rate of standard rate of 17 percent sales tax, particularly further sales tax of three percent, was another area that can give due impetus to economic growth.

The government in the economic survey has admitted the share of indirect taxation is far higher in Pakistan as compared to the region; however, no effort was made in this budget to gradually reduce the effective GST rate providing due relief to the industrial sector, and to promote economic activity.

Over and above, it seems the poor performance of revenue collection and stringent conditions of the multilateral agencies did not allow the government to offer any relaxation in this budget, Shehzad concluded.