BUSINESS RECORDER
Founded by M.A. Zuberi

18th May, 2020

SOHAIL SARFRAZ

‘Tax relief’ budget being prepared

ISLAMABAD: On the directions of the Advisor to the Prime Minister on Finance and Revenue, Dr Abdul Hafeez Shaikh, the Federal Board of Revenue (FBR) is preparing a “tax relief” budget 2020-2021 for the business community and the general masses with a focus on greater relief measures rather than new taxation measures. Sources told Business Recorder that the government was committed to announcing a relief-focused budget.

The ratio of new taxation measures would be comparatively low, compared to the relief in taxes for the general public.

The government is planning to bring certain items from the higher duty slabs to lower duty slabs for reduction in customs duty at the import stage.

At present, customs duty slabs comprise zero percent, three percent, 11 percent, 16 percent, and 20 percent.

It is proposed to bring certain items from the higher duty slabs to lower slabs of zero percent, three percent and 11 percent.

The rationalization of tariff under the duty slabs of zero percent, three percent, 11 percent, 16 percent, and 20 percent would be a major relief to the local industries in the coming budget.

The government is also considering bringing down Additional Customs Duty (ACD) and Regulatory Duty (RD) on hundreds of imported items of raw material and inter-mediatory goods during 2020-21.

There is a proposal to retain the current duties and taxes structure on the import of old and used vehicles under the present FBR’s notification.

Therefore, the rates of duties and taxes on the import of old and used vehicles may remain unchanged in the coming budget.

Export-oriented sectors subjected to 17 per cent sales tax would not be reverted to the sales tax zero-rating regime and would continue to pay 17 percent sales tax.

But the government would ensure speedy payment of refunds to the exporters.

At present, there is no proposal to reduce the rate of sales tax from 17 to five per cent on five leading export-oriented sectors.

A new proposal is examined whether to reduce the incidence of the excise duty on cigarettes to reduce the share of illicit cigarettes in the coming budget.

Traditionally, the FBR raises the FED on all slabs of cigarettes every year, but for the first time different strategy is being examined to check evasion by un-documented manufacturers.

One of the major budget proposals under consideration is to review 28 different categories of sectors/industries subjected to special rate or concessionary or lower rates of customs duty under the Fifth Schedule (conditional exemption of customs duty) of the Customs Act, 1990.

Within the Fifth Schedule of the Customs Act, 1990, the government may bring those items to the standard customs tariff regime where there is “nil” condition or without any restriction/condition specified in the said schedule.

However, the items and sectors subjected to conditions under the Fifth Schedule of the Customs Act, 1990, may be retained in the coming budget.

Thus, the conditional reduced rates of customs duty would remain intact for different sectors.

However, the government will not eliminate Fifth Schedule (conditional exemption of customs duty) of the Customs Act, 1990, but withdraw additional customs duty and regulatory duties in phases under tariff rationalization plan for budget 2020-2021.

At present, zero per cent duty is applicable on the import of items for promotion of renewable energy technologies or for the conservation of energy, and systems and items for dedicated use with renewable source of energy such as solar, wind, geothermal etc under the Fifth Schedule of the Customs Act, 1990.

Fifteen percent customs duty is applicable on the import of machinery and equipment imported by an industrial concern under the Fifth Schedule.

There is no condition for availing zero-per cent duty on the import of machinery and equipment imported by an industrial concern.

There is no condition on the import of machinery, equipment and other capital goods meant for initial installation, balancing, modernization, replacement or expansion of oil refining (mineral oil, hydro-cracking and other value-added petroleum products), petrochemical and petrochemical downstream products including fibers and heavy chemical industry, cryogenic facility for ethylene storage and handling.

The concessionary rate of duty is 10 per cent on the import of such items under Fifth Schedule of the Customs Act, 1990 without any specific condition or restriction.

Under the Fifth Schedule of the Customs Act, 1990, zero-percent duty is applicable on items (without any condition) for use with solar energy included solar power systems, off–grid/on-grid solar power system(with or without provision for USB/charging port) comprising PV module, charge controller, batteries for specific utilisation with the system (not exceeding 50Ah in case of portable system), essential connecting wires (with or without switches), inverters (off-grid/ on-grid/hybrid with provision for direct connection/input renewable energy source and with Maximum Power Point Tracking (MPPT), bulb holder and water purification plants operating on solar energy.

Zero-percent duty is applicable on the import of machinery, equipment, raw materials, components and other capital goods for use in buildings, fittings, repairing or refitting of ships, boats or floating structures imported by Karachi Shipyard and Engineering Works Limited. There is no specific condition on the import of these items under the Fifth Schedule of the Customs Act, 1990.

Under the Fifth Schedule of the Customs Act, 1990, zero-percent duty is applicable on items (without any condition) on the import of machinery, equipment and other education and research-related items imported by technical institutes, training institutes, research institutes, schools, colleges, and universities.

The concessional rate of two percent customs duty on the import of agricultural machinery and harvesting, threshing and storage equipment used for agriculture sector would continue to enjoy lower rate of taxes in the coming budget.

Zero-per cent duty would continue on the import seeding or planting equipment and irrigation, drainage and agro-chemical application equipment.

Fertiliser and plant protection equipment is subjected to five per cent duty with the condition to be used for the agriculture sector.

Dairy, livestock and poultry, machinery is subjected to lower rate of two per cent duty with the condition to be used for agriculture, dairy, livestock, and poultry sector.

The post-harvest handling and processing and miscellaneous machinery is subjected to two per cent duty, if used for the agriculture sector.

The concessionary rate of duty is applicable (with specified conditions) on the import of green house farming and other green house equipment; horticulture and floriculture and machinery, equipment and other capital goods for miscellaneous agro-based industries such as milk processing, fruit, vegetable or flowers grading, picking or processing etc.

Five per cent concessionary rate of duty is applicable on the import of fish or shrimp farming and seafood processing machinery and equipment.

This is subject to the condition that the machinery/equipment is used for agriculture or aquaculture/fish farming sector.

There are other sectors, which are subjected to lower or concessionary rate of duty under the Fifth Schedule of the Customs Act.

The government is also seriously considering providing relief to the local industries by reducing customs duty and other taxes at the import stage on the import of raw materials and input.

The government is also considering providing relief to the export-oriented sectors on the import of inputs consumed in finished goods to be exported.

There is a strong likelihood that the government would propose exemption of customs duty on raw materials/industrial inputs to incentivise local industry.

The government is also considering reducing the rate of regulatory duties on the import of items instead of raising the rates of RDs in the coming budget.

The government may keep taxable limit of Rs 600,000 remained unchanged for the coming budget. The FBR is considering increase limit of providing CNICs condition from Rs 50,000 to Rs 100,000 in the upcoming budget.

Last year, the FBR had increased additional customs duty from two to four percent on 500 items covered under 16 per cent customs tariff slab, and raised additional customs duty from two to seven per cent on 2,400 tariff lines covered under 20 per cent and above customs tariff slab.

The FBR had created a new customs duty slab of zero per cent. Around 16,320 customs tariff lines were shifted to the new customs duty slab of zero percent. The facility was available on the import of raw materials (not manufactured locally) for availing the facility of zero per cent tariff slab.