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# Removal of duty on 152 tariff lines, ECC puts MoC's proposal on hold

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has, reportedly, put on hold the Commerce Ministry's proposal about removal of Additional Customs Duty (ACD) on 152 tariff lines, after the FBR opposed the move, saying that such an exercise should be done in the last quarter of fiscal year, well-informed sources told Business Recorder.

However, Commerce Advisor Abdul Razak Dawood, who is leaving for Abu Dhabi on Saturday (Nov 7) to visit Abu Dhabi Expo 2020, is trying to convince Dr Waqar Masood, SAPM on Revenue so that the proposal is approved in the next ECC meeting.

In this regard, Dawood has held a meeting with Masood, who opposed the proposal in the last ECC meeting on the plea that there should be some consultation on removal of ACD, the sources maintained.

The Commerce Ministry, in its summary stated that the National Tariff Policy 2019-24 stipulates that all proposals for levy, amendment or removal of tariffs including Additional Customs Duties shall be examined at the Tariff Policy Centre (TPC) and after approval by the Tariff Policy Board (TPB), shall be submitted by the Ministry of Commerce to the Cabinet or Parliament, as the case may be, for consideration.

The ministry maintained that in order to meet the objectives of the National Tariff Policy, 2019-24 and to spur the "Make in Pakistan" led export growth, import duties on raw materials and the intermediate goods, not manufactured in the country, are being rationalized by the Government as per recommendations of the Tariff Policy Board (TPB). The said process was initiated during the budget exercise and Additional Customs Duties on 1623 Tariff Lines, pertaining to the basic raw materials and the intermediate goods not locally manufactured, had been removed through the Finance Act, 2020. In this Fiscal Year (2020-21), Additional Customs Duties and Regulatory Duties on 164 selected HS Codes of the textile sector were also removed by the Federal Cabinet. The rationale behind these decisions was to provide cheap raw material to local industry so that cost of doing business could be minimized and exports competitiveness could be enhanced.

The MoC argued that in continuation of the previous policy of the Government, Commerce Ministry has proposed that 2% Additional Customs Duty on 152 tariff lines, mostly raw material, may be removed. These items are currently subject to 3% Customs Duty.

On the recommendation of Tariff Policy Centre (National Tariff Commission), the Tariff Policy Board, in its 17th meeting held on October 20, 2020, after extensive deliberations, agreed with the proposal of removal of Additional Customs Duty on these items. However, according to the FBR, this tariff rationalization exercise may be finalized in the last quarter of the current financial year.

According to the FBR, the meeting was apprised that this time 152 items/tariff lines, consumed as raw materials/intermediary goods by various industrial units were selected for removal of ACD, after detailed in-house technical working of National Tariff Commission, however, such working, especially revenue impact of proposed amendments/rationalization on upstream or downstream industries were not shared.

FBR maintained that it has taken several substantial steps, in the past, for incentivising the industry including several tariff-based measures. In the budget FY 2019-20, the rate of customs duty on 1639 tariff lines of raw materials and intermediary goods was reduced from 3 per cent to 0 per cent, similarly, in budget 2020-21, customs duty on multiple other tariff lines pertaining to raw materials and intermediary goods were also reduced from 11 per cent to 3 per cent and 0 per cent. Further, 2 per cent additional customs duty on raw materials/intermediary goods pertaining to 1643 tariff lines subjected to 0 per cent tariff slab was exempted under SRO 572(1) 2020 on June 30, 2020. The rough estimate of the concessions/relief measures introduced in last couple of years including interventions is approximately around Rs 60 billion.

FBR further argued that its revenue target for the FY 2020-21 especially pertaining to import stage were set after duly incorporating all the concessionary measures in budget 2020-21 after thorough consultation with Ministry of Commerce. Even, later on, 2 per cent ACD was removed on further 164 textile sector related tariff lines on recommendations of Tariff Policy Board (TPB).

“The FBR is fully aware of the importance of tariff rationalization process but also wants to bring on record that if such type of tariff rationalization exercise continues to occur regularly, in middle of the current financial year, then it will severely hamper the achievement of annual revenue targets,” said Secretary (Customs Budget), Moazzam Raza.

The Engineering Development Board has requested for exclusion of 3 items being manufactured locally, ie, Bentonite (PCT heading 2508.1000, Printing Gum (PCT heading 3809. 9110 and dispersing agent (PCT heading 3906.9040. Some of the items are being manufactured by M/s Ahmad Saeed & Company Lahore and Mian Chemicals, Lahore.

According to the Commerce Ministry, financial impact of the removal of Additional Customs Duty (regarding subject proposal) comes to Rs. 550 million.