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Taxation policy

THE government looks set to reverse tax concessions by the previous government which were designed to benefit high-earning individuals substantially more than the middle-class workforce.

Besides, a series of measures are being proposed that seek to impose quantitative restrictions, increase rates of regulatory duties and, in some cases, restrict imports of certain commodities to control the rising import bill of the country.

The previous government had given sweeping tax cuts to low-salary earners, raising the exemption threshold almost three times to Rs1.2 million from Rs0.4m. As a result, about 0.7m taxpayers fell out of the tax net. The total return filers in the tax year 2017 were 1.4m.

Instead of enjoying zero tax, a nominal tax of Rs1,000 for individuals in income brackets ranging from Rs400,001 to Rs800,000 and Rs2,000 for individuals in income brackets ranging from Rs800,001 to Rs1.2m is given in the budget.

For higher income earners, the previous government had scaled down the maximum slab to 15 per cent from 35pc in one go. This government has revised this rate upward to minimise the tax impact.

This drastic reduction in tax liability perpetuates the regressive character of our taxation regime and is against the global tax system. The reforms were not just reducing tax slabs, but surrendering Rs100bn in taxes to high earners in the country. Similarly, an upward revision in withholding tax rates for non-filers is envisaged to increase the cost of non-compliance for such people.

On the customs sides, it has been decided to further enhance regulatory duties on 1,500 tariff lines. Last year the import of 700 lines dropped owing to regulatory duties.

The commerce ministry and customs are working on a list of items which will be subject to quantitative restrictions and restrictions on their imports. These items will include mostly luxury and other consumption items to discourage ‘non-essential’ imports.

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