

### **Govt to launch Rs100 bn security bond to clear tax refunds' backlog**

ISLAMABAD: In a bid to clear backlog of stuck up tax refunds of over Rs200 billion, the PTI led government is desirous of launching three year negotiable security bond of worth Rs100 billion in different phases through State Bank of Pakistan (SBP) but this move will further increase government's borrowings from the central bank.

For issuing of any negotiable security bond for clearing backlog of exporters worth billions of rupees in which the government would issue a paper empowering exporters to withdraw their amounts from the SBP, the government is also considering to bring amendments in the Sales Tax law for insertion of enabling clauses to make this mechanism operational. "The government is in catch 22 situation as on one side it wants to clear the backlog of exporters refunds while it also wants ballooning of owed by the government against the SBP," said the official sources.

The Debt Office, Ministry of Finance, has clearly suggested to the FBR authorities that this kind of bond would increase government's borrowings from the SBP as it fell under the jurisdiction of definition of debt owed by the government to the SBP.

Now the FBR authorities, SBP and Ministry of Finance high-ups are expected to hold another meeting in coming weeks to finalise modalities to launch this bond that aimed at clearing major chunk of stuck up refunds of exporters. Because of these problems, the previous governments considered proposals to launch bond but dropped because of these problems emerged in the past.

Pakistan's exporting sector has been facing immense difficulties because of liquidity crunch owing to stuck up billions of rupees refunds. Although, the FBR high-ups denied but it is general perception that the payment of refunds were cleared after allegedly getting 30 to 40 percent commission amount on genuine claims. The issue of flying invoices in complete nexus with the FBR officials is another problem that had caused multibillion rupees scam at the cost of losses to the national exchequer.

"However, the government has not yet firmed up its final mind because it wants to avoid ballooning of debt from the SBP through a mechanism that does not increase its liability against the SBP" official sources confirmed to The News here on Sunday.

One top FBR official said that the government was preparing multi-pronged strategy to erase this monster of stuck up refunds as one portion of refunds would be issued through bank cheques where RPOs (Refund Payment Orders) were already reconciled and issued. One portion of stuck up refunds can be cleared through issuance of bond close to Rs100 billion but so far all procedural requirements along with details have not yet firmed up with clarity so the government would have to undertake more spadework before moving ahead in next two to three weeks period.

This scribe contacted to FBR's Member Inland Revenue Policy (IR) and spokesman Hamid Ateeq Sarwar on Sunday, he said that different proposals are under considerations for clearing the refunds amounts. The consultations with the Ministry of Finance and the SBP are underway and then the government will make up its mind to move ahead with the idea of launching bond for clearing this liability.

Mehtab Haider