



In final ECC meeting, govt takes sweeping decisions

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ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet on Thursday approved a package of five-year tax exemptions and a number of other incentives for former tribal region under federal and provincial administration to enable their mainstreaming and merger with Khyber Pakhtunkhwa.

The meeting presided over by Prime Minister Shahid Khaqan Abbasi also decided to end collection of Neelum-Jhelum Surcharge on electricity bills on its completion later this year.

The tax exemptions and other incentives were approved for five years to facilitate the people of erstwhile Federally-Administered Tribal Areas (Fata) and provincially-administered tribal areas (Pata) as necessitated under the 31st Constitution Amendment which came into force on Friday after President Mamnoon Hussain signed it.

Domestic power consumers exempted from sales tax, non-customs paid vehicles in Fata to be regularised, Neelum-Jhelum surcharge stopped

Under the package, profits and gains of existing businesses conducted by individuals in those seven former tribal agencies would be exempt from income tax for five years. However, these businesses would be required to register themselves with the Federal Board of Revenue (FBR) by September 30.

Likewise, the retailers in the said areas would also be exempt from sales tax to facilitate general consumers, the ECC said, as not only the collection system currently do not exist at present but application of sales tax would have immediately put additional financial burden on consumers instead of the feeling of relief at the time of merger.

Also, the domestic consumers of electricity would be exempted from sales tax on domestic consumption of electricity while Federal Excise Act 2005 shall replace the erstwhile Central Excise Act 1944.

On top of that, the ECC also decided that non-customs paid vehicles would be allowed to be used in erstwhile Fata/Pata for a period of five years ending on June 30, 2023 to maintain a status quo.

However, these vehicles, as at present, will not be allowed to cross over to other areas of the country. On the expiry of the five years' relaxation period, the vehicles would be regularised on payment of leviable duty and taxes.

The package also included exemption from all withholding taxes, except on salary. Any person seeking to set up new industrial undertaking in these tribal areas would be granted exemption from Income Tax subject to prior approval of the ECC, from time to time.

The meeting also discussed a proposal for the revocation of Neelum-Jhelum surcharge and decided that the surcharge would end on achieving Commercial Operation Date (CoD) of the project, due within a couple of months.

The surcharge, nevertheless, was to cease to exist on June 30 this year. The surcharge was imposed in 2007 for eight years with the expiry date of Dec 31, 2015 to finance about half of the project cost, which was then estimated at Rs130bn. It was later extended for one year, followed by another until December 2017. In January 2017, the ECC had extended the closing date for the collection of this surcharge at 10-paisa per unit from all electricity consumers until June 30, 2018.

It was expected the project would be completed in time, but it was delayed. Cost estimates almost quadrupled to Rs507bn with the fresh completion target of June 30, 2018. It is estimated to have so far contributed about Rs80bn.

As a result, the cost of the project that was originally estimated at about Rs3-4 per unit on completion is now being worked out at Rs12-13 per unit. The project, located near Muzaffarabad in Azad Kashmir, was awarded to Chinese contractors in December 2007 and involved a diversion of Neelum River waters to Jhelum River through a cumulative tunnel of about 68 kilometres. The project is almost complete and going through testing. The ECC also approved re-lending terms for Pakistan Mortgage Refinance Company Ltd (PMRCL) for the purpose of ensuring efficacy of the facility towards promoting low cost/affordable housing in Pakistan.

Published in Dawn, June 1st, 2018