DAWN

Business, industry offer divergent views on new budgetary measures

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KARACHI: Trade and business representatives showed cautious optimism while giving their view on amendments announced by Finance Minister Asad Umar to Finance Bill on Tuesday.

Some industrialists and businessmen welcomed the measures which are going to generate additional revenue of Rs95 billion mainly driven from the upper income groups.

However, some business leaders were critical of the measures such as allowing non-filers to purchase vehicles, real-estate and manifold increase in gas tariff for the local industry.

Ehsan Malik of Pakistan Business Council (PBC) showed his disappointment "at the blanket withdrawal of the restriction on non filers from buying new cars and real estate above a value of Rs4 million."

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) acting president Waheed Ahmad in a statement termed the amendments to the Finance Bill as moderate. However, he was critical about increase in customs duty on more than 5,000 items and increase in regulatory duty (RD) on more than 900 items. He suggested that instead of raw material government could have increased RD on luxury items.

However, he appreciated the government's move to ensure provision of fertiliser uninterrupted supply of subsidised fertiliser to farmers at an affordable rate. Mr Waheed also hailed government's decision to absorb the impact in petroleum levy from Rs185bn to Rs300bn and not to pass it on to masses.

PBC appreciated the mini budget saying that it was primarily motivated by a desire to reduce the fiscal deficit but criticised some measures by highlighting that the "revenue expediency prevailed over principle".

The PBC press release said that it "has consistently advocated the broadening of the tax base and the documentation of the economy" terming the withdrawal on non-filers from buying new cars and real estate "retrogressive step". However, the council "welcome[d] the relief given to five export industries in the revised gas prices, higher input cost for the rest of industry runs counter purpose to encouraging import substitution."

The All Pakistan Textile Mills Association (Sindh-Balochistan Zone) chairman Asif Inam appreciated separate gas tariffs for export industry. He said that the long standing issue of costly gas for Punjab industry has been also resolved.

He appreciated the removal of customs duty on cotton imports adding that abolishing regulatory duty on raw materials will go a long way in reviving local industrial activity.

Labsela Chamber of Commerce and Industry (LCCI) Maqsool Ismail was critical of the government's move to increase gas tariffs for local industry, while speaking to Dawn. He said that the actual gas tariff had been Rs488 per one million British Thermal Units (mmbtu) and the previous government increased it to RS600mmbtu but the industry got stay order from the court and gas tariff were kept at Rs488 per mmbtu. But unfortunately, the PTI government has soared gas tariff to780mmbtu or 60 per cent increase for the local industry and this would prove fatal and disastrous for the industry, he added. This would mean that industry currently paying Rs488 per mmbtu and from tomorrow high tariff of Rs790 will have to be paid.

Shabir Ahmed, patron-in-chief Pakistan Bedwear Exporters' Association, was highly critical of the mini-budget. He said the Rs5bn relief to export sector is appreciated but outstanding refunds of Rs300bn towards sales tax and duty drawback were totally ignored by the finance minister.

Pakistan Apparel Forum chairman Jawed Bilwani hailed the measures announced today and said that if needed the government should come up with more mini-budgets keeping in view the precarious state of the economy and deep-rooted issues.

Capital market

The investors and brokers expressed mixed reaction to the Finance Supplementary (Amendment) Bill, 2018 announced by the Finance Minister Asad Umar in the National Assembly on Tuesday. It came on the heels of the gas price increase announced a day earlier.

A major brokerage firm termed it as the "right direction on bumpy road." Another observed that the street expectations revolved around potentially stringent and belt-tightening measures by the FM but the actual announcements carried a populist tone.

Investors were however comforted that the size of cut in Public Sector Development Programme (PSDP) was averted and kept at Rs725 billion, as against Rs661bn in same period last year. Although a detractor frowned that it was comparatively lower than Rs800bn set by the previous government earlier in the FY19 budget, most said that the avoidance of trimming down PSDP indicated future infrastructural developments and hence would provide support to cement and steel sectors.

Key deficit curtailment measures directly related to the equity market included: the increase in withholding tax on non-filers on banking transaction to 0.6 per cent from 0.4pc, which was thought to be slightly negative for banking sector.

Removal of the conditions on non-filers regarding the purchase of new cars and the increase in federal excise duty (FED) on imported cars of 1,800cc from 10pc-20pc were taken as positives for automobile sector.

Published in Dawn, September 19th, 2018
