

Mini-budget disappoints PBC

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KARACHI: The Pakistan Business Council (PBC) appreciates that the mini budget presented Tuesday was motivated primarily by a desire to reduce the fiscal deficit. Whilst supporting the partial reversal of the deep tax cuts granted by the previous government, PBC is disappointed at the blanket withdrawal of the restriction on non-filers from buying new cars and real estate above a value of Rs 4 million.

PBC has consistently advocated the broadening of the tax base and the documentation of the economy, as has the PTI. Therefore, it is surprised at this retrogressive step. It would have been understandable if exceptions were made for non-resident non-filers or their dependents. To promote local industry, it may also have made some sense to remove the restriction on locally assembled cars up to a certain value.

But to allow non-filers to buy cars of any value, including imported luxury vehicles, goes totally against documentation of the economy. The argument that the record of non-filers involved in these transactions will be used to broaden the tax base is also not credible as such records have failed to do so in the past. The only rationale appears to be tax revenue. It is a pity that revenue expediency prevailed over principle, something that we hoped would not happen in Naya Pakistan.

“We support the government’s thrust to curb imports but need to study the impact, if any on local production. To support domestic industry, we have been recommending cascading duties and tighter controls to quell under-invoicing and misdeclaration of imports.”

The PBC has been advocating the need to revive industry, create employment, promote exports and encourage import substitution. “Whilst we welcome 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. We have also pointed to the need to separate tax policy from tax administration, substantial infusion of technology and fresh talent into the FBR, fiscal policy that encourages capital formation and the restoration of group taxation as enacted in the Finance Act 2007.”

PBC hopes that the government will address these recommendations soon.

The PBC is composed of the leading private sector companies from fourteen important sectors of Pakistan’s economy, which include automakers. In advocating policies that are good for the country, PBC does not lobby for the interest of a particular member or sector.—PR