

## **Taxes on international travel: Senate panel underscores need for taking cautious approach**

Senate Standing Committee on Finance Chairman Senator Saleem Mandviwalla Saturday said the government has to adopt a cautious approach while raising taxes on international air travel to avoid bookings from other airlines aboard (Dubai) and the Federal Board of Revenue (FBR) should submit its working paper on Monday (June 5).

During the committee proceedings at the Parliament House, Senator Osman Saifullah Khan proposed that the rate of withholding tax should be increased on international air travel for non-filers of income tax returns. This has been proposed for international passengers of business class who are not filing their returns.

The committee members said that the National Tax Numbers (NTNs) can be used for imposition of higher rates of withholding taxes on non-filers. People travelling aboard through business class should be subjected to higher rates of withholding taxes.

Pakistan Muslim League-Nawaz leader Chaudhry Tanvir Khan also proposed to raise taxes on international air tickets. Responding to this, Secretary Ministry of Finance Tariq Bajwa said that the government will examine the proposal in consultation with the FBR. Mandviwalla said when the FBR increases taxes on airlines, the people start purchasing tickets from foreign airlines and domestic booking has been reduced. Resultantly, there is a reduction in taxes from the airlines. "Therefore, we should remain cautious while imposing higher rates on taxes on international passengers," he proposed.

The FBR officials said that they would examine the issue and submit their response on Monday. The committee has recommended two per cent "further sales tax" on supplies made to unregistered persons within the zero-rated sectors. On the issue of tobacco taxation, FBR Member Inland Revenue Policy Dr Muhammad Iqbal said that the "Inland Revenue Enforcement Network" has been established on national level to intensify enforcement activities of Inland Revenue, particularly in the area of tobacco and cigarettes.

There is no justification to increase price of cigarettes manufactured by documented sector in the presence of low price non-duty paid cigarettes. "If we substantially raise prices of non-duty paid cigarettes, the people would prefer to buy non-duty paid cheap cigarettes available in the market," he said.

The FBR has seized 250 million cigarettes of non-duty paid due to effective enforcement and action against the non-duty paid cigarettes. A massive drive has been launched against counterfeit and non-duty paid cigarettes. After introduction of the track and trace system, hopefully the FBR would be able to control the supply of non-duty paid and counterfeit cigarettes in the country. In the presence of demand for non-duty paid cigarettes is the market, how the documented companies can compete. If they increase price then the impact will be seen after controlling non-duty paid segment in the society.

The FBR officials said that by checking production and processing of tobacco at the GLT (green leaf thrashing) Units, the FBR can work out the exact number of cigarettes to be manufactured from such processed tobacco. By regulating the GLT units, the FBR can regulate the undocumented persons. They suggested that the committee should develop a system to review progress regarding tobacco on weekly basis. "We have deputed persons on seven GLT units in Khyber Pakhtunkhwa (KPK), but staff is compromised," the official said.

Senator Usman responded, "I cannot believe that FBR does not have seven people to monitor the seven units of cigarette manufacturers." To a query, the FBR official said that multinational cigarette manufacturing companies have deposited tax of Rs 112 billion during the current fiscal year. DR Iqbal informed that amendment has been proposed in banking schedule of the Income Tax Ordinance 2001. According to him, an explanation has been added that "for the removal of doubt, it is clarified that nothing in this sub-rule shall be so construed as to allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy."

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