

Educational stationery items: Senate body for sales tax zero rating on educational stationery

The Senate Standing Committee on Finance has strongly recommended restoring sales tax zero-rating on basic educational stationery items including pencils, pens, exercise books, and sharpeners, etc, in the budget 2017-18. Chairman Finance Committee Saleem Mandviwalla took up the issue of sales tax status on stationery items during meeting of the committee on Monday to review Finance Bill 2017.

He said, "I thought that the issue of stationery sector had been resolved last year, but it is still pending. The committee recommends restoring sales tax zero-rating on stationery items through an amendment in the Finance Bill 2017." The chairman Stationery Association briefed the committee members that these items have never been taxed until Finance Act 2016, which imposed a full 17 percent non-adjustable sales tax on local manufacturing, and it resulted in closing down of local pencil industries. It was further stressed that the Federal Board of Revenue (FBR) is fully cognisant of the gravity of the situation.

The FBR members admitted the fact that the input tax has indeed been made non-adjustable which is a burden on local industry, making it uncompetitive vis-à-vis imports. As an alternate, it was proposed by the FBR that some sort of regulatory duty may be imposed on imports. The idea, however, was not appreciated by the committee members and stakeholders owing to the fact that these items are so important to pursuance of basic education that these cannot even be thought of being taxed at the outset, let alone further adding up to the burden on poor education seekers, by imposing additional customs duty on their everyday requisites.

It was further discussed that state is under a constitutional obligation to provide compulsory education and its requisites free of cost, which include educational stationery. (Articles 25A and 37(b) of the Constitution, read with the National Education Policy, page 13). It was also questioned as to how the government can afford to tax basic items which otherwise the government is supposed to provide free of cost? Senator Mohsin Aziz supported the industry that basic stationery items should be zero-rated to facilitate general masses. The stationary items should be zero-rated or RD to impose on imported items, he suggested. After due consideration to the proposal, the committee agreed to recommend the restoration of sales tax zero-rating on educational stationery.

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