250 items identified: additional RD on the cards

Commerce Ministry and Federal Board of Revenue (FBR) have reportedly prepared a list of hundreds of imported items for imposing additional Regulatory Duty (RD) ranging from 5-25 per cent, increase in benchmark import trade prices and non-tariff barriers aimed at discouraging import of unnecessary goods, well-informed sources told *Business Recorder*.

Commerce Ministry had given a detailed presentation to the Prime Minister, Shahid Khaqan Abbasi, on August 30, 2017 wherein Prime Minister accorded approval, in principle, to tariff measures to discourage import of non-essential items so that widening trade deficit is managed.

The sources said following a meeting presided over by the Prime Minister, top officials of Ministry of Commerce headed by Secretary Younus Dagha held meetings with Governor State Bank of Pakistan (SBP), Tariq Bajwa and top officials of FBR to finalise measures to discourage unnecessary imports.

According to sources, around 250 items have been identified on which additional RD will be imposed including used cars, tyres, mobile phones, electronic goods (excluding computers), readymade garments and ceramics tiles. Of 250 items, around 100 items are related to agriculture sector including pulses, fruits like grapes, peach etc.

The sources further added that the government has also decided to increase benchmark import price of goods substantially which will increase collection of customs duty. It is unclear what percentage of duty will be raised for this purpose.

Federal Board of Revenue and Commerce Ministry have also identified 70-75 items on which non-tariff barriers will be imposed on the pattern of India. A senior official told *Business Recorder* that an understanding has been reached between the Commerce Ministry, State Bank of Pakistan and FBR that it would be made mandatory for importers to arrange foreign exchange from the market instead of SBP for non essential items.

Meanwhile, Commerce Ministry is expected to hold a meeting with Prime Minister in a day or two to seek his and Finance Ministers' consent on the proposed measures to continue Prime Minister's export package amounting to Rs 180 billion with some amendments.

Ministry of Commerce maintains that the terms of incentive package would be changing from July 2017 onwards. The incentives from January 16, 2017 to June 30, 2017 were available to the exporters without the condition of increment in exports whereas the incentive for FY 2017-18 would be available to only those who achieve an increase of 10 per cent in annual exports. The one-year wait and the condition of 10 per cent enhancement for 2017-18 have created uncertainty for exporters to make an aggressive sales pitch, thereby losing potential export business.

Commerce Ministry recommends that payment by SBP should be made immediately on realization of proceeds in banks and Finance Division should reimburse the amount subsequently. It has also proposed an additional 2 per cent duty drawback for export to African destinations and an additional 4 per cent on poultry exports as presentation strategy to the Gulf market. The Finance Minister pleaded that a huge amount was involved in the incentive package and more would be required in case of its extension to other sectors which would affect macroeconomic indicators badly. He opposed the extension of the package to other sectors and removal of the condition of 10 per cent enhancement in export on exporters of textiles and non textiles, proposing holistic review of proposed package.

The Commerce Ministry also contends that export sector has suffered adversely due to lack of investment in its expansion and up-gradation for the past many years as come rival investment sectors such as real estate, stock exchange and power generation offered more attractive incentives. Commerce Ministry stated that it was important to provide a medium term perspective policy to the investors to enable them to take decisions on capital expenditure.