Government step to yield Rs 30 billion revenue

The revenue and expenditure imbalance of around Rs 17 billion that export incentive and import disincentive packages would create would be met by diverting funds from 'elsewhere' in order to ensure that it does not have any impact on the budget deficit for the current fiscal year.

This was stated by well-informed sources in the Ministry of Finance while adding the government has estimated Rs 30 billion enhanced revenue collection through imposing a regulatory duty on 295 items to reduce the impact of increasing import bill on balance of payment position. And the financial impact of export incentives is an estimated Rs 47 billion - a package upgraded to what it was till June 2017 (notably the 10 percent increase in exports to qualify for the incentives would no longer be applicable till 31 December 2017 when the implementation performance and export package impact on exports will be reviewed).

The source said that there were serious concerns in the Finance Ministry on the rise in the current account deficit subsequent to an increase in imports and a slide in exports. This, he said, necessitated an exercise at the Ministry of Finance and Federal Board of Revenue (FBR) level to identify items that were raising the import bill.

He said that after a comparative analysis around 95 new items were picked up for the imposition of a regulatory duty with the recommendation to raise the duty on 200 items. These 200 items, according to senior official are luxury vehicles, cosmetic goods etc.

According to official, payment to the exporters would be directly made by the State Bank of Pakistan (SBP) to ensure availability of liquidity to exporters. Finance Ministry will reimburse the payments afterwards to the SBP, he added.

The Prime Minister has constituted a committee under the chairmanship of Sindh Governor to address the issues pertaining to the equity market. During a meeting with stock brokers at Governor's House last week, the prime Minister was urged by the brokers to revive the capital market fund formed by the National Investment Trust (NIT); and proposed revival of the old tax structure, phasing out tax on bonus shares, a reduction in capital gains tax and tax on brokers.

Sources said that so far the FBR is not considering any proposal on changing the capital gains tax (CGT) regime on disposal of securities. Prior to budget 2017-18, there was a three-tier rate structure for capital gains tax on securities based upon the holding period of securities ie less than 12 months, more than 12 months but less than 24 months and more than 24 months but less than 5 years. In budget 2017-18 a flat /single rate of tax of 15% for filers and 20% for non-filers was introduced through the Finance Bill 2017.

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