

RD may promote smuggling, opine experts

The newly-imposed regulatory duty will not only cause price hike of the consumers good but also promote under-invoicing and smuggling into the country that will ultimately result in reduction of government revenue. The industry experts are of the view that only a fair rate of import duty could help check smuggling of consumers' goods as low rate of taxes or duty induces the importers to adopt legal channel rather than unlawful tactics.

The recently-imposed heavy duty taxes on the imports of a large number of imported items, including electronic products and home appliances has shocked the stakeholders.

The heavy duty will cause a sharp rise in the retail prices of many essential products, including refrigerators, televisions and air conditioners, thus, depriving the common family of the convenience created by these products which can no more be classified as "luxury" items, because these "consumer durables" are essential to save precious time, keep the consumers well-informed and comfortable to enhance their productivity and performance in today's competitive professional environment.

So, these products have become necessities in the context of modern lifestyles in both urban and rural regions. Such products are evidently sold in every segment of the Pakistan market, including the elite and the middle and lower income people. Hence, it is not fair to include these products in the list of "luxury items". The stated objective of the duty was to discourage unnecessary imports apart from raising additional revenues for the national exchequer.

The industry people said that apparently the revenue authorities have failed to learn any lessons from the failure of such measures taken in the past. Practically, similar policy decisions in the past have only encouraged under-invoicing, smuggling and other illegal practices. So the net result expected from this move will be an actual reduction in revenue-collection and a complete failure in achieving any desired objectives.

Considering that these electronics and appliances improve the quality of life for the common man, it would have been a far better strategy if the tax-authorities had rationalized the items and logically separated the items to impose this duty on only the non-essential items where as this regulatory duty was inevitable.

Then accordingly they should have decreased the percentage of duty on essential item. It currently appears as a hasty intervention which will have several negative repercussions on the trade and business activities.

The components, parts and materials being imported by the local producers of electronics play a key role in promoting indigenous manufacturing and economic

growth. These factories manufacturing such goods are already contributing heavily in the government's annual revenues in shape of taxes, besides providing large scale employment to the country's workforce. By taking this decision unilaterally, the government had denied the domestic industry's basic right to participate in formulation of relevant tax-policies, they said.

The industry stakeholders make big efforts and long-term investments to elevate the national economy, but they were not engaged for a consensus regarding this regulatory duty. Adequate time should have been given for the affected industries to hedge their exposures and manage their production inventories to avoid any losses. This abrupt decision will surely reduce the industry's level of trust and confidence on the policy makers, the experts added.

The regulatory duty imposed on components, parts and materials absolutely negates the industrial policy of Pakistan as local production ventures become unviable due to such heavy taxation. Therefore, the government should urgently withdraw this additional financial burden from items that serve as essential inputs for the local industries or provide basic comforts of life to the common man, they said.

Copyright Business Recorder, 21/10/2017