

Government under criticism for granting concession to Chinese company

The government came under severe criticism for granting exemption in sales tax and federal excise duty to a Chinese company for import of material for construction of Multan-Sukkur section of motorway as senators termed the SRO of Federal Board of Revenue (FBR) to this effect discriminatory.

On a summary of Ministry of Communication, exemption from sales tax and federal excise duty was granted to M/s China State Construction Engineering Corporation Limited for importing construction material, whether or not locally manufactured, for construction of Sukkur-Multan section of motorway. The matter was raised in the Senate through a calling attention notice and was subsequently referred to the Senate Standing Committee on Finance.

A meeting of the Senate Standing Committee on Finance presided over by Senator Saleem Mandviwalla on Thursday took up the matter and Federal Board of Revenue (FBR) officials explained the reason for granting exemption in taxes and duties during the middle of the work (at a time when 30 percent construction work on the project was completed).

Dr Muhammad Iqbal, Member Inland Revenue Policy, stated that FBR was opposed to the summary moved by the Ministry of Communication for exemption in taxes and duties for the project. He said there are specified conditions in which the exemption can be granted but in this specific case, the exemption may have been granted under a bilateral agreement with China for China-Pakistan Economic Corridor (CPEC). The FBR exemption was granted after the approval of federal minister in-charge pursuant to approval of ECC of the Cabinet and there was no procedural irregularity.

The meeting was also informed that Rs 10.2 billion taxes and duties have been exempted to the company as per agreement through SRO issued on January 23, 2018 by the FBR. Senator Saud Majeed said that Rs 10.2 billion were government's contribution because Chinese company was unwilling to undertake the work on account of low traffic on the route.

The committee decided to call Ministry of Communication to know the reason which necessitated it to seek exemption in taxes and duties for the companies in middle of the work on the project. One of the movers, Senator Nauman Wazir Khattak, stated that the country's Constitution does not permit discrimination between persons or companies. In SRO No 47(1)/2018, a specific company of China has been given exemption from sales tax, income tax, excise tax, customs duty, etc, for import of material from China.

He stated that the government should withdraw it and ensure that no such SRO or exemption is given to any company or individual from government duties. He also stated that former Finance Minister Ishaq Dar had categorically stated in the Upper House (Senate) that all imports of CPEC would not be discriminatory and no specific exemptions for CPEC projects for import of material would be given to Chinese companies, therefore, SRO was contrary to Dar's assurance.

He added that 30 percent work on Multan-Sukkur Motorway (M5) has been completed and now

the Chinese company is being given exemption from government duties whereas in the original tender documents and the tender awarded to this company, the said duties were included in the project cost. He said now withdrawal of duties is mala fide to give profit to the Chinese company. He stated if such benefits are to be given, the cost of the project should be reduced accordingly.

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