

MIXED REACTION OF TRADE AND INDUSTRY ON BUDGET 2016-17

By: Research and Publications Directorate, ICMA Pakistan

The budget 2016-17 has received a mixed response from the business community, especially the Chambers of Commerce and Industry and the Associations of Trade and Industry. Though the initiatives such as announcement of special package for revival of agriculture sector and restoration of zero-rated regime for five export-oriented sectors have been welcomed, some segments of the business community have also expressed reservations on lack of incentives to other sectors, particularly engineering, livestock and halal food. The budget also lacks measures to improve the country's ranking in the 'Cost of Doing Business Index.' Here, we would briefly present the reaction and views of the different segments of the trade and industry on Budget 2016-17.

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI)

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) have expressed reservations over Federal budget 2016-17. Abdul Rauf Alam, President FPCCI while acknowledging the initiatives for payment of refunds; lucrative incentives for agriculture sector, tax exemption for setting up new industry; abolishing duties on laptop and computers etc, pointed out that rice, being the second largest export sector, should also be allowed zero rating like the other five export-oriented sectors. He was of the view that small business and cottage have been ignored in the budget. Furthermore, the imposition of Rs. 50 FED on a cement bag will hurt housing sector and increase cost of CPEC and other mega projects. He demanded reversal of custom duty increase on import of steel billet.

Overseas Investors Chamber of Commerce and Industry (OICCI)

Overseas Investors Chamber of Commerce and Industry (OICCI) has also praised the Budget 2016-17 for taking measures to boost agriculture growth, and exports and in extending the timelines for tax credits under section 65 of IT Ordinance. However OICCI has pointed out that the

budget do not restrain any valuable measures to improve governance, documentation of informal sector to bring them under tax net; reduce the burden of existing tax payers etc. At the same time the imposition of super tax of four percent on banking industry and three percent on other large taxpayers for another year is seriously damaging the business confidence.

American Business Council (ABC)

American Business Council members have welcomed the decision of government due to extending of tax incentives, under Section 65d, on new plants till June 2019 and the continued reduction of corporate tax rate by 1 per cent. However, Pakistan's corporate tax rate is still high as compared to rest of the world. ABC criticized the proposal to exclude Sales Tax paid under provincial laws from the definition of input tax as a fundamental departure from VAT principles that would have an inflationary impact.

KSE Stock brokers Association

KSE Stock brokers Association has expressed some concern about the new taxes in Finance Bill 2016. They feel that around the world in capital markets, transaction costs and taxes on gain are kept low intentionally to keep the market buoyant. They feel that 100 % increase in advance tax from 0.01% to 0.02 % will increase cost of doing business and lead to huge refunds as well as depress volumes and adversely affect government revenue. Rates and holding periods for Capital gain Tax have been increased arbitrarily. Tax on bonus shares has been maintained, despite being unjustified and without any corresponding increase in revenue. Imposing new taxes on Capital Market with taxes, levies has decreased volumes by 80% and Brokerage card (TREC) value has been reduced from 150 million to zero.

Pakistan Dairy Association

Dairy Association is very much perturbed over heavy tax imposed on dairy products which they say will negatively

impact the growth of dairy industry by increasing prices of milk and dairy products; discouraging new local and foreign investment in dairy industry and decreasing procurement of milk from local farmers. This increase would also inflict destruction on the livelihoods of nearly 600,000 dairy farmers. They have demanded zero-rating regime on all milk and milk based products and reversal of regulatory duty on import of bulk powered milk. The importers of dairy products have also expressed deep concern over imposition of 25 percent Regulatory Duty on Powdered Milk and Whey, which are essential consumer product and would directly impact the common man.

Telecom Industry

Telecom industry is quite disappointed over the budget 2016-17. The industry has complained over rising taxes on imported mobile phones and is of the view that by raising the rates on high-end and medium-end phones, there would be a negative impact and would damage transition of users from feature phones to smart phones.

Gypsum Board Industry

Gypsum Board Industry has pointed out that finished gypsum products are importable at 6.25 percent customs duty whereas its raw materials are importable at 20 percent customs duty. They have asked the government to remove this anomaly and reduce the customs duty on raw materials and impose regulatory duty on finished products for survival of gypsum board industry.

Education Sector

The education sector has once again fallen short of expectations, reflecting the federal government's negligent attitude towards what should be the top priority. For FY 2016-17, the budgeted amount is Rs. 108,971 million which shows a fall in the budgeted amount, in absolute terms as well as in terms of GDP. Moreover, federal expenditure as a percentage of total expenditure is not really increasing. ■



	1-Jun	1-Jul	1-Aug	1-Sep	1-Oct	1-Nov
	1,307,85	1,240,64	1,235,42	939,09	1,300,67	843,29
	0,00	698,18	0,00	0,00	40,07	0,00
	15,80	78,42	38,16	15,62	256,67	25,46
	2,03	1,485,22	6,062,23	447,24	16,048,05	349,55
	5	677,87	503,91	1,094,97	5,620,31	2,560,60
		0,00	310,01	3,142,38	9,779,24	14,693,66
		0,00	670,64	1,259,50	4,294,85	7,473,24
		83,58	39,386,87	17,848,02	34,414,47	0,00
		0,00	0,00	0,00	0,00	0,00
			19,577,90	11,799,74	14,874,16	33,010,21
			1,335,55	21,76	865,15	348,10
			0,00	0,00	12,032,74	24,740,68
			0,00	0,00	4,387,73	18,444,80
			0,00	701,60	4,796,53	502,91
				2,144,68	2,700,27	1,727,45
				10,857,02		82,02
				0,00		0,00
				0,00		0,00

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