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Senators grill FBR chief over hike on hybrid, electric cars' taxes

Published on June 20, 2024

Document Date: Sun, Oct 27 2024 08:30:13 pm

Category: ,English,Latest -

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ISLAMABAD: Senators Thursday grilled Federal Board of Revenue (FBR) Chairman Asim Ahmad over the hike in taxes imposed on hybrid and electric cars, among other items. The Senate Standing Committee on Finance, in a meeting chaired by Pakistan Peoples Party (PPP) Senator Salim Mandviwala, in Islamabad raised an objection on the increased tax rate on electric and

hybrid vehicles. During the meeting, independent Senator Faisal Vawda said that the use of electric vehicles is being encouraged all over the world. “A sales tax of 25% has been levied on vehicles priced above Rs15 million,” said Vawda. The senator maintained that problems increase when a policy is made and revised. “No one sets up industry in this country because of changes in taxes and policies.” Responding to Vawda’s objections, the FBR officials said that imported, not locally manufactured, vehicles have been taxed. In reaction to this, the politician said he knows who is taxing vehicles. The committee, however, adjourned the matter in the meeting. The politician, who is a member of the Senate in an independent capacity, objected to the tax proposals made in the budget, announced last week by the federal government. The government has, as per analysts, devised the budget in line with the recommendations of the International Monetary Fund (IMF), as Islamabad hopes to sign a new and bigger programme with the global lending institution. The federal government had to increase taxes and reduce the fiscal deficit as part of negotiations with the IMF, with which it is discussing a loan of \$6 billion to \$8 billion, as it seeks to avert a debt default for an economy growing at the slowest pace in the region. On the other hand, Vawda also lamented the imposition of taxes on property in the recently proposed budget, insisting that the market across the country has become stagnant. “Now, a common man will not be able to buy a house,” said the senator, sharing his viewpoint during the meeting. Responding to

Vawda in the meeting, the FBR chairman said tax rates in the property sector are “fair”. “In the property sector, tax is 15% for filers and 45% for non-filers,” said the FBR chairman. He also highlighted that the salaried class is taxed up to 35% and non-salaried up to 45%. “How will the common man build a house with an increased tax on property,” said Vawda in response to the official’s comment. The FBR chairman maintained that a Re1 per kilograms increase in Federal Excise Duty (FED) on cement has been proposed by FBR, as the board has not benefitted from the increased rates of the commodity. During the meeting, the FBR chairman was also questioned about the FED imposed on plots. “How excise duty is imposed on plots?” asked PPP senator Farooq H Naek. “We wanted to impose sales tax,” said the FBR chairman, who was then told by Naek that plots, in fact, neither come under the category of commodities nor services. “Under which law did you tax the purchase of a plot? You have stretched the law and included them,” the senator said, contesting that this law will be challenged and he doesn’t favour it. The standing committee, during the meeting, took up the matter of the FED increase on cigarettes. “Has increasing FED on cigarettes reduced cigarette consumption?” asked Senator Naek. Responding to the senator, the FBR chair said: “Formal sector output has declined by 40%. But people did not stop smoking, despite increasing taxes.” He added that the board, this year, seized 400 million “non-tax paid cigarette sticks”. “If smuggled cigarettes are found in a shop, such shop will be sealed,” he

maintained. PPP Senator Sherry Rehman said: “If you can close all the shops big and small then it is allowed.” Senator Naek pointed out that the price of the items sold in any shop is not mentioned. He said there is no enforcement of the relevant law, terming it a violation. “Ensure all items are priced prominently,” said Naek, addressing FBR officials, after which the proposal was approved by the Standing Committee on Finance. During the meeting, the committee also brought amendments to the Public Finance Management Act, 2019 under consideration. “Under the amendments, the definition of technical supplementary grant is being expanded,” said a representative of the finance ministry. Naek asked why there was a need for the amendment, while Senator Rehman said that the Ministry of Finance is seeking the authority to use the money that cannot be used. “The language of this law is not rightly used and should be improved first,” said Naek, adding that the statutory amendment cannot, otherwise, be passed. “Parliamentary approval should be sought before issuing supplementary grants,” said committee’s chairman Mandviwala.