

SENATE SECRETARIAT

“QUESTIONS FOR ORAL ANSWERS AND THEIR REPLIES”

to be asked at a sitting of the Senate to be held on

Wednesday, the 28th September, 2016

DEFERRED QUESTIONS

*(Questions No. 8 and 24-D deferred on 6th September, 2016,
(252nd Session)*

(Def.) *Question No. 08. **Senator Taj Haider:**
(Notice received on 11-07-2016 at 11:30 a.m.)

*Will the Minister for Finance, Revenue, Economic Affairs, Statistics
and Privatization be pleased to state:*

- (a) the number of Public Section industrial units in the country which
have been privatized so far;*
- (b) the number of the said units which are functioning at present;
and*
- (c) the amount of taxes which was being paid by the said units at
the time of their privatization?*

Reply not received.

(Def.) *Question No. 24-D. **Senator Mian Muhammad Ateeq Shaikh:**
(Notice received on 11-08-2016 at 03:50 p.m.)

*Will the Minister for Finance, Revenue, Economic Affairs, Statistics
and Privatization be pleased to state:*

- (a) *whether it is a fact that the trade deficit of the country has increased by over 18 percent during the month of July 2016, if so, the reason thereof; and*
- (b) *whether it is also a fact that our imports are increasing at a fast pace as compared to our exports, if so, the name of items the import of which increased during the year 2015-16 as compared to the year 2014-15?*

The Ministry has been transferred to the Ministry of Commerce but the Minister of Commerce has not yet send its acceptance.

***Question No. 47. Senator Col. (R) Syed Tahir Hussain Mashhadi:**
(Notice received on 21-06-2016 at 10:30 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state the amount collected as taxes on leather goods in the country during the last three years?

Mr. Mohammad Ishaq Dar: The amount of texes collected on leather goods at domestic & imports stages are given as under:

- (a) Import stage

(Rs. in million)

Year	Custom Duty	Sales Tax	Withholding Tax on Imports
	1	2	3
2015-16	1010.87	968.34	361.26
2014-15	603.37	737.87	296.72
2013-14	429.54	577.87	237.26

(b) Domestic

(Rs. in million)

Year	Sales Tax
2015-2016	561.5
2014-2015	579.9
2013-2014	458.9

(c) Total Income Tax:

(Rs. in million)

Tax Year	Total Income Tax
2015	1517.0
2014	1534.4
2013	711.5

*Question No. 52. **Senator Col. (R) Syed Tahir Hussain Mashhadi:**

(Notice received on 09-08-2016 at 10:15 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *the amount collected as sales tax from large scale manufacturer sector in the country during the fiscal year 2014-15 and 2015-16; and*
- (b) *the impact of the said revenue/amount on control of inflation in the country?*

Mr. Mohammad Ishaq Dar: (a) The amount collected as sales tax from the large scale manufacturer sector in the country during the fiscal years 2014-15 and 2015-16 is tabulated as follows:

Rs. In Million

Year	Sales Tax
2014-15	545,883
2015-16	612,048

All the manufacturers registered in the Large Taxpayers Units have been treated as Large Scale Manufacturers.

(b) Since the rate of Sales Tax has remained constant during the years under consideration, the amount collected has no bearing on inflation.

*Question No. 53. **Senator Mian Muhammad Ateeq Shaikh:**
(Notice received on 16-08-2016 at 12:23 p.m.)

Will the Minister for Science and Technology be pleased to state whether it is a fact that the Pakistan Engineering Council has the mandate to create job opportunities for Engineers in the country, if so, the number of Engineers who got their jobs through the said Council during the last four years with province wise break up indicating also the names of departments in which they got their jobs?

Rana Tanveer Hussain: As per Section 8 of the PEC Act, the Pakistan Engineering Council (PEC) is entrusted with the responsibility to:—

- (i) Maintenance of a Register of persons qualified to work as registered engineers, professional engineers, consulting engineers, constructors and operators;
- (ii) Accreditation of engineering qualifications for the purpose of registration of registered engineers, professional engineers;

It would, therefore, be seen that PEC is neither mandated nor equipped to create jobs for Engineers in the country. However, recently the Council has undertaken the initiative of providing opportunities to fresh Engineering graduates as “internees” for a period of three months at its offices, Head office, Regional offices, Branch offices and Liaison offices. Furthermore, it has started conducting professional training programmes that can enhance the employment prospects of young engineers.

***Question No. 54. Senator Mian Muhammad Ateeq Shaikh:**

(Notice received on 19-08-2016 at 11:40 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *whether it is a fact that the Government had announced a reward scheme for the whistle blower who reports about income and sales tax evasion, if so, the details thereof;*
- (b) *the number of reports submitted to the Federal and Provincial Income Tax Offices since the launching of the said scheme; and*
- (c) *the name of authority which registers reports about tax evasion under that scheme at Federal and Provincial level?*

Mr. Mohammad Ishaq Dar: (a) Yes, Government (FBR) has issued Inland Revenue Reward Rules, 2016 which includes whistleblower as defined in Section 227B of the Income Tax Ordinance, 2001, Section 72D of the Sales Tax Act, 1990 and Section 42D of the Federal Excise Act, 2005. A snapshot of the important provisions of Inland Revenue Reward Rules, 2016 related to whistleblower are as under:

Rule 2c	defines Informer/whistleblower
Rule 4	deals with the registration process and requirements of registration of informer/whistleblower
Rule5	deals with the submission of information by informer/whistleblower and further action to be taken in this respect
Rule 6	deals with the eligibility of persons for reward
Rule 7	deals with the determination of reward and specifies the amount of tax evaded and amount of reward to be sanctioned
Rule 9	deals with the payment of reward. As per sub rule 1(b) informer/whistleblower is entitled to 20% of the amount of reward
Rule 10	deals with the reward sanctioning authorities which is Chief Commissioner, D.G or Member Inland Revenue Operations, as the case may be
Rule 12	deals with the redressal of grievance arising from the decision of reward sanctioning authority

For detailed reading copy of the Inland Revenue Reward Rules, 2016 is attached herewith.

(b) So for only one report/information has been filed by an informer/whistleblower under Rule 5 of the Inland Revenue Reward Rules, 2016 in RTO Bahawalpur.

(c) Chief Commissioner Inland Revenue of each Regional Tax Office or Large Taxpayers Unit is the competent authority to receive information from the informer/whistleblower.

***Question No. 55. Senator Nauman Wazir Khattak:**

(Notice received on 22-08-2016 at 03:50 p.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *the number of Special Economic Zones (SEZs) established/notified in the country so far indicating also the number of same which have been provided with the facilities of natural gas and electricity as per SEZs policy; and*
- (b) *the number of cases of establishment / notification of the said zones under process at present?*

The Ministry has been transferred this question to the Ministries of Water and Power, Petroleum and Natural Resources and this Prime Minister's office. But-non of them has yet send its acceptance.

***Question No. 56. Senator Nauman Wazir Khattak:**

(Notice received on 23-08-2016 at 10:00 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *whether is is a fact that the present capacity of warehouse constructed at Sust (Khujrab) border is small and can handle material of only 10 vehicles per day; and*

- (b) *whethe there is any proposal under consideration of the Government to construct a warehouse for transit cargo at the said place having capacity for handling material of 5000 vehicles per day?*

Mr. Mohammad Ishaq Dar: There is no Warehouse at Sost Dry Port. Currently, there are 36 sheds at Sost which can accommodate cargo of 36 vehicles/containers at a time.

(b) The Port is operated by Pak-China Silk Route Port Company. Presently, there is no proposal under consideration to construct a Warehouse at Sost Dry Port to accommodate transit cargo of 5000 vehicles per day.

***Question No. 59. Senator Mian Muhammad Ateeq Shaikh:**
(Notice received on 24-08-2016 at 12:06 p.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *the details of indirect taxes imposed by the Government during the last five years;*
- (b) *whether it is a fact that indirect taxation is increasing in the country, if so, the reasons thereof; and*
- (c) *the steps taken / being taken by the Government to gradually decrease indirect taxation in the country?*

Mr. Mohammad Ishaq Dar: (a) Three main indirect taxes impose in the country in the purview of Federal Government are:

- (i) *Customs*
- (ii) *Sales Tax*
- (iii) *Federal Excise Duty*

Sales Tax and Federal Excise

Standard rate of Sales Tax in respect of goods was 17% upto 30-06-2011, which was reduced to 16% for two years. With effect from July 1, 2013, it was

again reverted to 17% which is still applicable. Sales Tax on services fall within the purview of provinces except in Islamabad Capital Territory where tax rate is 16%.

Standard rate of Federal Excise is 15%. However various rates ranging from 8% to 65% for specific sectors/goods have been specified in First Schedule to the Federal Excise Act, 2005.

Customs

Customs Duty (CD), an indirect tax, is levied and collected at the time of import of goods in the country. The details of slabs of Customs Duty and the total collection during the last five years are given below.—

(Rs. In Million)		
Year	CD Rate	CD Collected
2011-12	0%, 5%, 10%, 15%, 20% 25%, 30% & 35%	216,906
2012-13	0%, 5%, 10%, 15%, 20% 25%, 30%	239,459
2013-14	-do-	242,810
2014-15	1%, 5%, 10%, 15%, 20% 25%	306,220
2015-16	2%, 5%, 10%, 15%, 20%	406,180

(b) Sales Tax and Federal Excise:

No, in fact the situation is contrary. Over the years various policy and administrative measures have led to reduction in reliance on the indirect taxes. These include:

- (i) Tax base of FED has contracted over the years and now is restricted to only few commodities like cigarettes, cement, beverages and services like international travel etc. The contribution of FED in the total collection has also dropped from 20% in 1990-91 to 6.1% during 2013-14.

- (ii) Sales tax has been re-structured as a tax on consumption, which is in line with the principles of equity and progressivity.

On the other hand, the contribution of direct taxes has increased significantly during past few years. A comparison of direct and indirect taxes in terms of contribution in overall federal taxes collected by FBR is reflected in the following table which clearly indicates that the reliance on indirect taxes has reduced to a great extent.

Shares of Direct and Indirect Taxes (%)

Fiscal Years	Direct Taxes	Indirect Taxes
1970-71	19.0	81.0
1980-81	20.7	79.3
1990-91	18.0	82.0
2000-01	31.8	68.2
2013-14	39.0	61.0
2014-15	39.92	60.07

Customs Wing:

The share of customs duty in federal tax receipts has in fact decreased from 19% to 13% during the last decade (2005-06 to 2015-16) due to Government efforts to reduce the burden of indirect taxation by tariff rationalization and bringing down maximum duty slabs. Similarly, in the same period share of direct taxes has increased from 32% to 39% indicating a shift towards direct taxation.

(c) **Sales Tax and Federal Excise:**

The major thrust of the policy and administrative measures initiated during FY 2014-15 and 2015-16 is on placing more reliance for revenue generation through direct taxes.

Customs Wing:

The rates of Customs Duty used to be very high in the past. In 1987-88, the maximum statutory rate of CD was 125%. Over the years, however, duty rates have been gradually reduced. In 2013-14, it was decided that the Customs Duty slabs will be reduced from 7 to 4 and the highest slab will be brought down

from 30% to 20% in the next three years. Accordingly duty slabs have been reduced to four, *i.e.* 3%, 11%, 16% and 20% in the budget 2016-17, with the highest of 20%. (Excluding Chapters 22 & 87).

Similarly, in budget 2016-17, the share of Customs Duty in budgetary revenue measures was only Rs.11.4 billion out of total more than Rs. 148 billion, indicating greater stress of the Government on reducing the share of indirect taxes in the overall revenue receipts.

***Question No. 60. Senator Mohammad Azam Khan Swati:**
(Notice received on 29-08-2016 at 02:00 p.m.)

Will the Minister for Science and Technology be pleased to state:

- (a) *the steps taken / being taken by the Government to improve the performance of Pakistan Standards Quality and Control Authority (PSQCA); and*
- (b) *whether there is any proposal under consideration of the Government to make the said Authority an autonomous body?*

Rana Tanveer Hussain: (a) The Pakistan Standards and Quality Control Authority (PSQCA) working under administrative control of Ministry of Science and Technology (MoST) is performing its functions as per its mandate assigned through Act VI 1996. However, in order to make it more effective, the government has undertaken following initiatives:

- (i) Amendments in PSQCA Act have been proposed to ensure improved governance in PSQCA. The proposed amendments *inter-alia*, include re-constitution of BoD (**annex-A**), reconstitution of Advisory Council / Executive Committee (**annex-B**). Enhancement of penalties to non-conforming manufacturing / sale annex-C. Curtailing of discretionary and arbitrary powers of the PSQCA field staff / officers etc.
- (ii) Re-structuring of PSQCA has also been proposed in National Quality Policy (NQP), to align it with the best international practices (**annex-D**). NQP Summary is presently under submission for approval of the Cabinet.

- (iii) Consultation with the provincial government is underway for enhancing operative outreach of the Authority. Steps are being taken to improve the monitoring mechanism through enhanced market surveillance, surprise visits besides regular quarterly inspection of plants. A Mobile Testing Laboratory is functional at Karachi while similar laboratories have also been planned to be introduced in all major cities of Pakistan.
- (iv) Initiation of Foreign Manufacturer License Scheme (FML) to benefit the importers by reducing clearing time at point of import.
- (v) Signing of MoUs with the counterpart International Organizations for enhanced credibility and mutual recognition, with a view to facilitate our exporters.
- (vi) Creation of new region *i.e* North Directorate based at Islamabad and Sub-Regional office at Bahawalpur have been approved in the last meeting of BoD of PSQCA.
- (vii) The mandatory products list of PSQCA has been increased from 78 to 107 products.
- (viii) Up-gradation of PSQCA, in terms of accredited testing laboratories and increasing the number of accredited tests. Currently 7(seven) labs of PSQCA have been accredited.
- (ix) Hiring of merit based qualified manpower against vacant posts is under process.

(b) PSQCA is already an Autonomous Body established under Act VI of 1996 and is governed by a Board of Directors chaired by Federal Minister for Ministry of Science and Technology.

(Annexures have been placed on the Table of the House as well as Library.)

*Question No. 61. **Senator Sherry Rehman:**
(Notice received on 30-08-2016 at 12:00 p.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state whether it is a fact that a large

number of cases of tax refund have been pending in FBR, if so, the steps being taken by the Government to address the issue?

Mr. Mohammad Ishaq Dar: The outstanding amount of tax refunds to different individuals/organizations as on 30/06/2016 is as under:

Income Tax:		Rs. In Billion
Corporate	Non-corporate	Total
81	10	91

Sales Tax:				Rs. In Billion
Total Pendency		Exports		
Cases	Amount	Cases	Amount	
75,304	117	56,187	53	

Refunds are added to the opening balance during the year as a result of filing of new claims and the amount of refunds issued is subtracted therefrom.

Due to conscious efforts of the FBR, pending refunds as percentage of collection have registered a substantial declining trend. Besides this, following measures have also been taken to reduce/expeditiously process the refunds:

- (i) The Finance Minister has also announced that in respect of all Sales Tax Refund Payment Orders issued up to 30th June, 2016, the payment of the sales tax refund shall be made by 15th October, 2016.
- (ii) FBR has automated systems in place for the issuance of Sales Tax refunds. For example, Sales Tax Automated Refund Repository (STARR) is a computerized system for issuance of sales tax refund where cases of refunds are liquidated in sequence of their dates of applications.

- (iii) Centralized Sales Tax Refund Office (CSTRO) located at FBR Headquarters is in charge of issuing the cheques. Refund Payment Orders received from the field formations are electronically queued up in CSTRO. These RPOs are then converted into cheques and issued on “**First-in-First-out**” basis.

*Question No. 62. **Senator Mohammad Azam Khan Swati:**

(Notice received on 31-08-2016 at 10:15 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *whether there is any proposal under consideration of the Government to reduce the rate of General Sales Tax (GST) and other indirect taxes on essential commodities, if so, when; and*
- (b) *the steps being taken by the Government to bring reforms in the tax system of the country and make it more progressive?*

Mr. Mohammad Ishaq Dar:

Sales Tax and Federal Excise:

(a) There is no proposal under consideration of the Government to reduce standard rate of sales tax from the current rate of 17%. It may, however, be noted that all the essential commodities of common man’s use are either totally exempt from levy of sales tax or subjected to reduced rate of sales tax.

Customs Wing:

Presently, no proposal for reduction in customs duty on essential commodities is under consideration of FBR. However, it is pertinent to mention that to avoid burdening the common man with indirect taxes on essential commodities rate of customs duty on import of food basket items *e.g.* vegetables, pulses etc. has already been kept at zero percent.

- (b) **Sales Tax and Federal Excise:**

The tax policy mix has increased the share of direct taxes from 19% in year 1970-71 to 39.92% in 2014-15. Direct taxes are progressive taxes and the

above figures are clearly indicating the policy of progressive taxation being followed. Secondly, the tax policy is aimed at reducing/eliminating exemptions from the system to broadening the base and bring the concept of equity in the tax system.

In this regard, the entire concessionary regime has been considered by a high power committee constituted by the Minister for Finance, Revenue and Statistics. The committee has recommended a three years span for elimination of all the concessionary SROs. During the budget exercise 2014-15, 2015-16 and 2016-17, large number of SROs granting concessions to various industries has been reviewed and rescinded.

Customs Wing:

Reforms in Customs tariff were started in the early 1990s, however, in 1995, after Pakistan's joining the WTO, the process accelerated. In 1995, there were eleven (11) tariff slabs with the highest rate of 65% and the lowest of 10%. These tariff rates have been gradually reduced with the elimination of slabs and making the tariff simpler and trade friendly.

The reforms and rationalization process is still continuing. As a result of the efforts of the Government, maximum tariff rate of 30% was brought down to 20%. The numbers of tariff slabs were also reduced from 5 to 4 in the budget of financial year 2016-17.

Rate of customs duty on the import of primary raw material not manufactured locally as well on the import of machinery was reduced to 3%, in the budget 2016-17.

Prior to the commencement of tariff reforms various concessions and protection through SROs had been provided to various industrial sectors of the economy. In order to provide a level playing field the Government has withdrawn customs related concessions / exemptions amounting to Rs. 64.15 billion in the last three years.

All of these reforms are geared to stimulate the domestic economy and make it more progressive.

*Question No. 64. **Senator Sherry Rehman:**

(Notice received on 02-09-2016 at 11:15 a.m.)

Will the Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization be pleased to state:

- (a) *whether it is a fact that no project has been financed through by Pakistan Development Fund so far, if so, the reasons thereof;*
- (b) *the details of procedural formalities which have not been completed so far to make the said Fund fully functional; and*
- (c) *whether it is also a fact that the said Fund and the Infrastructure Project Development Facility (IPDF) have similar purpose, if so, the key distinction between the two and reasons for putting money in that Fund instead of IPDF?*

Mr. Mohammad Ishaq Dar: (a) Pakistan Development Fund (PDF) is an innovative idea to finance development projects. PDF has been incorporated and its operationalization plan is being finalized. Moreover, the hiring process is also being initiated.

(b) To fully operationalize the Fund, the required procedural formalities have been completed except the following:—

- Governance structure and a comprehensive business plan for Pakistan Development Fund.
- Hiring of the CEO and key personnel

(c) PDFL and Infrastructure Project Development Facility (IPDF) are two separate entities with different roles and objectives:

- IPDF's role is to assist /advisory services to public institutions in the development of projects which can be done on Public Private Partnership (PPP) basis, whereas, PDFL is a full fledged development financing institution.

- Further, the money has been placed in PDDL and not IPDF, because IPDF does not have the mandate to provide financing to PPP Projects. It is the mandate of PDDL.

ISLAMABAD:
The 27th September, 2016.

AMJED PERVEZ,
Secretary.