



Economic Advisory Council unveiling proposals to MoF....positive impact on the cards

The budget session is coming near and the bill is likely to be tabled in first week of June. Yesterday, three sub-groups of Economic Advisory Council (EAC) had presented proposals to Ministry of Finance (MoF) which include taxation measures that could have some bearing on our market. They included:

1. Reduction of General Sales Tax to 16%;
2. As per newspaper reports, proposal over reduction of capital gain on immovable property;
3. Increase in income tax paid by exporters from 1% to 1.5% but ending export development fund.
4. Incentivising aviation sector by taxing on revenues instead of investments; withdrawal of duties on purchase of aircraft, spare parts etc.
5. EAC is stated to have proposed to exempt turnover tax from 0.5%;

As per newspaper reports, EAC gave proposals for development of key sectors including energy, aviation, taxation, public expenditure, etc. We believe these proposal would be given due consideration by MoF.

From the perspective of the market, we believe Capital Gains Tax could be lowered from present 12.5% so that trading volumes could increase. This in return would be beneficial for the collection of more taxes.

Meanwhile, today government could present Gas Infrastructure Development Cess Bill, 2014 (GIDC) for the collection of gas infrastructure cess. The trade bodies such as APTMA are protesting that exporting industry cannot sustain burden of GIDC, which is 30% or Rs200/mmbtu on domestically produced gas. The tax was earlier rejected by Supreme Court. We believe the incumbent government would likely to get GIDC bill passed from National Assembly. However, government does not enjoy majority in Senate and hence bill could face snags.

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