



# ECONOMIC RELEASE





## EFP Criticizes Government's 'Reforms Package'

Dated: Jan 26 2019

"Despite tall claims made by the government, The Reforms Package 2019 does not holistically reflect the present government's manifesto of rapid industrialization nor fulfill expectations of the major stakeholder body represented by the Employers' Federation of Pakistan, as per the Chairman of Economic Council at Employers' Federation of Pakistan (EFP-EC), Ismail Suttar. According to the EFP-EC Head, "it would also have made excellent news had the formula for GIDC been revealed there and then".

The EFP President, Majyd Aziz, protested on how the former policy on disallowing non-filers to purchase vehicles was a good decision, and hence should not have been revoked. He said, "working capital can easily be conserved if instead special bank accounts for exporters are created, which could then be used to disburse off all utility, levies and other government charges."

Advisor to the Board of EFP Economic Council, Dr. Ayub Meher, upon analyzing the various amendments presented in the Reforms Package, termed it as an 'investment-oriented' budget. These reforms, as believed by Dr. Ayub Meher, "such as simplified schemes for small shopkeepers, reduction of annual withholding statements from 12 to 2 and the move of reducing taxation on interests collected by banks from loans extended to SMEs, agricultural sector, and low-income housing, are bound to encourage the inflow of investments, especially in the raw material importing segments of these sectors."

Further breaking down the amendments, Ismail Suttar, opined that the key direction taken by the Reforms Package seems to be tilted towards abolishment of tax revenues generated from undistributed profits, which, "is deemed to lead to the promotion of capital creation through enhancement of internal equities." The EFP-EC Chairman then reflected that "though such action will lead to reduction in profit-making for small investors, owed to the prevalent fiscal environment that is pushing for expanding business activities, this forecasted direction will lead to boosting investment and employment opportunities in Pakistan."

With all the positives aside, as Majyd Aziz wondered, "these measures could be taken in synchronization with the budgetary targets of the IMF conditions." He went on to state that it was not made clear as to how this second mini budget will increase the federal revenue collection and how it will address to inflating fiscal deficit.



Ismail Suttar, reiterated the EFP President's remarks and added, "it may seem difficult to identify the hidden sources tapped to create the required fiscal space, but it also somewhat apparent from some of the salient features that the government is planning to create fiscal resources to meet budgetary targets".

Finally, the EFP-EC Board also made remarks in line with their previous raise of concerns on the feasibility woes of the Naya Pakistan Housing Scheme that, "the government has introduced a revolving fund of Rs. 5 billion for housing industry and reassured the formation of Special Economic Zones, as part of the CPEC, but the Reforms Package needs to be further scrutinized and perhaps, consolidated to make all sources of financing known." - PR

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