LAHORE: The Pakistan Business Council (PBC), a lobby group representing Pakistan's major corporations and banks, has opposed the planned increase of 27 per cent in taxes and electricity tariffs as agreed by the government with the IMF for the resumption of its loan programme.

In a letter sent to Finance Minister Hammad Azhar on Monday, the PBC points out that the "direction of recent measures" is counter to the challenges like preserving livelihoods as the country fights the third wave of Covid-19, addressing food shortages and inflation, building export momentum, and developing competitiveness of domestic industry to stem the pressure of rising commodity costs on balance of trade.

"The surest way to sap growth of the economy is to drain it of jobs and disposable income, curb demand, deny competitiveness to industry and hurt investor sentiment through knee-jerk reversal of the policies," Ehsan A Malik, PBC chief executive, writes to the minister.

"The mooted 27pc increase in power tariff, on top of the already uncompetitive energy cost, the burden of which will fall entirely on the shoulders of honest customers, is not a growth driver. The narrative on denying the five main export sectors of energy at a regionally competitive cost and forcing the captive power producers to switch to the grid, reliability of which is yet unproven, does not portend well for exports."

He advised the government to instead focus efforts on fixing the inefficiency and losses of transmission and distribution. "Ominously, the delay in settlement of the agreed dues of the IPPs and of decisions affecting K-Electric threatens the gains made on renegotiating capacity charges. Industry, both export-oriented and domestic is the engine of employment. Burdening it with the cost of systemic inefficiencies and cross subsidies to residential users impedes its competitiveness and restricts its capability to create jobs. Subsidies are best addressed through the Ehsaas programme," he added.

On taxes, Mr Malik said a 27pc increase in the tax target for next fiscal with little evidence of improvement in FBR's capability to broaden the tax base bodes ill for existing tax-payers. "Successive governments have lacked political will to pursue non-taxpayers. The recent reversal of tax exemptions, some which had just a few years to run, and others which were conceptually aimed at promoting scale, formalization, wider shareholding, and improved governance have hurt the investor sentiment.

"The PBC has long advocated for the separation of fiscal policy from collection of taxes and for addressing the talent and technology gaps that prevent the FBR from broadening the tax base. Taxing the already taxed is akin to killing the goose that lays the golden eggs. Fundamental fiscal reforms will take time to deliver, and the benefits will be sustainable. We must not be distracted by short-term targets."