NATIONAL ST RETURN LAUNCHED: TARIN ISSUES WARNING: TAXES MUST BE PAID TO AVOID LEGAL ACTION

ISLAMABAD: Finance Minister Shaukat Tarin Friday requested the entire nation that the non-filers and those liable to pay taxes should "immediately start paying their due share before we approach them in the coming days, backed by authentic data," to avoid legal action under the law.

Finance Minister Tarin Friday launched the 'National Sales Tax Return' for all federal and provincial sales taxpayers with the resolve that it would promote standardisation of taxability and tax rates and automatic input credit and refunds. Addressing the launching ceremony at the FBR Headquarters here, Tarin said that non-filers should voluntarily come forward and pay taxes before we soon approach them.

The finance minister announced that he wanted to share good news with the entire nation that the un-registered persons would soon be approached backed by authentic data and estimated tax liability in the coming days. We have collected data of millions of taxpayers including bank accounts information, utility bills, travel and other data. There is no need for giving notices to the people in the presence of concrete data. "I promise that there would be no harassment," Tarin said. With the use of technology, the data would be shared with estimated tax and their financial transactions and expenditures. The draft tax returns would be shared with the non-filers and ask them to rectify any mistakes. They would be allowed to consult the panel of auditors to check their draft returns. Even then, if the non-filers would not pay taxes, then the law would take its own course. He said that I am sharing this news with the nation because we have all the information about these people and only "switch" needs to be turned on to start the exercise. "Only two million people pay taxes in Pakistan, but this system will soon change," the minister said, adding that the government and the FBR plans to reach out to the people with the help of technology and if they still did not pay taxes, legal action will be taken against them.

"Everybody should pay taxes before we approach them," Tarin stated, urging tax evaders to register themselves before the government or the FBR questions them. "The time has come that the people should discharge their national obligation of paying taxes," he remarked. He further said that the retail has sales of 18 trillion, but only 3.5 to4 trillion is documented and the remaining is out of the documented regime.

Tarin further said that the Finance Supplementary Bill, 2021 has not been tabled for generating revenue. This new money bill is not for collecting taxes. Out of Rs343 billion from withdrawal of exemptions, Rs160 billion would be refunded to the pharmaceutical sector, whereas, Rs110 billion to the importers of capital goods and plant/machinery. "We do not need this tax under the money bill but only want documentation and removal of distortions", he added.

The finance minister reiterated that sustainable development is only possible, if people pay taxes. "We will facilitate taxpayers; however, everybody has to pay taxes," Tarin said. The finance minister maintained that the simplification of the tax system increases tax revenue, adding that if people do not pay taxes, a country cannot progress. Tarin said: "If I stay in this office, I assure everybody that not only people would pay income tax but everybody would have to pay sales tax as well." He was of the view that people live in big houses, travel in luxurious cars, and dine in at expensive restaurants, but when it comes to paying taxes, people pay a very little amount.

GOVT TO INFORM UNREGISTERED TAXPAYERS ABOUT THEIR TAX LIABILITY: FM URGES POTENTIAL TAXPAYERS TO START CONTRIBUTING BEFORE THE FBR REACHES THEM

Finance Minister Shaukat Tarin said on Friday that the government has developed a system under which it will provide unregistered taxpayers the details of their income and expenses and how much they needed to pay in taxes, *Aaj News* reported. "We have collected the data of millions of unregistered taxpayers. I am giving good news that we will reach them within the next few weeks and provide them with [the details of] their tax returns," he said while addressing the launching ceremony of the National Sales Tax Directory by the Federal Board of Revenue (FBR). "We don't need to send notices because we have proper data now. We will provide concrete data, i.e., their bank account status, how much they paid in utilities, how much they spent on travelling and other luxuries. Those who have reservations will be connected with a panel of auditors from the private sector for consultation. "There will be no harassment, as I promised. But the law will take its own course against non-filers," the minister added.

Tarin said that the country could not prosper without collecting taxes. He urged unregistered potential taxpayers to start paying taxes before the FBR reaches them. Finance Minister said that he could not bring reforms during his last tenure (2009) because he stepped down prematurely. "But if I stay in the position this time around, everyone will have to pay taxes, including sales tax. Because the collection of taxes is the only way for the country to end economic crisis and take the path of prosperity," he noted.

“This is the need of the hour as the country’s sovereignty is at stake. In a country of over 220 million, only three million people file returns,” Tarin said, adding that there should be at least 15 to 20 million taxpayers, barring people from the agriculture belt who had very low incomes. He also congratulated the federal and provincial revenue divisions for coming on a single platform and making payment of revenues easy for taxpayers through the National Sales Tax Directory facility.

The minister said that a single platform will facilitate taxpayers, boost returns and reduce chances of errors. “Under the previous system, if a company was operating in multiple provinces, it had to deal with more than one agency for filing returns, which increased the chances of errors." However, now they would be required to file a single tax return under the new system, he added. “This is the progressive way of tax collection," Tarin said, adding that the measure would lead to an increase in the revenue collection.

R 8-1-2022

SENATE PANEL OKAYS 17PC SALES TAX ON IMPORTED MACHINERY FOR EPZs

ISLAMABAD: The Senate Standing Committee on Finance, Revenue and Economic Affairs on Friday approved 17 per cent sales tax on the import of machinery and equipment to be utilised in the Export Processing Zones (EPZs). While approving a few proposals, the committee headed by Senator Muhammad Talha Mahmood in its third consecutive meeting on the Finance (Supplementary) Bill 2021 also rejected others on the plea that they will lead to an increased burden on the common people.

The committee also dismissed the 17pc sales tax on solar panels saying it would discourage the use of innovative natural resources for the development of the country. Senator Talha accepted the invitation of Federal Board of Revenue (FBR) chairman Ashfaq Ahmed for taking a special briefing on the upgraded electronic refund payment system to clear the committee’s apprehensions.

The committee unanimously gave recommendations for the inclusion of insurance guarantee, bank guarantee and cheque for substances registered as drugs and medicaments under the drug Act 1976 and further recommended that the release of guarantee may also be time-bound. “The refund system of bank guarantees has been accelerated by 98.5pc this year,” the FBR chairman stated while assuring that the apprehensions will prove infructuous.

Responding to this the FBR chairman said the import of sewing machines is being misused by the industrialists. The committee unanimously recommended a change from “household type” to “industrial type”. He said that the pharma industry standing onRs700bn without a refund system is not comprehended; the refund system is a worldwide practice.

PPP Senator Farooq Hamid Naek said that only time will tell the truth of the consequences of such policies of the government. “Tax imposed on the sewing machines of the “household type” is a clear example of unjust to the class of society, who cannot afford branded clothing and boutiques wardrobes, he further said. It was also recommended bank guarantee on the oil and steel industry. The committee also sought details from the FBR on the cases pending with regards to the release of guarantees. The FBR assured the committee that the report will be submitted within a fortnight.

The proposed amendment on the customs duties on personal wearing apparel and bona fide baggage imported by overseas Pakistanis and tourists was also unanimously rejected by the committee.

The FBR chairman acknowledged the recommendation on the same and assured to revisit the proposition. The chairman FBR assured that the FBR is working on levied tax in the agriculture sectors. The chairman FBR stated that he has affirmed with the finance minister on the subject of keeping the modesty of the country intact.The chairman FBR informed the committee that in the erstwhile Fata and Pata areas, the industrialists give postdated bank cheques, most of them were bounced due to low balance in their accounts. He said that Rs150bn tax was still in pending. Senator Faisal Subzwari also expressed reservations on tax imposition on laptops/computers stating that it is against the idea of Prime Minister Imran Khan’s Digital Pakistan.

The public petition by Vice-Chairman Pakistan Gems Jewellery Traders and Exporters Association Fayyaz Qureshi was referred to the FBR.

The chairman FBR invited all the stakeholders for a public hearing and obtain a single solution on the matter of 17pc sales tax on import gold in unworked condition and articles of jewellery. “All differences in sales tax should be eliminated in the next five months,” Chairman FBR stated. The committee unanimously agreed on the proposition of fully documenting the matchbox industry, the committee proposed recommendations to increase the fixed tax on match stick material from Rs90 to Rs110 per kg.

On the matter, the committee said that all the industries of these areas should pay bank guarantees.

Dawn 8-1-2022

DRAP AGREES TO INTEGRATE WITH PSW FOR GOODS CLEARANCE

ISLAMABAD: The Drug Regulatory Authority of Pakistan (DRAP) has agreed to integrate itself with Pakistan Single Window (PSW), which would help stakeholders in clearance of pharmaceutical raw materials, products, and devices for imports and exports. According to an official announcement made by the PSW on Friday, the roadmap for DRAP's integration was discussed and agreed between PSW CEO Aftab Haider and DRAP CEO Asim Rauf.

DRAP's integration with PSW would enable electronic submission, processing and issuance of licenses, no objection certificates (NOCs), and other certificates, as prescribed for import, export or international transit of specified products falling under DRAP's regulatory jurisdiction.

PSW would also extend the facility of electronic registration of importers, imported products (drugs, medical devices, health and over-the-counter products), and premises to provide end-to-end integration of all DRAP related services on cross border trade to users. Under the initiative, extensive business process reengineering of DRAP's cross border trade was carried out. It resulted in completing BPR of 31 processes, and digitisation of 56 paper-based documents with the facility to scan and upload additional documents as required on case-to-case basis. During the meeting, the two sides discussed the ongoing initiatives for DRAP's automation and agreed on the roadmap for DRAP's integration based on the business requirement specification (BRS) document jointly developed by DRAP and PSW teams, and duly approved by the Ministry of National Health Services, Regulation and Coordination Islamabad last year.

PSW CEO Aftab Haider said, "DRAP is a high priority trade regulator for PSW and we appreciate the leadership role and ownership that DRAP has demonstrated in spearheading this critical initiative." Under the PSW Initiative, DRAP would get better visibility of all imports and exports through exchange of information and data.

DRAP's control measures would be further strengthened by implementation of the Integrated Risk Management System running on the basis of risk rules defined by the department.

DRAP CEO Asim Rauf appreciated PSW's efforts and shared his vision to automate DRAP's business processes. "DRAP took a number of initiatives to automate its processes such as medical devices online system for establishment license and product registration, online software for clinical trials, online fee challan system and online software of import and export application submission and issuance etc." He emphasised the need for developing joint strategy for digitisation of the public sector. For us the most important feature of DRAP's integration with the PSW is facilitation to DRAP's stakeholders in the import and export of pharmaceutical raw materials, products, and devices, he added.

DRAP is mandated for effective coordination and enforcement of the Drugs Act, 1976 to regulate the manufacture, import, export, storage, distribution and sale of therapeutic goods in the country.

The PSW would allow parties involved in trade and transport to lodge standardised information and documents at a single-entry point for all import, export, and transit-related regulatory requirements. Pakistan is committed to implement the PSW by June 2022 under World Trade Organization's Trade Facilitation Agreement. The programme is being implemented in phases with Phase 1 scheduled for inauguration by the Prime Minister in March 2022.

TN 8-1-2022

FIA DETECTS OVER RS4BN MONEY LAUNDERING UNDER SOLAR PANELS IMPORTS

KARACHI: Federal Investigation Agency (FIA) has reportedly detected over Rs 4 billion money laundering under the grab of solar panels imports.

According to the details, the FIA corporate crime circle has registered a case against the accused person over the allegations of his involvement in suspicious withdrawal transactions of huge amounts with unrelated counter parties of far-flung areas which were suspected to be hawala, hundi operators in violation of Foreign Exchange Regulation Act (FER) 1947. During the initial course of investigation, it was revealed that the accused person was maintaining multiple accounts in different banks and heavy turnover amounting to over Rs 4.9 billion were noticed in these accounts. Apart from hawala, hundi activities and smuggling, it also came to know that the accused person also indulged in import of solar panels and other materials to abroad by way of hawala, hundi.

Moreover, all these transactions were made from Karachi by the accused person under the grab of fake trading companies established for the purpose of money laundering. After verifying the veracity of the information, a team of CCC FIA has conducted a raid at his office and seized the relevant documents, cash, computers, etc for further investigation.

As a result of counter verification of seized documents, it has been established that the accused person along with his other accomplices were using the office for money laundering purposes under the grab of import and export of solar panels and other materials. Therefore, the FIA has arrested four accused persons and registered the case and charged 10 persons under section 4(1)/5/23 of FER, 1947. Further investigation is in progress.

CUSTOMS ORDERED TO CLEAR 8,522 AUCTIONABLE LOTS WITHIN TWO MONTHS

ISLAMABAD: In a landmark finding, the Federal Tax Ombudsman (FTO) in pursuance of an own motion investigation has ordered the Customs authorities to clear the 8,522 pending auctionable lots within two months. According to the directions to the Federal Board of Revenue (FBR), Member Customs (Operations) was further directed to personally monitor the compliance of above directions and initiate disciplinary proceedings against the Collectors/Directors who fail to comply with the above directions.

Reportedly, the own motion investigations were initiated by the FTO on the reports regarding large quantity of confiscated or otherwise uncleared goods and vehicles laying un-disposed at Customs formations all over the country, involving stuckup revenue of billions of rupees. The Customs Laws, Rules, Customs General Orders (CGOs) and instructions provide for expeditious disposal and auctions of such goods and vehicles, however, the Customs authorities are not disposing these goods and vehicle shaving tampered and non-tampered chassis numbers as required under the law.

The data pertaining to the un-disposed lots ripe for auction was collected for the analysis purposes by FTO which revealed that a total of 8,522 lots are un-disposed and still pending in auction.

The reason intimated by the FBR, was that satisfactory bids have not been received against the reserve price fixed for these lots. So much so that at certain Customs Collectorates, the goods/vehicles have been offered for auction upto 40 times but still not disposed of. In addition to this alarming pendency in case of auctionable lots, other non-auctionable goods and cut & amp; weld/tempered vehicles are also not being disposed of. The above has resulted into non-realisation of huge government revenue and piling up of un-disposed goods ripe for auction at various Customs Warehouses across the country.

The FTO has directed the FBR to do away with the huge pendency of auctionable goods/vehicles within 60 days. Furthermore, Member Customs (Operations) is to personally monitor the above activity and disciplinary action to be initiated under E&D rules 2020 against the Collectors/Directors who fail to comply this direction.

The FTO also ordered Customs field offices to ensure that Collectors/Directors get the reserve price of the lots revised after every three consecutive auctions, if found undisposed and incorporation of provision to this effect under the Rule 58(2A) of the Customs Rules. FTO also ordered Chief (F&C) Customs to circulate the lists of tempered/cut; weld vehicles to all other departments on monthly basis for allotment under the Customs procedures along with the inclusion of registered philanthropic organizations of good standing, for allocation of these vehicles in pursuance of their philanthropic activities.

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SHC ALLOWS RELEASE OF GOODS AS INTERIM ARRANGEMENT

KARACHI: A customs appellate bench of High Court of Sindh (SHC) allowed release of goods on payment of undisputed amount of duty and taxes with the collectorate concerned and disputed amount secured with Nazir of the court.

The bench was hearing a constitution petition filed by Messsers S.K. Company through Asad Khan Advocate. The Chairman FBR, Collector, Appraisement, East and West and Director General Valuation were cited as respondents. The counsel for petitioner relied upon order and directions passed in CP 6463/ 2021 and said it is identical in nature and may be decided as such. The bench reproducing the earlier order allowed the petition on same terms and conditions.

A LOST CAUSE: CHAIRMAN FBR FORWARDS CHARGE SHEET AGAINST SAEED JADOON TO ESTABLISHMENT DIVISION

KARACHI: Chairman FBR Dr. Ashfaq has forwarded a charge sheet to Finance Minister against Saeed Jadoon Member Policy Customs, which was vetted by Finance Minister and now it is tabled at Establishment Division.
Saeed Jadoon was indicted in a case made by I&I Quetta that sizeable revenue was lost due to non-implementation of Valuation Rulings.
Customs' Intelligence reported that collectors of the Quetta Collectorate of Appraisement had reportedly been fixing very low and nominal advance assessable values of certain imported goods, including dry fruits and tiles for the last five to six years whereas the Directorate of Customs Valuation had already determined much higher values of the same goods.
Establishment Division will decide whether to forward it to Prime Minister with recommendations or not.

Interestingly, Saeed Jadoon is retiring on March 11 this year. Law provides that if an inquiry/investigation is finalized before superannuation, the verdict would be imposed. However, if a verdict comes after the retirement of officer, it may not be imposed. Therefore, this entire exercise is a waste of time and resources.

Several others officers are being targeted, as according to sources Chairman FBR was only interested in showing his efficiency to the Prime Minister. Through reopening this case, and ordering audit of vehicles auction, sources said Chairman FBR Dr. Ashfaq was trying to target around 50 PCS officers of BS-17 to BS-20.

Dr. Ashfaq is a very junior officer and he was made Chairman for the efficient investigation in the Qazi Faez Essa case. This investigation was assigned to him by Mirza Shahzad Akbar.

Without taking the merits of the case into consideration, Chairman FBR is opening past cases and pressurizing inquiry officers to fix responsibility on officers. Dr. Ashfaq already made a case in MG vehicles import case to malign Tariq Huda.

Director Customs Intelligence and Investigation Quetta Muhammad Ismail Quetta had made this case of non-application of different Valuation Rulings. He did a marvelous job and identified losses to national exchequer due to non-implementation of VRs etc.

Muhammad Ismail has a very limited team comprising Additional Director Abdul Hai Shaikh, Inspectors Hamid Habib and Shabbir Ahmed and only 10 sepoys, and they cover the entire Quetta Chamman border and Taftan borders.

I&I Quetta mentioned non-application of Valuation Ruling No 1031/2017 in assessment of Pistachio as goods are being assessed at $1.2S instead of $2.97, which resulted in loss of revenue to tune of Rs.854 million during 2019-2020. The practice is still continuing.

Non-application of Valuation Ruling No 1017/2017 & 1451/2020 in assessment of Nylon Mesh Net fabrics as goods are being assessed at $1.0 instead of $1.5, which resulted in loss of revenue to tune of Rs545 million.

Non-application of Valuation Ruling No. 1350/2019 in assessment of Cumin seeds (Zeera); non-application of Valuation Ruling No 1350/2019 in assessment of coriander; non levy of Regulatory Duty of 25 percent in clearances of potatoes.

I&I Quetta also noted in clearances of whey powder, artificial jewelry, glass ware, cumin seeds, suiting fabrics at NLC Dry Port, though VRs were applied but abnormal tare weight was given, resulting in colossal loss of revenue.

“High value items like tea, dry fruits and auto parts are imported and mis-declared in garb of low value items like moth beans attracting only 2.0 percent WHT. Moth beans imported at Chaman dry port are in millions of metric tons beyond production capacity of Afghanistan.

In response to the report made by I&I Quetta, then Collector Quetta Mr. Raza noted the authors of the inquiry report had deliberately tried to mislead the Board and higher authorities by suppressing, concealing and withholding crucial facts and misrepresenting other crucial events, procedures and happenings in respect of most of the issues discussed in the said lopsided report.

Raza said the entire report was based on misrepresentation of facts and conjectures and conclusions drawn on the basis of assumptions.

Both the authors of the report have neither visited Taftan nor served in any customs station where trade through land route is taking place. They accordingly fail to understand the context due to which unique mechanism of Local Valuation Committees were historically formed to evaluate inferior quality goods traded from Iran and Afghanistan through land routes. This trade has historically been informal without involvement of foreign exchange as there is no banking relationships between Pakistan and Iran / Afghanistan. This trade via land route is different and unlike other imports taking place from Karachi owing to fact that the goods are of low value, inferior quality in non-containerized mode of transport having loose packing and depreciated freight charges.

Under such circumstances, it would have been more appropriate for the Director General of Intelligence & Investigation (Customs), Islamabad to have sought input of the concerned Collectorates before endorsing the flawed and unsound conclusions of the report forwarded by the authors.

The high Court of Baluchistan in two separate CPs had upheld the valued determined by Collector Quetta and ordered assessment of all current and past consignments as per these values.

It is interesting to note that these goods, on the instructions of FBR, are still being assessed on the values, which I&I Quetta believed to be on the lower side.

CN 7-1-2022

DUBAI FIRM TO BUILD DRY PORT IN INDIAN-OCCUPIED KASHMIR

DUBAI: Dubai ports giant DP World is set to build an inland port in India-held Jammu and Kashmir, New Delhi’s representative in the occupied territory said on Thursday. Lieutenant Governor Manoj Sinha, in Dubai this week to promote investment, said DP World would soon visit the 250-acre site earmarked for the inland port facility. “We will finalise it shortly,” he said, describing the project as a “firm commitment” by state-owned DP World.

A DP World spokesperson said the company had a “productive meeting” with Sinha on Thursday and that it was preparing a proposal for the project. The announcement last October that Dubai would invest in the India-occupied region was the first by any government since Delhi revoked its autonomy in 2019 and divided it into two directly-ruled territories.

Emirati newspaper *Khaleej Times* reported this week that Dubai developer Emaar Properties would build a mall in Srinagar. Lulu Group, a UAE-headquartered company headed by an Indian billionaire, also plans to set up a food processing hub there. But investment in the heavily militarised region is fraught with risk. There are frequent attacks by anti-India fighters, while the Indian government has at times faced international criticism for widespread crackdowns by the army. “As far as militancy is concerned, we are dealing with it ... and I can assure it will be dealt (with) fully” said Manoj Sinha, who insisted the region was a safe place for foreign investment.

Dawn 7-1-2022