

## **RECOVERY OF RS445BN GIDC: PETROLEUM DIV SEEKS HELP OF AGP**

**ISLAMABAD:** The Petroleum Division has sought the Attorney General of Pakistan (AGP)'s assistance in recovering Rs 445 billion Gas Infrastructure Development Cess (GIDC), stuck in various court cases.

The secretary petroleum informed members of the Senate Standing Committee on Petroleum, which met at Parliament House on Monday. Senator Mohammad Abdul Qadir chaired the meeting. He noted that Rs445 billion was due from various institutions and urged to expedite recoveries in this regard. The secretary Petroleum Division said that Rs171 billion was pending from the fertilizer sector which was the biggest chunk. The committee was informed that the gas agreement between the Ministry of Petroleum and the government of Balochistan is still in process. The secretary informed the committee that the Ministry of Petroleum has prepared recommendations and that the agreement could be finalised if the provincial government is ready.

The committee chairman urged all stakeholders to resolve the issue of pending GIDC amounts as soon as possible and said farmers should be given subsidies rather than fertiliser companies. The committee was also updated on the status of three oil and gas fields in Balochistan. According to the secretary of petroleum, extraction will begin in 18 months. He commented that work has been ongoing in Jandran, Balochistan, since 1975, but the field is yet to supply oil and gas. Various security and political constraints have hampered proper implementation, according to the secretary. The committee was informed by Managing Director Oil and Gas Distribution Company Limited (OGDCL) Zahid Mir that four wells had been drilled at the Jandran Gas field. He stated that a feasibility report will be ready in March, and that pipeline construction will begin by the end of April. The supply of 85 MMCFD gas from Jandran will begin this summer, he added.

## **ARRANGEMENTS AIMED AT RESTORING 'FASTER' FINALISED**

**ISLAMABAD:** The Federal Board of Revenue (FBR), Monday night, finalised all arrangements with the help of the Pakistan Revenue Automation Limited (PRAL) for restoring the "FASTER" system for payment of sales tax refunds of billions to the exporters.

In this connection, the FBR's technical teams along with the PRAL and relevant Inland Revenue officials from the operations side tested the system to remove errors and problems in the system. Recently, Pakistan Apparel Forum refers to the FBR's meeting with the stakeholder associations of Value-Added Textiles Export Sector whose chairmen/ representatives highlighted the delays caused in the processing of sales tax filed under the FASTER system and also delays in the issuance of eRPOS (electronic refund payment orders) and release of refund claims under Sales Tax Act and Rules.

The stakeholders demanded to resolve the matter of Sales Tax Refund up to the satisfaction of textile exporters to enable and facilitate them to enhance exports. A joint forum of exporters met the FBR including the Pakistan Textile Exporters Association (PTEA); All Pakistan Textile Mills Association (APTMA); Pakistan Hosiery Manufacturers Association (PHMA); Pakistan Textile Council (PTC); Pakistan Ready Made Garments Association (PREGMEA); Towel Manufacturers Association (TMA); Pakistan Apparel Forum; representative of M/s US Apparels; representative of M/s Nishat Limited, and representative of M/s Crescent Cotton Mills Limited.

Textile stakeholders apprised the Member IR (Operations) that the processing of sales tax refund claims through the FASTER system has been suspended since January 6, 2023, and exporters are facing financial issues. Joint demand was to ensure refunds are processed strictly in accordance with law and rules and released in 72 hours, as per commitment.

The FBR responded that the processing of refund claims is suspended as the hardware and the software of the FASTER system is being upgraded as the previous became obsolete. The system will be fully operational by Monday. There are certain individual cases/ aspects involving sanctioning of inadmissible refund claims. The tax authorities floated proposals to forestall inadmissible/ false refunds through system checks in respect of the following: (i) Duplicate Invoice claims by certain taxpayers; (ii) duplicate claims of Goods Declaration; (iii) processing of excess refund through FASTER over and above the maximum limit of 12 percent of export value; (iv); transfer of excess amounts of refund in the accounts of the exporters and (v); check/ restriction regarding debit/ credit note.

Representative associations agreed with the checks as the same were not in any way hampering the genuine claimants of the refund. However, the representatives of associations reacted that such findings should have been shared with stakeholders rather than causing delays. They also expressed their concern and questioned as to why the genuine exporters were penalised owing to delay in refunds causing severe liquidity crunch in order to check and identify one per cent or two per cent wrongdoers/ fake claimants against whom action should be taken as per law.

The tax authorities also shared their proposals for deliberations in respect of the following: (i) FBR proposed to increase limit of minimum value addition from 10 per cent to 20 per cent. However, the same was accepted at 15 per cent for an interim period of two months. After two months the same will be reviewed; (ii) maximum limit of processing by FASTER will remain intact up to 12 percent till further review after two months; (iii) wastages will be reported in Annex-H through a separate column to disallow input tax relating to wastages. The proposal was vehemently opposed by the associations being against the applicable laws and rules made there under.

Introducing HS code-wise negative list of inadmissible items in terms of section 8 of the Act: The refund amount disbursement after realisation of export proceeds was proposed; however, the same was seriously objected by the exporters and the same was deferred/ dropped.

The stakeholders reacted that to consider enhancement the percentage of value-addition needs to be properly discussed with rationale and justification. There were multiple factors affecting the percentage of value-addition which are debatable. Associations' representatives also highlighted that zero-rating was withdrawn and sales tax was imposed to register local business under point of sales (POS) which has yet to be successfully achieved by the FBR; however, on the other side, the export business was suffering owing to stuck-up liquidity in shape claims of sales tax refunds.

## **FBR OFFICIALS ACCUSED OF HARASSING TAXPAYERS SANS JUSTIFICATION**

LAHORE: Consolidated show-cause tax recovery notices by the field formations of Federal Board of Revenue (FBR) are rubbing salt into the wounds of taxpayers and causing harassment without any lawful justification. Most of the time, said sources, field formations club recovery proceedings under sales tax with the recovery of special excise duty and issue a joint show-cause notice despite the fact that the Federal Excise Act requires separate proceedings. They said a lethargic attitude as well as poor command on the relevant acts of tax officers leads to such controversies which cause harassment to taxpayers on one hand and ends up on wastage of financial resources.

The sources said tax authorities prefer to mention non-payment of the excise duty in the notices originally issued for the recovery of sales tax. Interestingly, they added, most of the notices carry further discrepancies, as, except, quantifying the amount of loss with respect to non-payment of sales tax and special excise duty, nothing is mentioned to indicate alleged violations, breaches and the logical consequences.

Accordingly, said the sources, such notices fall neither here nor there, as allegations of one type of tax breaches are mixed up with the other one. Some tax practitioners said majority of the notices could not hold ground before the appellate tribunals as they fail to establish a controversy on record. They said special excise duty can only be imposed by initiating proceedings under the enabling provisions of Federal Excise Act. Since no separate order for special excise duty exists on record and the order in original bears a single number on its face for both the levies, therefore, the tax practitioners waste no time in approaching the relevant forum for dismissal.

According to them, such conspicuous notices are issued by the tax authorities to pressurise taxpayers which is tantamount to corrupt practices. They said the department does not take notice timely and initiate harsh disciplinary proceedings against such unscrupulous elements, which earns bad name for the department.

## **FBR'S SRO NOTIFIES TAJIKISTAN-PAKISTAN TRANSIT TRADE RULES, 2023**

ISLAMABAD: The Federal Board of Revenue (FBR) on Monday issued procedure for processing of transit trade cargo through the notified ports under Customs Computerized System between Pakistan and Tajikistan.

The FBR has issued SRO.286(I)/2023 on Monday to notify Tajikistan-Pakistan Transit Trade Rules 2023. Tajikistan's registered vehicles holding valid permits and are being utilized for the transport of transit and bilateral trade cargo shall enter Pakistan without the requirement of submission of any financial security for the duty and taxes leviable on the vehicle, on the basis of reciprocity, as agreed by the two contracting parties.

The Logistics Facilitation Centre shall record particulars of both driver and vehicle in the CCS and these details should be linked with the FIA's immigration module so that driver can only exit Pakistan, if his vehicle, on return journey, has entered the border Customs station and gate-in event has been recorded in the CCS and vehicle has completed all customs formalities for exiting Pakistan.

Both Customs and FIA officials posted at the Customs border stations shall carry out weekly reconciliation to ensure the implementation of the above mechanism and to ascertain any overstayed vehicles.

Under the new rules, the procedure would be applicable on the Tajikistan's cargo imported through Karachi Port, Port Muhammad Bin Qasim, Gwadar Port; and Tajikistan's cargo to other countries via Karachi Port, Port Muhammad Bin Qasim, Gwadar Port.

Directorate General Reforms and Automation, Karachi shall generate one or more user IDs for the focal person of the relevant Ministry of Republic of Tajikistan for registration of different categories of users i.e., traders, government organizations, United Nations (UN) or Diplomatic Missions based in Tajikistan with Customs Computerized System (CCS).

The foreign entities i.e., traders, government organizations, United Nations (UN) or Diplomatic Missions shall complete the requisite registration proforma (Annex-I) which shall be submitted in the Customs Computerized System by the relevant Ministry of Republic of Tajikistan electronically. On receipt of the requisite information, the CCS shall generate a user ID and password and forward it to the applicant through his registered email address. The user shall have right to nominate up to three customs clearing agents or brokers to handle his transit cargo in Pakistan.

A user can also nominate a transport operator for handling of cargo i.e., both for filing of GD and transportation of transit cargo by the same logistic entity. Before the start of every calendar year, the competent authorities of the two contracting Parties shall exchange agreed number of permits for goods transport. Said permits must bear a stamp of the competent authority of the State of the contracting party and the signature of an authorized person issuing this permit, new rules added.

## **CARGO PROCESSING: FBR ENFORCES PAK-UZBEK TRANSIT TRADE AGREEMENT**

ISLAMABAD: The Federal Board of Revenue (FBR) has enforced Uzbekistan-Pakistan Transit Trade Agreement for processing of transit trade cargo through the customs-ports and terminals between Karachi Port, Port Muhammad Bin Qasim, Gwadar Port, and Uzbekistan. The FBR has proposed amendments in the Uzbekistan-Pakistan Transit Trade Rules 2021 through an SRO. 288(I) 2023 issued here on Monday. Under the revised rules, the procedure for verification of cross-border event and crediting of amount equal to leviable duty and taxes to Revolving Financial Security for Uzbek transit goods imported through the customs-ports and terminals.

The new procedure would be applicable on the Uzbekistan-Pakistan Transit Trade Agreement, for processing of transit trade cargo under Customs computerised system, to and from Uzbekistan; Uzbekistan's cargo imported through Karachi Port, Port Muhammad Bin Qasim, Gwadar Port; and Uzbekistan's cargo to other countries via Karachi Port, Port Muhammad Bin Qasim, and Gwadar Port. Under the procedure, Directorate of Transit Trade, Peshawar and Quetta shall be authorised to issue and regulate permits at their respective land border customs stations.

The Board may through a general order levy charges, generally applicable for all traffic, including fees for weighment, scanning and sealing by customs officials or those commensurate with the administrative expenses for the costs of services rendered. The vehicles shall be prohibited from carrying goods loaded in the territory of Pakistan for delivery at any other point (cabotage) and goods from or to another country (third country) than the operators home country and to be delivered or picked up to or from the territory of Uzbekistan.

Uzbekistan's registered vehicles holding valid permits and are being utilised for the transport of transit and bilateral trade cargo shall enter Pakistan without the requirement of submission of any financial security for the duty and taxes leviable on the vehicle, on the basis of reciprocity, as agreed by the two contracting parties, the FBR said.

The Logistics Facilitation Centre shall record particulars of both driver and vehicle in the CCS and these details should be linked with the FIA's immigration module so that driver can only exit Pakistan, if his vehicle, on return journey, has entered the border Customs station and gate-in event has been recorded in the CCS and vehicle has completed all customs formalities for exiting Pakistan. A tracker shall be installed on each vehicle upon entry into the territory of Pakistan as per its national legislations.

All customs clearing agents/ brokers, bonded carriers engaged in the clearance and transportation of transit cargo, are required to receive the amount for various expanses in respect of service charges, freight etc., in Pakistan from foreign trader/ entity in their Pak Rupee bank accounts in foreign currency, rules added.