CIGARETTE FACTORIES: PM ORDERS INSTALLATION OF TRACK-AND-TRACE SYSTEM

ISLAMABAD: Prime Minister Shehbaz Sharif has directed installation of the track and trace system in all cigarette factories in the next two weeks and expressed displeasure over the non-installation of automatic track and trace system in all the sugar mills. While chairing a review meeting with regard to the installation of automatic track and trace system, point of sales and overall tax increase in the cigarette industry on Tuesday, the premier directed law enforcement agencies to provide all possible support to the Federal Board of Revenue (FBR) in preventing smuggling and sale of illegal cigarettes. He further directed that tenure posting of officers having a good reputation should be done at the border crossing.

The meeting was informed that at this point in time track and trace system has been installed in most of the factories in the country, whereas, the installation process is in progress in the remaining factories. The meeting was also informed that negotiations for the installation of track and trace system at factories in Azad Kashmir have entered the final stages. The meeting was also informed about the measures taken by the FBR to prevent the sale and smuggling of illegal cigarettes. Additionally, the prime minister was apprised that the FBR has brought 0.7 million new taxpayers into its tax net and is taking steps to meet its targets this year. The premier also sought a comprehensive strategy prepared to increase tax revenues.

The meeting was also informed about the progress with respect to the installation of automatic track and trace system at sugar mills. The premier was displeased over the non-installation of automatic track and trace system in all the sugar mills and sought an inquiry report after determining the persons responsible for not installing automatic track and trace system in the sugar mills. The premier directed that the services of internationally-renowned institutions should be taken to install track and trace systems equipped with modern technology in all the bad sectors of the economy. This initiative will improve the documentation of the country's economy and increase revenue. He also directed that a report should be submitted to him in the next two weeks. He said that legal and judicial proceedings regarding tax collection should be accelerated.

The meeting was attended by federal ministers, Ishaq Dar, Rana Sanaullah Khan, Makhdoom Murtaza Mehmood, Azam Nazeer Tarar, Adviser to the Prime Minister Ahad Khan Cheema, Special Assistants Jehanzeb Khan, Tariq Pasha and relevant senior officials.

DOCUMENTED STEEL SECTOR: PM URGED TO 'RATIONALISE' TURNOVER TAX RATE

ISLAMABAD: The documented steel sector has strongly recommended Prime Minister Shehbaz Sharif to rationalise turnover tax rate and increase the turnover tax adjustment period to five years to stabilise and boost exports of local steel industry.

In a communication to the prime minister on Tuesday, the steel industry informed that the local steel industry that is currently on the brink of closure and operating on very thin profit margins or incurring losses strongly suggest the government to take the following measures:

(i) There is need to abolish minimum tax or at least reduce its rate from 1.25 per cent to 0.25 per cent for steel manufacturers.

(ii) The carry forward period of minimum tax should be allowed for adjustment to five years again.

Last year, government levied super tax on large industries intended to stabilise the economic situation but at the same time, the step has penalised large/documented sector/who went into bigger scale and who have ability to go into exports — hence, inadvertently encouraging the non-formal/non-documented sectors.

The government's timely support would help our industry to survive in this difficult time instead of falling apart or considering closure of operations. Steel industry, which is the backbone of economy and which has most recently emerged as the 6th largest exporting sector, is currently under enormous pressure and fighting for sheer survival.

The acute shortage of raw material/scrap due to curbs on LCs, highest interest rates, and massive rupee devaluation are the factors responsible for situation. All these factors are beyond the control of our struggling industry. As a result, it is all set to incur forced losses (First half) or some fortunate might be able to survive on bare minimum margins. Most of the units are operating on minimum capacities and some have shut down their operations. Due to this situation, the Chinese investor – Century Steels, has put the installation work of machinery on the halt – waiting for better days to re-start.

In these extra ordinary situation, the high rate of regressive; unjustifiable Turnover Tax (on manufacturing) must be rationalised from 1.25 per cent to 0.25 per cent. The leading business Associations/ Councils have urged the government for reduction of turnover tax. Last year, government reduced the carry forward minimum tax period from five years to three years. For the current financial year, the industry is set to perform poorly and would not be able to adjust carry forward turnover tax in three years' time.

The next two to three years could be most critical for the industry so, the carry forward adjustment period of minimum tax should be allowed for five years. This would provide a breather to industry without any implications vis-a-vis IMF.

The purpose of introducing turnover tax was to bring those SMEs into the tax net who were deliberately declaring loses to evade taxes. Whereas on ground turnover tax is actually hitting the documented tax paying sectors who are audited by world class auditors. Especially, the steel sector cannot evade taxes because the productions could be cross checked through electricity units as well. During the last 2/3 years, many steel companies have been diversifying into exports of non-ferrous metals (especially Copper; Aluminum) and most recently the iron and steel sector emerged as the 6th largest and fastest growing exporting industry.

Last year, exports of iron steel sector stood at around one billion USD. In the current scenario where industry is being crushed under enormous stress, this could badly erode the exporting ability of this sector.

R 5-4-2023

FBR PLANS INCREASING CGT RATES, PERIOD ON IMMOVABLE PROPERTIES

Federal Board of Revenue (FBR) is planning to increase capital gains tax (CGT) rates and period on immovable properties in order to discourage short-term buying and selling.

FBR sources told PkRevenue.com that a committee comprising senior officers of Inland Revenue Service (IRS) has been constituted for working on existing CGT rates and tenure and suggesting raise in both rates and retention period. The sources said that the plan to raise the tax on immovable properties is part of preventing this industry from parking lot of black money besides also discouraging the property to trade as commodity. They said that the purpose of the enhancing tax on immovable properties was to divert investment towards other sectors of the economy for growth.

The FBR amended the retention period of immovable properties through Finance Act, 2022. The revenue body stated that earlier, the gain arising on the disposal of immovable property after the holding period of 4 years was exempt from tax. Now the holding period concession will separately apply which for open plots is six years, for constructed property is four years and for flats is two years. Further, whole amount of gain on disposal of immovable property will be taxable at graduated rates provided in Division VIII of Part I of First Schedule of the Ordinance given as under:

SNo.	**HOLDING**	**PERIOD**	**RATE OF**	**TAX**
		OPEN PLOTS	**CONSTRUCTED PROPERTY**	**FLATS**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1.	Where the holding period does not exceed one year	15%	15%	15%

2.	Where the holding period exceeds one year but does not exceed two years	12.5%	10%	7.5%
3.	Where the holding period exceeds two years but does not exceed three years	10%	7.5%	0
4.	Where the holding period exceeds three years but does not exceed four years	7.5%	5%	–
5.	Where the holding period exceeds four years but does not exceed five years	5%	0	–
6.	Where the holding period exceeds five years but does not exceed six years	2.5%	–	–
7.	Where the holding period exceeds six years	0%	–	-]

It further explained that the concessional taxation regime for capital gains has been made applicable only to disposal of immovable properties situated in Pakistan.

The benefit of holding period and concessional rate of tax is not available in respect of capital gains arising on disposal of immoveable property situated outside Pakistan.

Furthermore, to streamline capital gains taxation regime, the concessions earlier available under sub-sections (3) and (3A) of section 37 in terms of reduction in capital gain by certain percentages on disposal of capital assets held for more than one year has been withdrawn.

Sub-section (4A) of section 37 has been omitted. Accordingly, non-recognition provision of section 79 will apply to determine the cost of acquisition on transfer of capital asset under the circumstances contained therein.

It is worth mentioning that the FBR has also constituted another committee to review the valuations of immovable properties in the major cities, which would be applicable from new fiscal year.

Tax experts, however, said that in the challenging economic conditions and high inflation and imposition of multiple taxes had already brought down the prices of immovable properties. They said that enhancing valuation of immovable properties would not be a wise decision.

For the ongoing fiscal year, the government has taken measures by imposing deemed income and capital value tax on immovable properties. The deemed income under Section 7E adversely affected real estate market. Shafi Jakvani, the Vice President of the Karachi Defence and Clifton Association of Real Estate Agents, said that the government's policies have aggravated the investment scenario, adding that the heavy taxes on the property industry need to be reviewed to attract investment, given the already-declining prices of immovable properties. Jakvani emphasized that the present political and economic situation is already discouraging investors, and the indefinite extension of the time for capital gain tax is not correct. He also mentioned that the government has imposed wealth tax in the shape of fixed tax. He urged the government to review the heavy taxes on the property industry in order to attract investment as prices of immovable properties have already fallen by 15 per cent in the first three months of the year 2023.

PR 5-4-2023

‘SODIUM NAPHTHALENE SULPHATE FON-A’: FBR IMPOSES LOWER RATE OF 3PC DUTY ON IMPORT

ISLAMABAD: The Customs classification committee of the Federal Board of Revenue (FBR) on Tuesday imposed a lower rate of 3 percent Customs duty on the import of “Sodium Naphthalene Sulphate FON-A” a raw material used in making different chemicals in local markets of Pakistan.

In this connection, the committee has rejected the viewpoint of Collectorate of Customs (Appraisement) East, which imposed 16 percent duty on the import of the said item.

The committee has issued a ruling in terms of Chapter-II (Classification) of customs general order (CGO) 12/2002. The crux of the ruling is that the said raw material is not subjected to 16 percent duty but only 3 percent customs duty at the import stage.

According to the ruling of the FBR’s Customs classification committee, the Collectorate of Customs (Appraisement) East forwarded a reference for the determination of classification of “Sodium Naphthalene Sulphate FDN-A.” Brief facts as reported by the referring Collectorate are that M/s Vertex Chemicals (Pvt) Ltd. Imported a consignment declared to contain “Sodium Naphthalene Sulphate FDN-A” under PCT heading 3824.9999. On Lab Test, the goods were reported as sodium salts of naphthalene sulfonateformaldehyde condensate product in form of dark brown powder. During scrutiny, the Collectorate found that Sodium Naphthalene Sulphate FDN-A is directly used as superplasticizer and used as concrete admixture, which is classifiable under Head 3824.4000.

Another company M/s Ultra Construction Chemicals (Pvt) Ltd filed complaint before the Federal Tax Ombudsman for ascertainment of classification.

The departmental representative reiterated the stance of the Collectorate that the impugned goods are superplasticizer for concrete or concrete admixture which were correctly classifiable under PCT heading 3824.4000 as “Prepared additive” by application of GIR Rule 3(a). On the other hand, the representatives of the importers contended that subject goods were raw material used as concrete admixtures and used in making different chemicals for customers in local market of Pakistan. Incharge Custom House Lab was called who opined that the impugned goods were not prepared additives. It was observed that the issue of classification arose in past and the Collectorate classified in the PCT heading 3824.9999. Past and present clearance history showed that the goods released under PCT heading 3824.9999. The current aforementioned Custom House Lab opinion also says that the impugned good are not prepared additives, thereby cannot be classified as prepared additives under PCT heading 3824.4000.

CUSTOMS-PORTS AND TERMINALS: FBR ALLOWS PROCESSING OF UZBEK TRANSIT GOODS

ISLAMABAD: The Federal Board of Revenue (FBR) has allowed processing of the Uzbek transit goods through the Customs-ports and terminals of Karachi Port, Port Muhammad Bin Qasim, Gwadar Port under the Uzbekistan-Pakistan Transit Trade Agreement.

The FBR has amended Uzbekistan-Pakistan Transit Trade Rules 2021 through an SRO 421(I) 2023 issued here on Tuesday. Under the amended rules, the “cross stuffing” means transfer of goods from one container to another container or any other mode of transportation as per TIR specifications, in the approved places within premises of Customs-ports and terminals or off-dock terminals.

According to the SRO 421(I) 2023, 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, the rules added.

FBR'S MEMBER FELICITATED

ISLAMABAD: Chairman Pakistan Business Forum (Balochistan Chapter) and former President FPCCI, Engr Daroo Khan Achakzai has felicitated Member Customs FBR Mukarram Jah Ansari in the BPS-22.

In a letter to Member Customs, he said that no doubt, it is recognition of Member Customs' professional carrier and services to the State and honour to civil bureaucracy. During his entire services, he has exhibited high quality of leadership, intellect and a high calibre, well-mannered officer-ship.

In addition, he has extensive operational and management experience in the areas of trade facilitation, enforcement and compliance management in Customs and indirect taxes. Introduction of ease of business reforms spearheaded of dynamic efforts. "I feel a great pleasure to congratulate and express my heartiest facilitations and I am sure that the trade and commerce of the country will further develop and flourish under your able and dynamic leadership," Daroo Khan said adding that Balochistan will feel privilege and proud Mr. Jah e set an example for the youth of the province to follow. He maintained that the stakeholders of the Balochistan would be more confident while dealing with the department which you will head. PBF provincial chief also wished him success in his new assignment and praying his long life, health, prosperity and greater successes in the years to come.

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