LTO KARACHI COLLECTS RS2,076BN IN FY2022-23

KARACHI: The Large Taxpayers Office (LTO), Karachi announced a remarkable achievement as it had collected Rs 2,076 billion in the outgoing fiscal year, surpassing the previous financial year's collection by Rs 391 billion.

Despite facing significant economic challenges, the LTO, the largest revenue generating arm of the Federal Board of Revenue (FBR), demonstrated resilience and successfully surpassed Rs 2 trillion mark, said Commissioner Inland Revenue Girdhari Mal during a press briefing held at the LTO office in Karachi. He acknowledged the adverse conditions experienced during the past fiscal year, including tight budgetary measures, trade deficit, rupee devaluation, political crisis, and a decline in imports and exports. These factors not only posed unprecedented conditions for the LTO but also resulted in a significant dip in GDP growth, which stood at a mere 0.29 percent.

Mal emphasized that despite these challenges, the LTO managed to collect a staggering Rs 2076 billion in revenue. After accounting for Rs 86 billion in refunds, the net revenue collection for LTO amounted to Rs 1990 billion, reflecting a noteworthy 24 percent growth.

Domestic tax and tax on imports reported growth of 56 percent and 3 percent, respectively. However, sales tax and federal excise duty experienced negative growth of 80 percent and 24 percent, respectively.

The commissioner highlighted that income tax played a pivotal role in this achievement, contributing Rs 893 billion to the overall revenue collection of LTO, showing a substantial 64 percent growth compared to Rs 544 billion collected during the previous fiscal year.

In addition to the impressive revenue collection, Mal shared that approximately Rs 433 billion was still entangled in litigation involving 3649 cases.

The Commissioner Inland Revenue, who was joined by Abdul Qadeer Abbasi, Additional Commissioner Head Quarter LTO, and Anees Memon, Deputy Commissioner HR, during the press briefing, highlighted the collective efforts of the LTO team in achieving this milestone.

The successful revenue collection by the LTO is not only a testament to its commitment and efficiency but also underscores the importance of tax compliance in sustaining the country's economic growth. With the challenges faced during the previous fiscal year, the LTO's performance provides hope for a stronger financial future and underscores the resilience of Pakistan's economy.

YEAR-ON-YEAR: NUMBER OF COMPLAINTS AGAINST FBR HAS DOUBLED: FTO

ISLAMABAD: The total number of complaints filed by taxpayers with the Federal Tax Ombudsman (FTO) against the Federal Board of Revenue (FBR) have been almost doubled during January-July of 2023 as compared to the whole year of 2022, reflecting increased maladministration in tax machinery.

FTO Dr Asif Mahmood Jah told *Business Recorder* at the FTO Headquarters on Wednesday that the taxpayers including business and trade have filed 3,956 complaints against the FBR involving major issues of maladministration and harassment during January-July of 2023. This reflected increased confidence of the taxpayers in the FTO office and awareness among the general masses. On average, 2,500 complaints have been received at the FTO office per year. In the last six months, the number of complaints against the FBR's functionaries has almost doubled. Keeping in view this growing trend, it is expected that the number of complaints would be four times by the end of the year.

The FTO has conducted record 16 "own motion" investigations against different big issues being faced by the taxpayers, particularly the business community.

The FTO has completed investigations in several own motion cases including misuse of a facility of unaccompanied baggage, clearance of imported goods, pending inquiries against the FBR officials, bidding process of auction of non-duty paid vehicles, and corrupt practices by customs authorities in Balochistan. FTO Dr Jah added that multiple administrative issues were investigated and recommendations were made to the FBR for improvement in the governance of tax processes. The FTO said the total number of complaints filed by taxpayers against the FBR stood at 3,956 during January-July of 2023. At the same time, the informal complaints/resolution stood at 159 during the first seven months of 2023. Month-wise data of complaints revealed that 558 complaints were filed in January 2023; 609 in February 2023; March 714; April 586; May 803; June 608, and 78 complaints were filed during the first five days of July 2023.

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KARACHI PORT TRUST INCREASES ITS TARIFF AFTER TWO DECADES: THE WET CHARGES ARE SET TO BE HIKED AFTER REDUCTIONS OVER THE PAST TWO DECADES

The Karachi Port Trust (KPT) has finally increased its tariff after a staggering gap of 20 years. KPT says it has taken the decision amidst soaring costs of operations, maintenance, and modernisation; plummeting value of the Pakistani rupee; and the need to adapt to evolving market demands and address infrastructure challenges. “These are applicable from July,” announced Shariq Farooqui, Public Relations Officer at KPT.

The tariff hike will affect the wet and dry charges for various services and commodities at the port. But what even are these charges, and how will they impact the port users?

What are wet and dry charges?

Wet charges are the fees that KPT levies for providing navigational services to the vessels that enter or leave the port. These include pilotage, port dues, and berthing. Pilotage is the service of guiding the vessels through the channel and harbour. Port dues are the charges for using the port facilities and infrastructure. Berthing is the charge for occupying a berth or anchorage at the port.

Dry charges are the fees that KPT levies for handling and storing the cargo that is loaded or unloaded at the port. These include wharfage, storage, and handling. Wharfage is the charge for using the wharf or quay for loading or unloading cargo. Storage is the charge for keeping the cargo at the port premises. Handling is the charge for moving the cargo within the port.

KPT’s claimed balancing act

While KPT concedes that the hike in dry charges may have marginal impact on certain sectors, it has endeavoured to minimise the burden on the general public. It has decided to either maintain or negligibly increase the tariff structure for commodities like edible oil, food, grain, wheat, flour, seeds, fertilisers, meal, pulses, poultry feeds etc.—essential goods that affect millions of people.

KPT has also slashed the tariff on transshipment through the Port of Karachi in order to lure more shipping activities and transform KPT into a modern transshipment hub.

What are the new costs?

The tariff hike will also affect the wet charges for vessels based on their gross registered tonnage (GRT). GRT is a measure of a vessel’s size and capacity—calculated by multiplying the volume of each enclosed space on a vessel by a factor based on its use.

KPT asserts that its wet charges were reduced in 2003, 2006, and 2010 when compared to 1994. The wet charges in the revised statutory regulatory order (SRO) 2023 are still less with respect to pilotage, port dues, and berthing when compared to 1994—even though inflation has skyrocketed. Further, it says that a new slab of GRT 45,001 to 90,000 have been introduced in port dues and berthing charges—while capping on vessels of over 90,000 GRT has also been included to mitigate their impact.

How much volume will be affected?

The tariff hike will affect a huge volume of cargo and containers that pass through Karachi Port every year. According to KPT’s statistics, in 2022-23, Karachi Port handled 41.85 million tons of cargo and 1.93 million TEUs (twenty feet equivalent unit) of containers—down from 51.71 million tons of cargo and 2.21 million TEUs of containers in 2021-22.

The breakdown shows that dry cargo import and export in 2022-23 was 30.63 million tons—down from 36.64 million tons in 2021-22. Similarly, liquid bulk cargo import and export in 2022-23 was 11.22 million tons—down from 15.07 million tons in 2021-22. The breakdown also shows that import cargo in 2022-23 was 29.08 million tons—down from 35.54 million tons in 2021-22. Similarly, liquid bulk cargo import in 2022-23 was 10.29 million tons—down from 14.07 million tons in 2021-22.

In addition, export cargo in 2022-23 was 12.78 million tons—down from 16.17 million tons in 2021-22. The container handling at Karachi Port, including all private container terminals, in 2022-23 was 1.93 million TEUs—down from 2.21 million TEUs in 2021-22. The breakdown shows that import containers were 0.97 million TEUs—down from 1.10 million TEUs in 2021-22, while export containers were 0.97 million TEUs—down from 1.11 million TEUs in 2021-22.

Irrespective of this decline, KPT stands to earn a pretty penny with the increase in the costs.

What is this revenue being used for?

KPT says that the tariff hike will help it finance its future projects that are vital for enhancing its infrastructure and services. Some of these projects are a new multipurpose terminal at East Wharf, a deep water container terminal at Keamari Groyne, an expansion of cargo handling capacity at West Wharf, and an upgradation of security systems and equipment at the port.

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MOC CONVENES MEETING TODAY: ALL SET TO FURTHER AMEND TRADE ORGANIZATIONS RULES, 2013

ISLAMABAD: The government is all set to further amend Trade Organizations Rules, 2013 in the light of Tarde Organizations (amendment) Act, 2022 to resolve a controversy on the term and elections of new bodies, well informed sources told *Business Recorder*.

The Cabinet Committee on disposal of Legislative Cases (CCLC) headed by Minister for Law and Justice is scheduled to meet on Thursday (today) to consider and approve amendments in rules as per recommendation of Commerce Ministry. This issue was also raised by Chairman Senate Standing Committee on Commerce, Zeeshan Khanzada during the meeting of Standing Committee on Wednesday.

Secretary Commerce Sualeh Ahmed Faruqui informed the committee that Commerce Ministry has already convened a meeting on Thursday (today) to sort out this issue as many bodies have approached the ministry for guidance on elections.

The sources said there is considerable confusion amongst the office-bearers of trade bodies, Chambers and Association on the date of term of new office bearers. Other items of CCLC meeting are as follows: (i) Assan Karobbar Act, 2023; (ii) approval of the Rules made under Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997; (iii) establishment of Special Courts (Overseas Pakistanis Property) Ordinance, 2023; (iv) amendments in Section 5 (Salary, Allowance and Privileges) of the Environmental Tribunals (Procedure and Functions) 2023;(v) draft rule of the ICT Juvenile Justice System Rules, 2023; and (vi) amendments in National Commission for Human Development Ordinance, 2002 etc.

BARTER TRADE INSTRUMENT: MOC SAYS IT HAS GOTTEN 'BLANKET' APPROVAL FROM CABINET

ISLAMABAD: Commerce Ministry said on Wednesday that it has obtained "blanket" approval from the Federal Cabinet for barter trade instrument, which can be expanded after due process of consultation. Briefing Senate Standing Committee on Commerce, presided over by Senator Zeeshan Khanzada, Secretary Commerce, Sualeh Ahmed Faroqui, who was grilled by the Committee due to continuous absence of Commerce Minister from meetings, stated that barter trade has started at a limited level which will improve with the passage of time. "We have obtained enabling approval from the Cabinet for inclusion of any new country or new commodity," said Secretary Commerce. He informed the Committee that trade with Afghanistan, Iran and Russia is affected due to various sanctions, mainly related to banking/ financial transactions.

"Banks are reluctant to issue financial instruments for trade," Secretary Commerce said, adding that objective of barter trade is to promote trade by marginalising the role of financial institutions. Another purpose of barter trade is to encourage shifting of informal trade to formal trade channels.

Commerce Ministry has directed Trade Development Authority of Pakistan (TDAP) to discuss barter trade with entrepreneurs. "Informally there was a system of barter trade with bordering countries but now Pakistan has signed an agreement to formally launch it," Faruqui said adding that talks have started between Afghanistan and Pakistan Customs officials. He further informed the Committee that local industry has provided a list of items to include in the barter trade mechanism.

According to approved mechanism, a business entity/ trade in Pakistan has to enter into contract with a counterpart in a foreign country; and the contract needs to be verified by Pakistan Mission in the country with which barter trade is allowed. Senator Danesh Kumar, who hails from Balochistan, argued that since most of the people from his province do informal business with bordering countries (which the government terms smuggling) now with barter trade mechanism in place local industry will start direct dealing with their Iranian and Afghan counterparts. He urged the government not to exclude the role of third man (i.e., from Balochistan) so that their earnings do not suffer.

Secretary Commerce proposed that the concerned stakeholders of Balochistan should register their companies to play their due role. He also suggested Senator Danesh Kumar visit Commerce Ministry along with a delegation so that a mechanism can be formulated in this regard. Senator Kumar further suggested barter trade with China as it will improve Pakistan's exports to China.

Deputy Chairman Senate, Mirza Afridi stated that he was informed that the negotiation process for holding a three-day mango festival in China has been completed adding that a letter has been written to the Ministry of Commerce and Finance stipulating that the establishment of cold storage at the border is necessary to increase mango exports. He apprised the Committee that last year the 54% of Pakistani mangoes that could not be exported were spoiled. Mangoes should be exported by land route instead of air route and mango diplomacy will be advanced by organizing the Mango Festival in Urumqi, he contended.

The Chairman Senate has formed a committee on this matter which consists of Senators, and Deputy Chairman Senate.

PALSP CRITICISES 'DUAL TAX SYSTEM'

ISLAMABAD: The Pakistan Association of Large Steel Producers (PALSP) has raised strong concerns over 'unfair and preferential' treatment of untaxed sectors of erstwhile Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA) compared to the burden faced by fully regulated industries/ sectors.

In this connection, the documented steel sector has strongly criticised the existence of a dual tax system within Pakistan. The PALSP, a prominent voice representing large steel producers, protested against the preferential treatment given to tax-evading factories operating in erstwhile FATA/ PATA regions. These factories exploited the lenient tax policies in these areas while law-abiding taxpayers and fully regulated industries bear the brunt of a heavily burdened tax system. This disparity is seen as not only unjust but also a 'criminal offence' against honest taxpayers.

A startling revelation from the long steel industry alone showcases the severity of the issue. The steel industry in newly merged districts (NMDs), with the sanctioned load from PESCO/ TESCO, has the capacity to produce 944,851 tons of steel, accounting for approximately 25% of Pakistan's total steel consumption. Surprisingly, the actual steel consumption within the NMDs is a mere 2% of Pakistan's total steel consumption, indicating that around 92% of the steel produced in NMDs is being smuggled to the settled areas without the payment of sales tax.

The PALSP has estimated that this rampant tax evasion has resulted in an annual loss of Rs 30.61 billion to the national exchequer, and an alarming total of approximately Rs 150 billion over a span of five years in the long steel industry alone. This rampant tax evasion places a significant burden on the national exchequer and forces the burden of compensating for this loss onto honest taxpayers and fully regulated industries.

Moreover, income tax slabs for the salaried class have been dramatically increased, further burdening the already overburdened taxpayers at the expense of the evasion occurring at FATA/ PATA industries. This lopsided situation not only exacerbates the injustice but also raises questions about the fairness and equality of the tax system.

The PALSP emphasised the need for immediate action to rectify this unjust tax system and level the playing field for all businesses in the country. The extension of the exemption period in the Finance Bill 2023 is seen as a step in the wrong direction, deepening the divide between the untaxed FATA/ PATA and the heavily taxed areas of the country. This extension prolongs the unfair advantage enjoyed by tax-evading entities while hindering the growth of legitimate taxpayers and fully regulated industries.

"It is imperative that the government addresses this serious concern and ensures a fair and transparent tax system that applies uniformly across all regions of the nation," stated the PALSP spokesperson. "The recovery of lost revenue from tax evaders should be a top priority, and a just and equitable tax landscape should be established to encourage compliance and foster a conducive environment for all industries to thrive."

The PALSP has urged the government to take immediate action to rectify the dual tax system and hold tax evaders accountable. The recovery of lost revenue from the FATA/ PATA regions would not only alleviate the burden on honest taxpayers and fully regulated industries but also promote a fair and sustainable economic environment for the betterment of Pakistan's economy and its citizens, it added.

FBR TO 'SELL' EXCISE RULES, GENERAL ORDERS, DEPARTMENTAL RULINGS TO PUBLIC

ISLAMABAD: The Federal Board of Revenue (FBR) will "sell" federal excise rules, general orders and departmental instructions/ rulings to the general public, according to the updated tax laws issued on Wednesday.

The FBR has notified the updated Sales Tax Act, 1990 and Federal Excise Act up to June 30, 2023, to incorporate amendments made in the sales tax/ federal excise laws through the Finance Act 2023. The FBR, on Wednesday issued the amended Sales Tax Act, 1990 and the Federal Excise Act 2005.

All changes made through the Finance Act 2023 have been reflected through the revised Sales Tax Act, 1990 and the Federal Excise Act 2005. Under the amended Federal Excise Act, all rules, shall be collected, arranged and published along with general orders and departmental instructions and rulings, if any, at appropriate intervals and sold to the public at reasonable price or may be placed regularly on the official website maintained by the Board.

The updated Federal Excise Act revealed that 20 percent FED would be applicable on sugary fruit juices, syrups and squashes, waters whether or not containing added sugar or artificial sweeteners, excluding mineral and aerated waters. The updated Act said that where taxable supplies are made to a person who has not obtained registration number, or he is not an active taxpayer, there shall be charged, levied and paid a further tax at the rate of four percent of the value.

The revised Sales Tax Act stated that Directorate General of Digital Initiatives shall consist of a Director General and as many Directors, Additional Directors, Deputy Directors and Assistant Directors and such other officers as the Board may, by notification in the official Gazette, appoint.

The amended law has also issued a detailed procedure on Alternative Dispute Resolution. The Act has specified that any person who manufactures, possesses, transports, distributes, stores or sells goods or class of goods as specified by the Board with counterfeited tax stamps, banderols, stickers, labels or barcodes or without tax stamps, banderols, stickers, labels or barcodes, such (specified goods) shall be liable to outright confiscation.

The review of the updated Act revealed that the sales tax zero-rating will apply on imports or supplies made by, for or to a qualified investment as specified at Serial No.1 of the First Schedule to the Foreign Investment (Promotion and Protection) Act, 2022 for the period as specified in the Second Schedule to the said Act.

Sales tax exemption would be available on supplies and imports of plant, machinery, equipment for installation in tribal areas and of industrial inputs by the industries located in the tribal areas, as defined in the Constitution, as made till June 30, 2024. The sales tax exemption has been allowed on the supplies of electricity, as made from the day of assent to the Constitution (Twenty-fifth Amendment) Act, 2018, till June 30, 2024 to all residential and commercial consumers in tribal areas, and to such industries in the tribal areas which were set and started their industrial production before May 31, 2018 excluding certain sectors.

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