

Importers reluctant to get their consignments cleared

A large number of consignments of commercial imports are stuck at port as the importers are reluctant to get their consignments cleared after the inclusion of finished articles in the Third Schedule of Sales Tax Act, 1990 through Finance Act 2019. In federal budget 2019-20, the government has included finished articles in the Third Schedule of Sales Tax Act, 1990, showing its intension to aggressively discourage commercial imports and ease pressure on the country's import bill. According to a circular issued by Pakistan Customs, as per the measures taken through federal budget 2019-20, the items listed in Third Schedule of Sales Tax Act, 1990 shall now be assessed at the retail price at the import stage.

The customs department also directed that retail prices should also be printed on each individual item in the manner as specified in clause (a) of sub-section (2) of the section 3 of the Sales Tax Act 1990. However, during the interim period up to July 31, 2019, the clearance may also be allowed if the imported items are affixed with sticker, showing declared retail price.

Market sources said this amendment has triggered panic among the commercial importers who are reluctant to get their consignments cleared; adding that commercial importers before the said amendment got their consignments cleared as per customs value; however, now they had been directed to print retail prices on each individual item and the customs department would now clear consignments on the basis of declared retail prices, putting excessive burden of additional packaging cost on importers.

They said that they were poised to pay taxes but it was impossible for them to determine retail price of a finished article including all overheads at the import stage and if they did, it would be completely based on assumption.

Talking to Business Recorder, Munawar Manekia, a senior tax consultant, said that after inclusion of finished articles in the Third Schedule of Sales Tax Act, 1990 through the Finance Act 2019, the customs department would now collect sales tax on retail prices for the clearance of the consignments of commercial goods.

He said that now commercial importers have to pay 17 percent sales tax plus 3 percent additional tax at import stage on retail prices of the finished article. However, the government has given interim period up to July 31, 2019, allowing commercial importers to place stickers of retail prices on the items for clearance and after the lapse of interim period, retail prices should be printed on the items.

Replying to a question, he said that this amendment has created a difficult situation for the commercial importers, who could not calculate retail prices of the products at import stage.

He urged the FBR to make suitable amendment and allow commercial importers to pay sales tax along with additional tax admissible at the time of delivery of goods to wholesalers instead of depositing the same at import stage.

On the other hand, industrialists and manufacturers described the said amendment as friendly for local industry. Mashood Ali Khan, an industrialist from auto sector, said that this budgetary measure would discourage commercial imports besides promoting industries in the country, which are badly affected by commercial imports.