

Industrial raw material importers oppose elimination of final tax regime

KARACHI: Importers and suppliers of raw materials to industrial concerns have opposed the elimination of final tax regime (FTR) for commercial importers of industrial raw material.

“Commercial importers pay six percent non-adjustable advance tax, while industrial importers pay 5.5 percent tax on the import of similar goods, which is adjustable / refundable or they get the tax exemption certificates,” Shahid Vaseem, chairman of the Pakistan Chemicals and Dyes Merchants Association (PCDMA), said, adding that eliminating FTR for commercial importers without granting them the facility of advance tax adjustment / tax exemption certificate would be unjustified.

Addressing a meeting of industrial raw material importers, Vaseem said that the assessed value for calculation of Customs levies of an industrial raw material, whether imported by industrial importer or commercial importer; remains the same; therefore, chances of under-invoicing had been eliminated on import of industrial raw materials.

“Imposing similar rate of sales tax on industrial raw materials will discourage non-genuine industrial importers, who just import big volumes of industrial raw materials to sale in market at thick profits due to lesser rate of tax and in some cases get extra ordinary benefits under various SROs, causing revenue loss to the government”.

A large number of commercial importers, having no manufacturing facility whatsoever, are registered as manufacturers to avail certain benefits only available for industrial / manufacturer importers.

“By the number of manufacturers and industrial units registered with the Inland Revenue, Pakistan must be the world’s largest industrial state,” a tax official said.

Vaseem demanded the government to provide level-playing field for commercial importers who were importing industrial raw material and supplying the same to industries in the SME sector.

“At the import stage commercial importers are paying 17+3 percent sales tax as compared to 17 percent paid by industrial importers, which renders our customer industries in the SME sector uncompetitive in the local, as well as export markets; thereby, eliminating job opportunities and hurting exports of value-added goods.”

The Pakistan Chemicals and Dyes Merchants Association chairman said, “The rate of taxes and benefits of various SROs to commercial importers, similar to the industrial importers of raw materials for one year would result in significant drop in import volumes by the industrial importers, which will prove the misuse of reduced tax facility by the industrial importers and will provide opportunity to the government to identify non-genuine industrial importers who are only existing for importing raw materials for commercial sales.”

Javed Mirza