

Declaration of goods: KCCI urges govt to amend late filing provision

The Karachi Chamber of Commerce and Industry (KCCI) has demanded that the new provision related to late filing of goods declaration should be amended to allow at least twenty days before any penalty is imposed.

The chamber noted that penalties have been increased for late filing of goods declaration, which will be charged after ten days at the rate of PKR 5,000 per day for initial five days and PKR 10,000 per day for each day of default thereafter.

This is exorbitant rate of penalties, while also the port authorities and shipping companies charge demurrage and detention charges at will and arbitrarily. All charges by shipping lines and their agents are unregulated and have increased cost of doing business in Pakistan much higher than other countries.

New legislation should be enacted to regulate port charges by shipping lines and agents, which has made Karachi Port and Port Qasim a hub of corruption.

The chamber demanded that Computerized National Identity Card (CNIC) obligation should be revoked as the businessmen cannot accept the responsibility of verifying the genuineness of CNICs and other information provided by the unregistered persons.

The FBR has proposed disallowing sales tax invoices which do not have CNIC details through Finance Bill 2019-20.

This means 17% loss which is impossible to bear for distributors operating on extremely thin net margin which further squeezing due to current inflation.

Number of customers served by an average distributors vary from 100,000 to 300,000+ depending upon the type and category of the consumer product a distributor is handling.

To cater above mentioned number of customers distributors require as many as thousand plus salesmen again depending upon type of product.

There is rapid turnover of salesmen who handle invoicing and also quality and competency of salesmen is generally very low. Due to these factors collecting reliable data is a time taking and a difficult project.

The chamber noted that it will not be possible to verify if CNIC number given by many of these hundreds of thousands shops are of real owner of the shops. Importers are demanding to allow them a relaxation of 3 months to enable them to sell their inventory at hand and then they will either discontinue their imports or only sell to the registered persons.

They are of the view that it is not their job to compile the information of unregistered persons.

The KCCI noted that powers enter and search premises and confiscate undeclared gold, bearer security or foreign currency is against the dignity granted to an individual as per the Article 14 of the Constitution and would be tantamount to violation of sanctity of residential premises, if raided.

The Asset Declaration Scheme 2019 also does not allow declaration of gold, precious stones, bearer security and bearer prize bonds, thereby restricting a holder of such assets from declaring them before probable confiscation. Any such measure before allowance of declaration makes this a very harsh measure.

Raiding of homes and subsequent breach of privacy is against national cultural norms and is an idea uncalled for, having grave social repercussions.

This proposal is also against the spirit of withdrawal of discretionary powers of the taxman.

Such sweeping discretionary powers granted to the Commissioner would result in harassment to ordinary citizens including housewives and the elderly, as now raids could be made on homes as well, and by no means should be allowed to be confiscated.

The chamber in its report on budget 2019-20 demanded that this proposal should be removed from the budget. Further, the Asset Declaration Scheme 2019 should be amended to include declaration of gold and bearer securities.

The chamber in its report noted that soft drinks and aerated beverages are a consumer item which is widely consumed by masses including the low income segment of population.

The beverage industry contributes more than PKR 100 Billion in sales tax and FED to the national exchequer.

Such high increase in FED will result in price increase of all beverages, which will directly affect their sales as its price is quite elastic. Resultantly, the tax collection will decline nullifying the objective of additional tax collection.

The chamber demanded that the rate of FED on aerated beverages should be maintained at 11.5% to provide relief to common man and also to enhance sales and revenue collection.

The chamber noted that manufacturer importing goods which are subject to Custom duty other than 16% or 20% would be required to pay 3% VAT.

This has again increased cost on import of industrial raw materials on which duty was lower, thereby reducing the difference of duty.

Chambers insist that this anomaly should be removed and structure should be reverted to previous position.

The KCCI mentioned it is responsibility of FBR to broaden the tax base and identify unregistered taxable entities and not of the compliant tax-payer entities.

This proposal should therefore be omitted as the existing taxpayers are not in position to bear additional burden of taxes.

The Finance Bill seeks to substitute Section 3(7) with the new Eleventh Schedule to the ST Act. The Proposed rates of sales tax withholding are identical with the rates as provided in the Withholding Rules except for withholding tax rate on supplies made by an unregistered person which has been enhanced from 1% to 5% of gross value of supplies.

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