

Our Correspondent

### **Sales tax on imports up 18.5pc to Rs267.45bln in July-October**

KARACHI: The collection of sales tax on import stage increased by 18.5 percent to Rs267.45 billion during July-October of current fiscal year due to abolishment of zero-rate scheme.

Sources in Large Taxpayers Unit (LTU), which has jurisdiction over collection of sales tax and federal excise duty (FED) on import stage, said on Wednesday the collection of sales tax on import stage increased to Rs267.45 billion during first four months of the current fiscal year when compared with Rs225.6 billion in the corresponding months of the last fiscal year.

The growth in sales collection mainly attributed to the government decision of abolishing zero-rating scheme during the budget 2019/2020. After the decision from July 1, 2019 all the sectors, which were falling under zero-rated scheme, were subjected to normal sales tax rate of 17 percent.

Sources said the zero-rating created loophole and the benefit was being availed by unintended beneficiaries / non-exporters. Reduced rates of sales tax for finished goods were also harming revenues.

Further, huge misuse of zero-rated scheme on import of fabric and processed fabrics was identified. Increase in sales tax collection was also important, despite decline in total trade volume during the period, the source added.

All the customs collectorate in Karachi collect sales tax at clearance stage and transfer the amount of sales tax to LTU Karachi. The collection of sales tax by Port Qasim Collectorate posted 42 percent growth during the period under review. It collected Rs127.66 billion as sales tax during July-October 2019, when compared with Rs97.21 billion in the corresponding period of the last fiscal year.

Whereas Customs Collectorate Appraisalment (East) Karachi collected Rs74.03 billion as sales tax during the first four months of the current fiscal year, showing growth of six percent when compared with Rs69.7 billion in the same period of the last fiscal year.

LTU Karachi has also jurisdiction over collection of FED at import stage. The collection of FED posted 10 percent growth to Rs3.2 billion during July-October 2019, when compared with Rs2.89 billion in the corresponding period of the last fiscal year.