

Govt mulls legal changes to criminalise under-invoicing

KARACHI: The government is considering legal changes to treat under-invoicing or mispricing as a criminal offence, well-placed sources said on Thursday – a move that could curb multibillion dollars in annual losses to national exchequer.

Sources in the Federal Board of Revenue (FBR) said under-invoicing of goods is likely to be considered as a criminal offence under a proposed act of the parliament. Though the existing laws penalise the act of under-invoicing or mis-declaration, it is limited to certain amount of fine. However, the new law would propose imprisonment for certain years to curb such practices.

An official at the Pakistan Customs said the proposed bill would be made part of the upcoming federal budget for the fiscal year of 2019/20.

The official said a massive scale of mis-declaration and under-invoicing has been detected on imported goods from various destinations in the past. The menace of under-invoicing and mis-declaration at the customs stage are incurring huge losses to the national economy.

“Around \$6 billion worth of mismatch was found alone in exported goods from China to Pakistan on annual basis,” the official said. “This mis-declaration has resulted in huge revenue losses and caused deterioration for the local manufacturing.”

Recently, the Chinese customs authorities started sending data related to their exports to Pakistan customs, but it was limited to certain items.

“The data helped the local authorities ascertain the factory price of goods imported from China,” the official said.

The official further said the scope of data exchange would be further expanded with China and it would cover all the imported items into Pakistan.

The neighboring countries have deployed electronic data interchange system that is aimed to help Pakistan deal with trade deficit with China that reached nearly \$10 billion in the last fiscal year of 2017/18.

The official said there will be trade data sharing with more countries to bring transparency into the customs clearance.

Sources in Pakistan Customs said under-invoicing or over-invoicing are also the major source of money laundering.

The customs authorities recently detected cases in which importers opened letters of credit (LCs) from banks on higher values for imported goods but the values of the goods were declared at very lower amount at the clearance stage.

The difference of amount between LCs and declared amount was assumed to be used for money laundering through formal banking channels, according to the sources.

The sources further said some importers are indulged in over-invoicing for their raw materials at the clearing stage to increase cost of manufacturing and avoid land taxes.

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