

Sales tax collection on imports surges to Rs400bln

KARACHI: Sales tax collection from imported goods rose 21 percent to Rs400 billion during the first half of the current fiscal year of 2019/20 as withdrawal of zero-rated facility boosted revenue, sources said on Thursday.

Large Taxpayers Unit (LTU) Karachi, which has jurisdiction over collection of sales tax and federal excise duty (FED) on import stage, collected Rs328.16 billion in the corresponding period of the last fiscal year.

Officials at the LTU Karachi said the zero-rated sales tax was abolished in the budget 2019/20 and it was replaced with normal tax of 17 percent effective from July 1, 2019.

The Federal Board of Revenue (FBR) said zero-rating created loophole and unintended beneficiaries / non-exporters were benefiting from the tax incentives. Reduced rates of sales tax on finished goods were also hurting revenue collection, it said in a report. The revenue body identified massive misuse of zero-rated facility with regards to imports of fabric and processed fabrics.

After the abolishing of the zero-rated regime, the government introduced expeditious refund scheme for exporters under which all the claims are processed within 72 hours. However, business community said the FBR held the refunds, creating liquidity crunch for the industry.

The FBR said it issued Rs11 billion worth of refunds under the fully-automated sales tax e-refund system out of Rs15 billion worth of claims during the current fiscal year.

The sources said there was an increase in sales tax collection despite decline in total trade volume during the period.

Imports fell 19.27 percent to \$19.04 billion in the July-November period compared with \$23.59 billion in the corresponding period a year earlier.

Customs collectorates in Karachi collect sales tax at clearance stage and transfer the amount of sales tax to LTU Karachi. Sales tax collection by Port Qasim Collectorate posted 33 percent growth during the period under review.

The collectorate collected Rs190.6 billion as sales tax during July-December 2019 compared with Rs143 billion in the corresponding period of the last fiscal year.

Customs Collectorate Appraisalment (East) Karachi collected Rs110 billion as sales tax during the six months, showing growth of nine percent when compared with Rs103 billion in the same period of the last fiscal year. The LTU Karachi has also jurisdiction over collection of FED at import stage. The collection of FED posted three percent growth to Rs4 billion during July-December 2019.