

Import tax collection falls 18pc to Rs51bln in May

KARACHI: The Federal Board of Revenue (FBR) collected Rs50.96 billion as sales tax on import stage in May, down 18 percent year-on-year because of lukewarm economic activities amid the lockdown, sources said on Monday.

Sales tax on import stage amounted to Rs62.31 billion in the corresponding month a year earlier. The decline was also attributed to long Eid holidays. The sources in Large Taxpayers Unit Karachi said foreign trade slowed down after the World Health Organization declared the coronavirus as pandemic.

In Pakistan, the lockdown was imposed later in March to prevent the outbreak. However, conflict of interest between the center and Sindh government created confusion about the measures that needed to be taken to control the local transmission of the virus.

Poles apart, both the governments couldn't reach agreement on how to tackle the crisis, taking huge toll on the economy barely reeling from stabilisation measures and posing risks to job market and food security. Port activities remained in lurch due to lack of transportation after the Sindh government restricted its movement.

The sales tax collection on import stage during May was also 10 percent down when compared with Rs56.41 billion in the previous month (April). The sources further said the long holidays on the occasion of Eidul Fitr also hampered customs clearance activities. The government had announced holidays for Eid from May 22 to 27.

Collection of sales tax on imports, however, posted 15 percent growth to Rs715.64 billion during July-May 2019/20. That compared with Rs624 billion in the corresponding period of the last fiscal year.

Growth in sales tax collection could be attributed to elimination of zero-rated sales tax regime. The FBR is now collecting sales tax on imported goods at 17 percent, except for goods imported as raw material used in manufacturing of exported goods.

The sources said the zero-rated facility was replaced with normal sales tax rate of 17 percent. However, exporters are allowed to claim refunds against payment of 17 percent on import of raw materials and other capital goods.

The FBR, justifying the abolishing of the zero-rated scheme, said it created loophole and the benefit was availed by unintended beneficiaries / non-exporters. Reduced rates of sales tax for finished goods were also harming revenues, while huge misuse of zero-rated on import of fabric and processed fabrics was identified, it said in a report. The sources said the imports were already on a downward trend owing to several restrictions in the shape of regulatory duty and higher customs duties.