

BUSINESS

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Cigarette industry

FBR faces Rs 27 billion shortfall

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ISLAMABAD: The government has given unnecessary concessions to the cigarette industry to import high quality of unmanufactured tobacco at lowest rate of 5 percent customs duty despite massive shortfall in federal excise duty (FED) from various brands of cigarettes against agreed target > P 4 Col 1

Selection of cases for audit

— should strongly demonstrate its powers: WB

RECORDER REPORT

ISLAMABAD: The World Bank (WB) has conveyed to the Federal Board of Revenue (FBR) to strongly demonstrate its power in selection of cases for income tax and sales tax audit, using parameters/criteria approved by the board, giving a clear message of authentic audit under self-assessment scheme to the

Sources told Business Recorder here on Saturday that the WB review mission has submitted a report to the FBR on new > P 4 Col 5

FBR faces Rs 27 billion

with the industry for 2009-10.

Sources told Business Recorder here on Sunday that the cigarette manufacturers have imported huge quantity of unmanufactured tobacco aduring 2009-10 at applicable minimum rate of 5 percent duty. On the other hand, both the Revenue Advisory Council and FBR had expressed serious concern over the amount of excise duty and sales tax deposited by the industry against the agreed amount in 2009-10. The unsatisfactory compliance by the cigarette industry resulted in over and above Rs 6 billion shortfall only in case of FED during 2009-10. In the presence of FED shortfall from cigarette sector in 2009-10, the government has allowed import of millions of tons of superior quality of unmanufactured tobacco used in cigarettes and cigars consumed by rich class. Hundreds of such consignments were imported by the ciga-rette industry during the last two fiscal years at lowest slab of 5 percent duty under Pakistan Customs Tariff (PCT).

During several meetings between FBR and the cigarette industry in 2009-10, the FBR directed the industry to deposit the agreed amount of FED/sales tax, but the industry failed to fulfill the commitment with the tax department. At the same time, industry is enjoying lowest rate of duty on the import of unmanufactured tobacco despite shortfall of FED and sales tax during

A proposal is being examined in the FBR to raise 5 percent minimum duty on the import of superior quality of unmanufactured tobacco to a reasonable level to increase collection from 2010-11 and discourage consumption of raw tobacco in ciga-

The import data maintained by customs department, exclusively available to this scribe, showed that cigarette manufacturers imported huge qualities of this item throughout current fiscal year from Bangladesh, Brazil, Bulgaria, Mexico, Philippines, South Korea, Bulgaria, USA, Indonesia, Thailand, China, Turkey, Tanzania and other countries during 2009-10.

According to the latest data of 2009-10, cigarette manufacturers imported 142560 kg of a consignment of unmanufactured

consignments of 53560 kg during this period. Cigarette manufactures imported consignments of 69561 kg, 341345 kg, 341749 kg, 348617 kg, 60335 kg, 60317 kg, 110113 kg, 311048 kg, 72684 kg, 70416 kg, 80302 kg, 256918 kg and 240906 kg of unmanufactured tobacco from different countries in 2009-10.

Data further showed that a consignment of 17820 kg of unmanufactured tobacco was imported from Philippines during this peri-od. The import data from Bangladesh showed that consignments of the said item of 89100 kg, 53460 kg, 35,640 kg, 53,460 kg, 35,640 kg and 17820 kg were also imported during the period under review. Other consignments of 117021 kg, 110987 kg, 69561 kg, 348617 kg, 72684 kg, 60317 kg, 60335 kg, 200343 kg, 348617 kg, 341749 kg, 341345 kg and a large number of other consignments of this item were imported during this period.

Different consignments have been imported from Brazil of 9200 kg, 19800 kg, 39600 kg, 38800 kg, 800 kg, 200 kg, 100 kg other consignments from the same origin. The same trend of import was observed from July-March during current fiscal year, reflecting consumption of millions of tons of raw tobacco in locally produced cigarettes.

Legally, there is no bar on import of raw tobacco at the applicable lowest rate of duty under Pakistan Customs Tariff. However, this shows serious distortion in tax policy where raw material of most expensive brands of cigarettes, consumed by rich class, seemed to be encouraged by the policy makers.

Sources said that shortfall in the FED could be compensated by increasing customs duty on the import of unmanufactured tobacco in the next budget for 2010-11. In this regard, the upcoming meeting of the Revenue Advisory Council may take up the issue of FED shortfall from the cigarette industry. The FBR is unable to generate around Rs 27 billion from the administrative and enforcement measures during last quarter of current fiscal year for which immediate measures would be discussed to meet target of Rs 1380 billion for 2009-10.

Experts opined that a number of local cigarette manufacturers are engaged in import of huge quantities of unmanufactured Another consignment of 59400 liable to the lowest slab, 5 pertobacco, which, at present, is