

Smuggled vehicles

# CCP opposes FBR's amnesty scheme

**ISLAMABAD:** The Competition Commission of Pakistan (CCP) has strongly opposed the amnesty scheme of the Federal Board of Revenue (FBR) introduced to legalise only the non-duty paid smuggled vehicles.

Sources told Business Recorder here on Wednesday that CCP has issued a Policy Note to the Ministry of Finance and the FBR about the negative implications of the amnesty scheme. It has apprehended that the scheme negates provision of level playing field to all the local manufacturers, benefiting the owners of smuggled vehicles only.

The FBR had announced the amnesty scheme through SRO.172(I)/2013 for documentation of smuggled cars. The smuggled or non-duty paid motor vehicles, having non-tampered engine or chassis numbers, which have been seized or voluntarily presented to Customs on or before March 31, 2013, shall be allowed release on payment of redemption fine along with duty and taxes.

The CCP has moved against the scheme at a crucial time when last few days of the present political regime are left and decided to give its 'opinion' on the negative impact of the FBR's amnesty scheme on the economy and local car manufacturers. This is the second major decision of the present government which has been strongly opposed by the CCP. Earlier, the CCP has opposed the government decision of establishing International Clearing House (ICH) Exchange by the Long Distance International (LDI) operators.

According to the policy note, the CCP took notice of the recently issued SRO 172 (I)/2013 dated 5th March 2013 by the Revenue Division of the Ministry of Finance and Revenue and the subsequent concern raised by the All Pakistan Motor Dealers Association (APMA) on the said SRO that allows release of vehicles on payment of redemption fine along with duty and taxes on smuggled/ non-duty paid motor vehicles, having non-tampered engine or chassis numbers. The validity of the facility for regular-

izing the above-mentioned smuggled/non-duty paid motor vehicles is until 31st March, 2013. However, the SRO 172 (I)/2013 does not allow the facility of the duty and tax concessions on the import of vehicles via a Custom Station in violation of Import Policy Order and the vehicles which have since been auctioned.

The SRO 172 (I)/2013 is a matter of concern for the Commission on the following grounds:

The allowable age limit for import of a car is 3 years under the latest SRO 1441 (I)/2012 issued on 12th December, 2012 by the Ministry of Commerce while there is no age limit for the smuggled/ non-duty paid motor vehicles under the SRO 172 (I)/2013. The Commission is of the view that due to amnesty scheme, dissimilar conditions for imports under allowable age limits have been applied to the importers of motor vehicles through the regular normal channels in contrast to persons clearing their smuggled/non-duty paid vehicles under the SRO 172(I)/2013. As a matter of fact, the persons who have violated the law by not paying the taxes and duties have been incentivised to import motor vehicles of their choice without imposition of any allowable age restriction on them.

In addition, the policy under SRO 172 (I)/2013 is discriminatory against the persons importing motor vehicles through normal regular channels to the extent that the facility of duty and tax concessions under SRO 172 (I)/2013 has not been extended to the motor vehicles imported in violation of 'Import Policy Order' via normal channels through a custom station. On the other hand, the smuggled/non-duty paid motor vehicles anywhere in Pakistan but outside the premises of custom stations have been allowed to avail the facility of duty and tax concessions under SRO 172 (I)/2013. The importers who have opted to import via normal channels but violated 'Import Policy Order' have, in fact, been discriminated in contrast to the persons possessing smuggled/non-duty paid vehicles anywhere in Pakistan,

CCP said.

Under the prevalent policy for imports under normal channels, a person is allowed to import a motor vehicle up to 3 years old under the baggage and gift scheme. If the allowable age limit of 3 years and available depreciation allowance of 1 percent per month calculated from the 1st day of January subsequent to the year of manufacture under the Custom General Order (CGO) 13/2012 dated 31st August, 2012 is taken into account, an importer could avail maximum depreciation allowance of up to 48 percent.

On the other hand, under the SRO 172 (I)/2013, the depreciation allowance entitlement for the smuggled vehicles covered under PCT heading 87.03 (motor and other vehicles principally designed for the transport of less than 10 persons, including station wagons and racing cars) is 1 percent per month calculated from the 1st day of January subsequent to the year of manufacture with a maximum depreciation claim of 60 percent for the first five preceding years and a further depreciation allowance of 5 percent per year subject to a minimum duty and taxes of US\$500'. Similarly, for all other vehicles (motor and other vehicles principally designed for the transport of ten or more persons including vehicles greater than 1800 cc), the depreciation allowance entitlement for the smuggled vehicles is 1 percent per month calculated from the 1st day of January subsequent to the year of manufacture with a maximum depreciation allowance of 72 percent for the first six preceding years and a further depreciation allowance of 5 percent per year subject to a minimum duty and taxes of Rs 100,000.

If the depreciation criteria is taken into account with no time limit set for claiming depreciation under the SRO 172 (I)/2013, undue advantage has been provided to the owners of the smuggled/non-duty paid motor vehicles in contrast to importers under normal channels in the form of extra depreciation reward of even up to 100% subject to the condition of a nominal minimum payment for duties and taxed

such as US \$ 500 and Rs 100,000. Through this 'facility, discriminatory treatment has been meted out to the importer of vehicles through normal channels and dissimilar conditions have been applied to them in contrast to the owners of smuggled/non-duty paid motor vehicles.

The scheme under the SRO 172 (I)/2013 is also likely to affect the production decisions of relevant stakeholders, ie, automobile assemblers/manufacturers. The automobile industry in Pakistan is inward looking and they plan their production decisions on the domestic demand forecast. The market forecasts may change due to the import surge of older motor vehicles under the SRO 172 (I)/2013, which may adversely affect the competitive environment for the automobile sector as some of the vehicles cleared under the SRO 172 (I)/2013 act as a substitute for the vehicles assembled in the country.

The recent action by the government by issuing SRO 172 (I)/2013 may signal to the consumers that government introduces motor vehicle amnesty scheme from time to time, as the government has done in the past. This may result in a creation of grey market for automobile vehicles in the country on sustained basis. The existence of grey market will act as a parallel market of automobile vehicles in the country and will create an unfair competition for the formal sector.

The smuggled/non-duty paid motor vehicles envisaged to be cleared under the SRO 172 (I)/2013 will not be subject to several tests such as roadworthiness and emission control tests as no criteria for allowable age limit has been set for clearance of the smuggled/non-duty paid motor vehicles under the subject SRO. On the other hand, the vehicles imported under the regular import channels are required to undergo roadworthiness test.

In view of the foregoing, it is therefore, recommended that the policy introduced under the SRO 172 (I)/2013 may be reconsidered and withdrawn or suitably amended to eliminate the above mentioned discriminatory treatment.—  
MUSHTAQ GHUMMAN

## Legalising of smuggled vehicles

# CCP seeks reversal of notification

By Mubarak Zeb Khan

ISLAMABAD, March 14: In what appears to be a first formal reaction against the amnesty scheme, the Competition Commission of Pakistan has asked the Ministry of Finance to withdraw the notification that allows legalising of smuggled vehicles on nominal duty and taxes.

The Commission in a detailed policy note sent on Thursday asked the ministry and Federal Board of Revenue (FBR) to rescind the notification SRO172 issued on March 5, which the Commission believed would only promote anti-businesses and competition practices in the country.

The policy note, a copy of which is available with Dawn, clearly mentioned that the issuance of the SRO was a cause of concern for the Commission and would only benefit owners of smuggled vehicles against those who import it through legal channels.

The reaction from the Commission came at a time when the amnesty scheme was believed to have been designed in a way to extend facilitation to elites especially the political elites to register their luxury vehicles on nominal duty and taxes.

The Commission pointed towards a series of irregularities in the amnesty schemes.

The allowable age limit for import of a car is three years under the latest SRO 1441 (I)/2012 issued on Dec 12, 2012 by the Ministry of Commerce while there is no age limit for the smuggled/non-duty paid motor vehicles under the amnesty scheme.

The commission is of the view that due to amnesty scheme, dissimilar conditions for imports under allowable age limits have been applied to importers of motor vehicles through the regular normal channels in contrast to persons clearing their smuggled/non-duty paid vehicles

under the SRO172.

As a matter of fact, the persons who have violated the law by not paying the taxes and duties have been incentivised to import motor vehicles of their choice without imposition of any allowable age restriction on them.

In addition, the policy under the amnesty is discriminatory against the persons importing motor vehicles through normal regular channels to the extent that the facility of duty and tax concessions under SRO172 has not been extended to the motor vehicles imported in violation of 'Import Policy Order' via normal channels through a custom station.

On the other hand, the smuggled/non-duty paid motor vehicles anywhere in Pakistan but outside the premises of custom stations have been allowed to avail the facility of duty and tax

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# CCP seeks reversal

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concessions under the amnesty scheme SRO. The importers who have opted to import via normal channels but violated 'Import Policy Order' have, in fact, been discriminated in contrast to the persons possessing smuggled/non-duty paid vehicles anywhere in Pakistan.

For three-year old cars imported through regular channel, an importer could avail maximum depreciation allowance up to 48 per cent.

Contrary to this, the maximum depreciation in value for assessment of duty for smuggled vehicles is up to 72 pc.

If depreciation criteria is taken into account with no time limit set for claiming depreciation under the amnesty scheme, undue advantage has been provided to owners of the smuggled/non duty paid motor vehicles in contrast to importers under normal channels in the form of extra

depreciation reward of even up to 100pc subject to the condition of a nominal minimum payment for duties and taxes, such as \$500 and Rs100,000.

Through this facility, discriminatory treatment has been meted out to the importer of vehicles through normal channels and dissimilar conditions have been applied to them in contrast to owners of smuggled/non duty paid motor vehicles.

The commission further said that the scheme is also likely to affect the production decisions of relevant stakeholders' ie automobile assemblers/manufacturers.

The automobile industry in Pakistan is inward looking and they plan their production decisions on the domestic demand forecasts.

The market forecasts may change due to the import surge of older motor vehicles, which may adversely affect the competitive environment for automobile sector as some of the vehicles

cleared under the amnesty scheme act as a substitute for vehicles assembled in the country.

It further stated that the amnesty scheme for smuggled vehicles may result in creation of grey market for automobile vehicles in the country on sustained basis.

The existence of grey market would act as a parallel market of automobile vehicles in the country and would create an unfair competition for the formal sector.

Similarly, smuggled/non-duty paid motor vehicles envisaged to be cleared under the scheme would not be subject to several tests, such as roadworthiness and emission control tests as no criteria for allowable age limit has been set for clearance of smuggled/non-duty paid motor vehicles under the subject SRO.

On the other hand, vehicles imported under the regular import channels are required to undergo roadworthiness test.

# 'Amnesty scheme could expand grey market of vehicles'

**CCP asks govt to withdraw forthwith tax amnesty for smuggled vehicles**

**OUR CORRESPONDENT**  
 ISLAMABAD

The anti-trust watchdog has asked the government to immediately withdraw the tax amnesty scheme for smuggled vehicles, terming the policy a violation of competition laws besides becoming a source of expansion of grey market in the country.

In a policy note to the federal government, the Competition Commission of Pakistan (CCP) highlighted flaws in the recently announced policy of legalising smuggled vehicles by paying comparatively less taxes. It said the scheme has placed both the importers of used vehicles and assemblers

of new cars at a disadvantage.

The action is a signal to the consumers that the government introduces motor vehicle amnesty scheme from time to time, as it has done in the past, it said. "This may result in a creation of grey market for automobiles in the country on a sustained basis."

The existence of grey market will act as a parallel market of vehicles and create unfair competition for the formal sector, the CCP added.

"People who have violated the law by not paying taxes and duties have been incentivised to import motor vehicles of their choice without imposition of any allowable age restriction on them," it said.

Many have viewed the Federal Board of Revenue's move as a political decision aimed at facilitating influential people to make money by

**"It is recommended that the policy may be reconsidered and withdrawn or suitably amended to eliminate discriminatory treatment**

**Competition Commission**

legalising the vehicles brought illegally into the country.

"It is recommended that the policy may be reconsidered and withdrawn or suitably amended to eliminate discriminatory treatment resulting from the Statutory Regulatory Order (issued to give effect to the scheme)," said the CCP.

The All Pakistan Motor Dealers Association (APMDA) has already raised voice against the scheme.

The facility is limited to only smuggled vehicles and is not applicable to the import of vehicles via a customs station in violation of the Import Policy Order and the vehicles which have been auctioned.

The age limit for import of a car is three years, but there is no age limit for smuggled vehicles, which is anti-competitive, said the CCP.

The commission was of the view that due to the amnesty scheme, dissimilar conditions have been applied to the importers of motor vehicles through normal channels in contrast to persons getting their smuggled vehicles cleared.

The amnesty scheme is also likely to affect the production decisions of automobile assemblers-cum-manufacturers, said the CCP. The automobile industry of Pakistan is

inward looking and they plan their production decisions on domestic demand forecasts.

Market forecasts may change due to a surge in import of older motor vehicles, which may adversely affect the competitive environment for the automobile sector as some of the vehicles cleared under the scheme act as a substitute to the vehicles assembled in the country.

The smuggled/non-duty paid motor vehicles to be cleared under SRO 172(I)/2013 will not be subject to several tests such as roadworthiness and emission control as no criteria for allowable age limit have been set for clearance of the smuggled vehicles, said the CCP.

On the other hand, the vehicles imported through regular import channels are required to undergo roadworthiness test.

## سمگل گاڑیوں کیلئے ایمنسٹی سکیم پر نظر ثانی کی جائے، مسابقتی کمیشن

مجوزہ سکیم اپورٹ پالیسی آرڈر کی بھی خلاف ورزی ہے، کمیشن کا جاری پالیسی نوٹ

اسلام آباد (آفتاب میکن) مسابقتی کمیشن آف پاکستان (سی سی پی) نے وفاقی بورڈ آف ریونیو (ایف بی آر) کو جاری پالیسی نوٹ میں سفارش کی ہے کہ بورڈ کی طرف سے سمگل شدہ گاڑیوں کیلئے جاری ایمنسٹی سکیم پر دوبارہ غور کرے اسکو واپس لے یا اس میں تابل منظور تبدیلی اس طرح کرے کہ جاری کردہ ایس آر او میں امتیازی سلوک کا خاتمہ ہو سکے۔ مسابقتی کمیشن نے اپنے پالیسی نوٹ میں ایف بی آر کی طرف سے گاڑیوں کیلئے جاری کردہ ایمنسٹی ایس آر او نمبر (باقی صفحہ 5 نمبر 28)

### مسابقتی کمیشن

بقیہ نمبر 28

172(1) / 2013 کو مختلف وجوہات کی بنا پر تشریح کا سبب ہیں جس میں وزارت تجارت کی طرف سے پرانی گاڑیوں کی درآمد کیلئے عمر کی حد تین سال ہے اگر مجوزہ پالیسی کے تحت اگر کوئی شخص ڈیوٹیوں اور ٹیکسوں کی ادائیگی کے بغیر گاڑی درآمد کرتا ہے تو یہ نہ صرف موجودہ پالیسی کی خلاف ورزی ہے بلکہ اس کیلئے یہ ایک مالی ترغیب ہے۔ مجوزہ ایمنسٹی سکیم اپورٹ پالیسی آرڈر کی بھی خلاف ورزی ہے مزید برآں اس ایمنسٹی سکیم کے تحت گاڑی درآمد کنندگان کو صرف 500 ڈالر یا ایک لاکھ روپے جرمانہ کی ادائیگی سے گاڑی درآمد کر سکتا ہے لیکن موجودہ پالیسی کے تحت درآمد کنندگان کو 48 فیصد ڈیوٹی کی ادائیگی سے گاڑی درآمد کی جا سکتی ہے جو کہ موجودہ پالیسی اور ایمنسٹی سکیم میں تضاد ہے۔ پالیسی نوٹ میں مزید کہا گیا ہے کہ اس نئی ایمنسٹی سکیم سے متعلقہ سٹیک ہولڈرز کی پیداواری صلاحیت متاثر ہوگی اور مارکیٹ میں مقابلے کی فضا میں کمی ہوگی۔ پالیسی نوٹ میں مزید اس خدشے کا اظہار بھی کیا گیا ہے کہ اس سے آٹوموبائل گاڑیوں کی چوری کی مارکیٹ پیدا ہونے کا خدشہ ہے جو کہ آٹوموبائل گاڑیوں کی ایک متوازی مارکیٹ ہوگی جس سے ری سیکٹر کیلئے ایک غیر منصفانہ مقابلے کی فضا ہوگی۔ اس کے علاوہ اس سکیم کے تحت کلیئر کی گئی گاڑیوں کے بہت سے ٹیسٹ نہیں کیے جائیں گے جیسا کہ روڈ ورڈی نیس اور ایجنٹ کنٹرول نہیں کیے جاسکیں گے۔

سمگل شدہ گاڑیوں کو قانونی بنانے کیلئے ایمنسٹی سکیم پر اعتراض

3 سال پرانی گاڑیاں لانے کی اجازت ہے لیکن سکیم میں حد مقرر نہیں کی گئی

سکیم پر دوبارہ غور کرنے کے بعد امتیازی سلوک ختم کر کے ترامیم کی جائیں، مطالبہ

اسلام آباد (نمائندہ خصوصی) سابق چیف کمیشن نے ایف بی آر کی طرف سے سمگل شدہ گاڑیوں کو قانونی بنانے کیلئے دی جانے والی ایمنسٹی سکیم پر اعتراض کیا ہے اور پالیسی نوٹ لکھا ہے جس میں کہا گیا کہ ایف بی آر کے جاری کردہ نوٹیفکیشن سے پاکستان موٹر ڈیلرز ایسوسی ایشن نے بھی اعتراضات کئے ہیں۔ پالیسی نوٹ میں کہا گیا ہے کہ ملک کے اندر 3 سال تک پرانی کاریں لانے کی اجازت ہے تاہم ایمنسٹی سکیم میں گاڑیوں کے لئے عمر کی کوئی حد مقرر نہیں کی گئی ہے۔ یہ سکیم ان لوگوں کے ساتھ امتیازی سلوک کا درجہ رکھتی ہے جو معمول کے طریقہ کار سے گاڑیاں منگواتے ہیں۔ اس طرح فرسودگی والا نوٹس دینے کے معاملہ میں بھی امتیاز برتا گیا ہے۔ اس سکیم کی وجہ سے سٹیک ہولڈرز کی گاڑیوں کی پیداوار کی صلاحیت متاثر ہو گی۔ سابق کمیشن نے حکومت سے کہا کہ کار ایمنسٹی سکیم پر دوبارہ غور کیا جائے۔ اس سکیم کو واپس لے لیا جائے یا اس میں امتیازی سلوک ختم کرنے کے لئے ترامیم کی جائیں۔



ٹیکس ادا کرنے والوں اور ڈیوٹی دے بغیر گاڑیاں سمگل کرنے والوں سے یکساں سلوک نہیں کیا جا سکتا

## سمگل شدہ گاڑیوں کی ایجنسی سیکم خلاف قانون قرار

آٹو سیکٹر کو طلب و رسد میں عدم توازن کی وجہ سے پیداوار کم کرنا پڑے گی، مارکیٹ پر بھی منفی اثرات مرتب ہوں گے، مسابقتی کمیشن کا ایف بی آر، وزارت خزانہ کو پالیسی نوٹ

کیونکہ جنہوں نے سٹریٹیشن پر گاڑیاں درآمد کیں اور جنہوں نے ملکی سرحدوں کی خلاف ورزی کرتے ہوئے بغیر ڈیوٹی اور ٹیکس ادا کیے گاڑیاں سمگل کیں ان کے ساتھ یکساں سلوک نہیں کیا گیا۔ وزارت تجارت کے 12 دسمبر 2012 کے ایس آر او میں تین سال سے پرانی گاڑیوں کی درآمد پر پابندی عائد کی گئی ہے جبکہ ایف بی آر کے 5 مارچ 2013 کے ایس آر او میں پانچ سال اور اس سے زیادہ پرانی سمگل گاڑیوں کو قانونی حیثیت دینے کی اجازت دی گئی ہے جو نا انصافی ہے۔

ہے کہ کمیشن کی جانب سے ایف بی آر اور وزارت خزانہ کو لکھے گئے پالیسی نوٹ میں ایجنسی سیکم کی سمر پور مخالفت کی گئی ہے۔ کمیشن نے کہا ہے کہ اس سیکم کی وجہ سے ملک کے آٹو سیکٹر کو طلب اور رسد میں پیدا ہونے والے عدم توازن کی وجہ سے اپنی پیداوار کم کرنا پڑے گی جبکہ ملک کی خرید و فروخت کی آٹو مارکیٹ پر بھی اس کے منفی اثرات مرتب ہوں گے۔ اس سیکم میں سپورٹ پالیسی آرڈر کی خلاف ورزی کرتے ہوئے درآمد کی جانے والی گاڑیوں کو شامل نہیں کیا گیا جو امتیازی سلوک ہے

مسابقتی کمیشن نے فیڈرل بورڈ آف ریونیو (ایف بی آر) کی جانب سے جاری کردہ سمگل شدہ گاڑیوں کی ایجنسی سیکم کو مسابقتی قوانین کی

اسلام آباد (اظہر سید)

خلاف ورزی قرار دیتے ہوئے واپس لینے کے لیے کہا ہے۔ کمیشن نے کہا ہے کہ سمگل شدہ گاڑیوں کی ایجنسی سیکم سے صرف ملکی آٹو سیکٹر متاثر نہیں ہوگا بلکہ بغیر ڈیوٹی اور ٹیکس کے گاڑیاں سمگل کرنے کی حوصلہ افزائی بھی ہوگی۔ ذمہ دار ذرائع کا کہنا