

**SENATE OF PAKISTAN
HOUSE OF THE FEDERATION**

REPORT NO.6 OF 2017



House of the Federation

**REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE,
ECONOMIC AFFAIRS, STATISTICS AND PRIVATIZATION**

ON

**" THE SUBJECT MATTER OF STARRED QUESTION NO.79, ASKED BY SENATOR
MIAN MUHAMMAD ATEEQ SHAIKH ON 22ND DECEMBER, 2016"**

PRESENTED BY

SENATOR SALEEM MANDVIWALLA

SENATE SECRETARIAT

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ECONOMIC AFFAIRS, STATISTICS AND PRIVATIZATION ON THE
SUBJECT MATTER OF STARRED QUESTION NO.79, ASKED BY
SENATOR MIAN MUHAMMAD ATEEQ SHAIKH
ON 22ND DECEMBER, 2016**

I, Senator Saleem Mandviwalla, Chairman, Standing Committee on Finance, Revenue, Economic Affairs, Statistics and Privatization, have the honour to present, on behalf of the Committee, this report on the subject matter of Starred Question No.79, asked by Senator Mian Muhammad Ateeq Shaikh on 22nd December, 2016, regarding the import of auto parts in the shape of scrap from Japan and re-assembling of the same into cars, and referred to the Committee for consideration and report.

2. The composition of the Standing Committee is given as under: -

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|------|---|-------------------|
| (1) | Senator Saleem Mandviwalla | Chairman |
| (2) | Senator Ilyas Ahmed Bilour | Member |
| (3) | Senator Muhammad Mohsin Khan Leghari | Member |
| (4) | Senator Ms. Ayesha Raza Farooq | Member |
| (5) | Senator Muhammad Talha Mahmood | Member |
| (6) | Senator Ms. Nasreen Jalil | Member |
| (7) | Senator Kamil Ali Agha | Member |
| (8) | Senator Mushahid Uallah Khan | Member |
| (9) | Senator Saud Majeed | Member |
| (10) | Senator Sardar Fateh Muhammad Muhammad Hassani | Member |
| (11) | Senator Osman Saifullah Khan | Member |
| (12) | Senator Mohsin Aziz | Member |
| (13) | Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization | Ex-Officio Member |

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3. The Committee considered the said matter in its meetings held on 27th January, 16th February, 8th March and 7th April, 2017, at Parliament House, Islamabad. The last meeting was attended by the following:-

- | | |
|-------------------------------|----------|
| 1. Senator Saleem Mandviwalla | Chairman |
| 2. Senator Kamil Ali Agha | Member |
| 3. Senator Ayesha Raza Farooq | Member |

4. In the meeting held on 27th January, 2017, the mover briefed the Committee about the issue and said that the FBR had informed through the working papers that import of old and used auto parts including serviceable auto parts imported as steel scrap were banned in terms of Sr.No.11, Appendix-C of IPO, 2016, and the same could be redeemed against fine of 20% of import value. He was of the view that there should be a complete ban on import of old and used auto parts instead of its redemption by paying 20% of import value.

5. The representative of the FBR apprised the Committee that in order to discourage import of old and used auto parts, contraventions were made out against such imports and were forwarded to the adjudicating authorities. The adjudicating officers confiscated the old and used auto parts and a minimum fine of 20 percent of value of such goods was imposed, in lieu of confiscation, which was over and above the custom duty, other taxes and penalties were imposed under relevant law. He further said that if the banned goods were confiscated at the Port, these were required to be disposed of and resultantly came into the market at a relatively lower price and probably the offender could also buy the same through auction, therefore, the option of paying redemption fine was given.

6. The mover pointed out that some vehicles which especially used for loading purposes were brought after cutting into pieces and later on re-assembled. The Committee requested the mover to submit a workable proposal to the Committee regarding review of option of paying of redemption fine on the import of old and used auto parts in the shape of scrap.

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7. In the meeting held on 8th March, 2017, the mover informed the Committee that he had personally visited the Warehouses of the Customs along with Collector Customs and found some reassembled vehicles in their custody which were imported in the shape of scrap. He said that during the visit at dry port a cabin of a trawler full of modernized auto parts was also found, whereas, officially the used auto parts were not allowed and even in case of import that would be de-stuffed for making non-useable. He further apprised the Committee that in various intelligence reports of the FBR, it was pointed out that said kind of illegal activities were being taken place for the last many years, but unfortunately, no action was taken by the FBR authorities, even through an SRO import of used auto parts was allowed against payment of redemption fine of 20% of import value. He was of the view that the import of old and used auto parts should be banned completely instead of allowing on payment of 20% redemption fine.

8. The Member (Customs) informed the Committee that import of old and used auto parts was totally banned in the past as a result smuggling of auto parts was started at that time and to control the smuggling an SRO was issued regarding the import of old and used auto parts against the payment of 20% redemption fine under the Custom Act which allows to a Custom Officer to release the import against redemption fine. He said that Customs department was fully vigilant to thwart any attempt of import of old and used auto parts in the shape of scrap and in order to obviate chances of mis-declaration in the import of used auto parts under a prescribed comprehensive special procedure all consignments of such goods were subjected to 100% examination in the presence of an officer of Customs. He further said that the examination staff physically witnessed de-stuffing of containers however in case of cut parts of the vehicle, the chassis number was damaged by the examination staff. At that juncture, the mover pointed out that the chassis number was not damaged properly by the examination officer and needs to pay attention by the authorities. The Committee requested the mover to prepare a workable proposal in consultation with the Member (Customs) FBR regarding review of option of paying of redemption fine on the import of old and used auto parts in the shape of scrap, for consideration by the Committee in a future meeting.

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9. In the meeting held on 7th April, 2017, the Member (Customs) informed the Committee that the mover suggested an amendment in SRO 499(I)/2009, dated 13-06-2009, and the words "Front Cabin/half cut HTV/LTV and Cars with or without chassis number" should be excluded from the ambit of redemption fine. He said that the FBR agreed with the suggestion given by the mover and the said amendment would be made through the next finance bill, 2017-18.

10. After due deliberation, the Committee disposed of the matter and gave approval for presentation of this report to the House with the following recommendation:-

- **The Federal Board of Revenue should carry out amendment in SRO 499(I)/2009, dated 13th June, 2009, for exclusion of the words "Front Cabin/half cut HTV/LTV and Cars with or without chassis number" from the ambit of redemption fine, through the Finance Bill, 2017.**



(MUHAMMAD TAHIR KHAN)
Secretary (Committee)



(SENATOR SALEEM MANDVIWALLA)
Chairman (Committee)

Islamabad, the
14th April, 2017.