SRO issued for release of thousands of used cars

The Commerce Division Friday issued the much-awaited Statutory Regulatory Order (SRO) effecting release of thousands of three-year old used cars stuck at ports, following a change in Import Policy Order (IPO). Islamabad is abuzz with rumours that used car importers paid Rs 25 million to get the ECC decision reverted, however, H M Shehzad, a representative of used cars importers, dispelled the impression.

The Commerce Division, in its SRO 261(1)/2018 states "in exercise of power conferred by sub-section (1) of section 3 of the Import and Exports(Control) Act 1850(XXXIX) of 1950), the federal government is pleased to direct that in the Import Policy Order, 2016, in appendix-E, in paragraph 3, in sub-paragraph (5) for the expression "all vehicles in new used conditions," the expression" in case of cars with engine of 1800 cc and above and 4x4 vehicles in new condition" shall be substituted."

The ECC in its meeting on February 8, 2018 decided to allow import of three-year old used cars in accordance with previous policy.

On October 6 2017, Economic Co-ordination Committee (ECC) of the Cabinet had approved that all vehicles in new condition be imported under transfer of residence, personal baggage or under gift scheme, and duty and taxes to be paid out of foreign exchange arranged by Pakistani nationals themselves or local recipient supported by bank encashment certificate showing conversion of foreign remittance to local currency.

The Commerce Division further revealed that due to lack of clarity between the Federal Board of Revenue and the State Bank of Pakistan on the procedure for payment of duty/tax on import of vehicles, the requisite procedure was finalized on January 9, 2018. The Commerce Division proposed that those vehicles may be cleared by the custom authorities where bill of lading was issued on or before January 9, 2018. The sources said duties and taxes shall be paid at the higher of the inter-bank and the open market foreign exchange rates as recommended by the Advisor to Prime Minister on Finance, Revenue and Economic Affairs, Miftah Ismail.

During the ensuing discussion Miftah Ismail maintained that all duties and taxes on imported vehicles in new or used conditions either under personal baggage or gift scheme be paid out of foreign exchange arranged by Pakistani nationals themselves.

He further stated that immediate implementation of the ECC decision regarding the new mechanism to pay duties and taxes on the import of cars may create some problems for those importers who had already shipped their vehicles that are now stuck at the ports.

He suggested that in order to address the hardships of such importers, new requirements [payment of duties and taxes on imported vehicles through foreign exchange] may be given to those vehicles which arrive after February 28, 2018. This would allow the pre-shipped vehicles to be cleared under the old regime.

Secretary, Textile Division stated that prices of local manufactured cars have increased considerably after the ECC decision regarding imposition of the new mechanism.

More than 7000 imported cars are being held at different ports. The Secretary urged for an early resolution of this issue to mitigate sufferings of the car importers and added that it would not be prudent to withdraw any policy immediately after its approval from a competent forum. However, keeping in view the hardships of importers, the SRO 1067(1)/2017 may be withdrawn.

After a detailed discussion, the ECC decided to revert to the earlier mechanism in practice prior to the ECC decision of summary of the Commerce Division of October 5, 2017 taken in its meeting held on October 6, 2017 with the direction to the Commerce Division to deliberate on the issue holistically in consultation with all stakeholders and submit a summary with viable recommendations to the ECC for consideration. The Cabinet Division submitted the ECC decision before the federal cabinet in its last meeting which was endorsed.