



FEDERAL BUDGET 2016-17

&

Recommendations by

All Pakistan Motorcycle Spare Parts Importers & Dealers Asso.



PREAMBLE

Preparation of recommendations for the Federal Budgets is an annual activity for any legitimate and licensed Trade Organization(s) in Islamic Republic of Pakistan.

The activities start off in the month of January every year when the Federal Government sometime via the Federation of Pakistan Chambers of Commerce & Industry (FPCCI) and sometime directly invites recommendations from the registered Trade Organizations for the forthcoming budget normally presented by the Finance Minister in the first week of June every year.

Just like any other legitimate Trade Organization, the Budget related activities being carried out by All Pakistan Motorcycle Spare Parts Importers & Dealers Association (APMSPIDA) weren't much different, wherein the recommendations of APMSPIDA were shared with the FPCCI in January 2016 for consolidating the same with the FPCCI recommendations and passing them on to the Federal Government for needful consideration.

This report would briefly highlight the Budget related activities being undertaken by the Association whereby the following meetings were the main highlights:

1. Meeting with Mr. Zubair F. Tufail, Former Vice President FPCCI
2. Meeting with Mr. Haroon Akhtar, Advisor to Prime Minister
3. Meeting with the Members APMSPIDA

RECOMMENDATIONS SUBMITTED IN THE FPCCI



ALL PAKISTAN MOTORCYCLE SPARE PARTS IMPORTERS & DEALERS ASSOCIATION

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APMSPIDA/BUD/KCCI/2016

18th. January, 2016

The President
Federation of Pakistan Chamber of Commerce & Industry
KARACHI.

**SUB: BUDGET PROPOSAL FOR THE YEAR 2016-2017 FOR REDUCTION OF
IMPORT DUTY FROM 35% TO 20% AND TO ABOLISH ADDITIONAL DUTY UNDER
SR0 N0 693 (I)/2006 DATED 1-7-2006 ON IMPORT OF MOTORCYCLE SPARE PARTS
FALLING IN CHAPTER 8700-0000 RESPECTIVE HEADINGS.**

Dear Sir,

While referring to the subject matter, we would like to introduce ourselves as "ALL PAKISTAN MOTOR CYCLES SPARE PARTS IMPORTERS AND DEALERS ASSOCIATION", (APMSPIDA) and are working for the last many years for the betterment of our members Legal Trade Activities and are paying **3 to 4 billions** of rupees to the Government exchequer, in addition to **over 400000** jobs to the people of Pakistan.

2. It is submitted that the newly Democratic Government came into power with the Votes of the poorest people of Pakistan, to whom during the Election Campaign it has been committed by the Ruling Party that the reduction in prices for the poor/middle class people will be its one of the TOP MOST AGENDA, on the other hand the most cheapest means of transport/conveyance facility of the poor people are subject to 35% Custom Duty + 15% Addl. Duty, 17% Sales Tax + 3 % Addl. Tax and 5.5 % Income Tax i.e. almost 100% impact of levies are applied on the import of Motorcycle Spare Parts.
3. Sir, it will not be out of place to mention here that above **3 to 4 billions** are just **50% to 55%** share of legalized Imports, whereas **45% to 50%** Revenue of the Govt. is **HIJACKED BY THE SMUGGLERS** reason being **Highest Tariff/ADDL duties**, resultantly, smugglers are promoted to do their jobs without paying a single penny to the Govt. Sir, these are not flimsily stories, but talks of the days every where.
4. We can assure you that Govt. revenue can grow more than 60 % as against existing 40% revenue generated which is just less than 40% of legalized import. **The Government is just receiving almost less than 60% revenue** reason being that smuggled goods are flooded in the market mainly through Pak-Afghan borders linked with KPK and Balouchistan beside others, just because of High Tariff and Addl. duties, whereas smuggled goods are being used by the local assemblers, resultantly losses to Govt. exchequer in addition to flourishing FLYING INVOICES, on the other hand Govt. is protecting local vendor industries by **HIGHEST TARIFF RATE + ADDL DUTIES** and for the similar reason spare parts of Motorecycle are not included in FTA of CHINA and MALAYSIA, which is discriminatory attitude for our trade.
5. Arguments of Government for high tariffs just to protect the local industry is no more workable anymore as we have seen the result by doing so for the last 30-40 years, our engineering Industry has

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0.1% share of the total worlds business which is worth \$400 Billion in the international market i.e. 2nd Largest Sector after Textile.

6. To summarize the issue, we suggest that:

(A) That Custom Duty is reduced from 35% to 20 % on the under mentioned items of Motorcycle spare parts under chapter 73, 84, 85, 87 AND 90 as well as respective headings.

(B)

8409:0000	8483:5010	8407:3110	8532:3010	8714:0000
8483:9020	8483:1012	8483:6091	8544:4221	8532:3010
8481:8020	8512:2010	8536:5021	8511:3010	7315:1910
8544:4221	8421:3110	8481:8020	9029:2011	

(C) Abolish 15% Additional Duty imposed under S.R.O.693 (I)/2006 dated 1-7-2006 and S.R.O is amended accordingly.

(D) Rescind OR Suspend all Valuation Rulings for relating to our trade for ONE YEAR and let the Traders to allow importing at the lowest prices from world wide sources to save huge foreign exchange which is transferred through this channel to meet the ITP VALUES.

(E) Items listed at "A" above also included in FTA CHINA/MALAYSIA respective headings.

(F) Time limit of 30 days be fixed to decide the REVIEW PETITION filed under section 25D of the Customs Act, 1969 as at the present Director General Valuation takes years to decide the matters.

It will not out of place o mention here that LOWEST TARIFF/LEVIES on import of motorcycle spare parts is the only solution to overcome the illicit smuggling and curb smugglers and would also protect local industries which are also affected by smuggling, furthermore it will attract investment in this sector, in addition to controlling the illegal and counterfeited brands smuggling, government would get more revenue by direct import of brand owners consequently our economy will grow.

Sir, while concluding the matter we can only once again request that our suggestion stated at "A", "B", "C", "D", "E" above be given TOP PRIORITY to address the issue in the larger interest of the country as well as the traders whose are importing through legal CHANNEL which will be beneficial to the poor/middle class people who uses Motorcycle as their means of conveyance which off course will reduce burden on the Public Transport.

Sincerely yours

For ALL PAKISTAN MOTORCYCLE SPARE PARTS
IMPORTERS AND DEALERS ASSOCIATION

Abdul Ghafoor
Secretary General



MEETING WITH MR. ZUBAIR F. TUFAIL, FORMER VICE PRESIDENT FPCCI

A meeting for the submission of APMSPIDA Budget Proposals for the year 2016-17 was held with Mr. Zubair F. Tufail, Former Vice President FPCCI on May 18, 2016 for onwards submission of the same to the Federal Government for their needful consideration. The recommendations submitted by the APMSPIDA delegation are reproduced below:

The motorcycle segment in Pakistan has seen rapid change in recent years, the most important of which has been the increase in volume.

The increase in volumes was accompanied by a parallel increase in number of players operating in the market. The number of registered assemblers has increased from just nine in 1997-98 to more than a hundred in 2013-14. This growth can be attributed to consistent policies and government support due to which a high level of indigenization (80-85 percent) has been achieved thus not only substituting imports but also resulting in lowering the costs of production. Due to these levels of indigenization and increase in volumes, prices of motorcycles have declined correspondingly to the benefit of end consumers.

Despite large production capacity in Pakistan, the sector still has relatively low quality, technology level and product development capabilities, and lacks innovation in design and features, and there is stereotyping of products.

For Motorcycle being the cheapest means of transport/conveyance available for the end consumer is remains under pressure due to 35% Custom Duty + 15% Addl. Duty, 17% Sales Tax + 3 % Addl. Tax and 5.5 % Income Tax i.e. almost 100% impact of levies which is applied on the import of Motorcycle Spare Parts. In Pakistan people don't have multiple options for travel like Metro, Tube, Train even Buses/coach are very limited with bad conduction entailing a lot of risk element.

The Importer wishes to source from cheaper supplier to support balance of trade and also pass on those benefits to Biker's and create healthy competition with the aim to support the economy.

It is imperative to quote here that the Higher Custom Duty with additional duty will ultimately promote environment for smuggling and tax manipulation. Thus,

it is proposed that if the Custom duty is reduced from 35% to 20% and the additional duty of 20% is slashed out completely, then it is highly likely that more than 95% cases will route through proper channel ultimately plummeting the smuggling fear by 45-50%, eventually result in increasing in the National exchequer and also dropping the per unit price even further and greatly benefitting the end consumer with the phenomenal growth of the industry.

Mr. Zubair F. Tufail was instrumental in arranging the meeting of APMSPIDA with the Advisor of Prime Minister on Budget matters Mr. Haroon Akhtar on May 19, 2016 in Islamabad.



MEETING WITH ADVISOR TO PRIME MINISTER OF PAKISTAN
MR. HAROON AKHTAR

A meeting of APMSPIDA was held with Mr. Haroon Akhtar, Advisor to Prime Minister of Islamic Republic of Pakistan on May 19, 2016 for the needful submission of the budgetary proposals from the APMSPIDA to the Federal Government for needful consideration in the forthcoming Federal Budget 2016-17.

The Advisor to the Prime Minister after taking a detailed briefing and written recommendations from the visiting delegation assured them of due consideration if not during the forthcoming budget then certainly after the announcement of Budget.

He also highlighted the fact that the Associations representation for the forthcoming has been slightly behind schedule, thus, making the same part of the forthcoming budget speech would be little uncertain. Thus, he requested the members to come and meet him and members of the Finance Minister post budget speech for the relaxation in the additional duty structure.



MEETING TO APPRISE THE MEMBERS OF APMSPIDA

The Chairman APMSPIDA convened a meeting of the members of APMSPIDA on May 24, 2016 at the Sunset Club, Karachi followed by dinner in order to apprise the members about the APMSPIDA meeting with Mr. Zubair F. Tufal, Former Vice President FPCCI followed by a meeting with Mr. Haroon Akhtar, Advisor to PM on account of Budget Proposals for the forthcoming Federal Budget 2016-17. The members on receipt of the briefing from the visiting delegation expressed their satisfaction and unanimously decided that the efforts in order to get the additional duties waived/slashed by the Government would be continued and accordingly be accelerated by the forthcoming budget 2016-17.



