

**BEFORE
THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

Complaint No.0996/KHI/CUST/2020

Dated: 19.03.2020 R.O Karachi

M/s. Poplon Pakistan (Pvt) Ltd,
34-N, Gulberg II, Lahore.

... Complainant

Versus

The Secretary,
Revenue Division,
Islamabad.

... Respondent

Dealing Officer	:	Mr. Shahid Ahmad, Advisor
Authorized Representative	:	Nemo
Departmental Representatives	:	(i) Mr. Rizwan Bashir, Additional Collector, MCC (East)
		(ii) Mr. Aamir Thahim, Additional Collector MCC (West)
		(iii) Mr. Amanullah Tareen, Deputy Collector MCC (East)

FINDINGS / RECOMMENDATIONS

The complaint was filed against the Collector, MCC Appraisalment & Facilitation (East), and the Collector, MCC Appraisalment & Facilitation (West), Karachi in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) for failing to detect import of inorganic chrome pigments against fake Certificate of Origin through circumvention of origin of goods and under invoicing by various importers in respect of goods imported and cleared through Karachi Port.

2. Precisely, the Complainant is a manufacturer of inorganic chrome pigments for use in paint, plastic and leather industries in Pakistan. It was alleged that after suspension of trade with India, pigment of Indian origin goods were imported through trade proxies such as M/s. Galaxy International FZC, UAE by using fake

involved, the Certificate of Origin is not a mandatory requirement for the importers, except, if so specifically provided under any condition of the Import Policy Order. Burdening the import with the Certificate of Origin in cases where either concession of duty/taxes is not involved or Intellectual Property Organization (IPO) did not require so, may increase the cost of doing business and delay in customs clearance.

5. It was averred by the Collector, MCC (West) that during the period from October to December 2019, four GDs of inorganic chrome pigments were imported under the provisions of the Customs Act, 1969 on the basis of applicable value as per data available of identical goods imported by various importers from UAE. One GD was cleared under Green Channel, one under Yellow Channel and one under Red Channel. As per import documents, consigner was M/s Galaxy International FZC, Sharjah and origin of goods was South Korea. Whereas port of shipment was Jabel Ali, UAE. It was averred that the allegation of circumvention of Indian origin goods by changing the wrapper through UAE and declaring it be of Korean Origin was not supported with concrete evidence. In respect of three GDs, country of origin was declared as South Korea while one GD of Indian origin was cleared before the imposition of ban vide Ministry of Commerce SRO 927(I)/2019 dated 09.08.2019. However, after receipt of complaint, in order to obviate any possible attempt of origin circumvention, Assessment Alert dated 08.07.2020 was issued to assessing as well as examination staff, for strict vigilance in respect of inorganic chrome pigments imported from M/s. Galaxy International FZC, UAE. The process of verification of the allegations regarding circumvention of origin had been initiated and the importers/suppliers of goods, shipping lines and

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Depts were mailed and the Complainant filed rejoinder dated 13.05.2020.

8. During investigation, the DR averred that values of Chinese goods, Korean goods and Indian goods since 2011, as mentioned by the Complainant are not supported by any documentary evidence and need in depth investigation to ascertain the factual position. The Deptt has accordingly initiated detailed investigation. He contended that the Deptt had also initiated requisite actions and investigation under the relevant law in respect of under invoicing, circumvention of origin of imported goods and fake Certificate of Origin. The DR assured that detailed investigation would be carried out, and in case of any discrepancy, strict action would be taken as per law.

9. Averment of both the parties given due consideration and available record perused.

10. After initiation of investigation by this Forum, the Deptt took following actions:

- (i). that the Assessment Alerts dated 07.07.2020 and 08.07.2020, were issued to assessment and examination staff for careful scrutiny in respect of all consignments originating from free ports and declaring origin as South Korea and demand and verify Certificate of Origin in all consignments of inorganic chrome pigments.
- (ii). that the Commercial Counselor, Consulate General of Pakistan, Dubai, UAE vide letter dated 30.04.2020, had been requested to certify the genuineness of Certificates of Origin in respect of M/s. Galaxy International ZFC.
- (iii). that the importers had been requested to provide relevant documents to establish the origin of goods including transaction trail of the consignment.

potential tax revenue, the FBR should formulate and implement strategy to cater this situation.

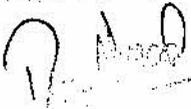
RECOMMENDATIONS:

12. In view of supra, the FBR:
- (i) to seek information from the Director General, UAE Customs under mutual legal assistance agreements for verification of origin of goods;
 - (ii) to direct the Directorate General of Post Clearance Audit (PCA) to carry out post-import transaction verification of all relevant GDs so as to satisfy the accuracy and authenticity of declared import values on the basis of export documents/ information obtained through Commercial Counselors posted in South Korea and UAE;
 - (iii) to direct the Director of Customs Valuation to check accuracy of values declared by the importers and determine custom value for assessment of inorganic chrome pigments in terms of Section 25A of the Act, and
 - (iv) to direct the Chief Collector (Appraisement-South), to ensure finalization of investigation expeditiously and take appropriate action in cases where mis-declaration is established; and
 - (v) to recommend to the Ministry of Commerce to frame and enforce Rules of Origin in respect of goods suspected of circumvention and import from free ports which are not covered under Preferential Trade Agreement. Also make it mandatory to furnish Certificate of Origin from respective country of manufacture duly verified by the respective government; and
 - (vi) report compliance within 45 days.

(Mushtaq Ahmad Sükhera)
Federal Tax Ombudsman

Dated: 01/10/2020
Naik

Committed to be True GOR


Deputy Registrar
FBR Secretariat
Islamabad