

**THE FEDERAL TAX OMBUDSMAN
ISLAMABAD**

Complaint No.2217/KHI/CUST/2023

Dated: 26.04.2023* R.O. Karachi

Mr. Fahad Sultan
United Kingdom/Karachi

... *Complainant*

Versus

The Secretary,
Revenue Division,
Islamabad.

... *Respondent*

Dealing Officer	:	Mr. Muhammad Iqbal Bhawana, Advisor
Appraising Officer	:	Mr. Muhammad Nazim Saleem, Advisor
Authorized Representative	:	Nemo
Departmental Representative	:	Ms. Azka Zafar Rana, DD Directorate General of Valuation

FINDINGS/RECOMMENDATIONS

The above-mentioned complaint has been filed against the Director General of Customs (Valuation), Karachi in terms of Section 10(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) on account of wrong updation and incorrect computation of duties and taxes of mobile phones with respect to their worth.

2. The complaint was referred to the Secretary, Revenue Division for comments in terms of Section 10(4) of the FTO Ordinance read with Section 9(1) of the Federal Ombudsmen Institutional Reforms Act, 2013. In response thereto, the Director, Directorate General of Customs (Valuation), Karachi submitted written comments vide letter dated 10.05.2023, wherein it was *inter alia* averred that the Directorate General of Customs (Valuation) had issued Valuation Ruling No.1732/2023 dated 23.01.2023 after providing opportunity of hearing to all the stakeholders and after recommending depreciation upto a maximum of 60%. During hearing of the complaint, it was further elaborated by the DR that it is the responsibility of the assessing officer to properly appraise the goods in question in light of applicable VR. The Complainant did not attend any hearing despite many notices.

*Date of registration in FTO Sectt:

3. The comments from the Collector, Collectorate of Customs, JIAP, Karachi were also received vide letter dated 12.06.2023 wherein it was stated that the PTA DIRBS System has been in place since January, 2019 enacted vide CGO No.01 of 2019 dated 28.01.2019 read with Baggage Rules, 2006. This facility was aimed to register the mobile devices brought in by international travelers in their accompanied Baggage or mobile devices available with individual who is not a traveler or such devices imported by individual through postal/courier services and registration of the devices imported illegally through informal channels by local traders. The uploading of duty and taxes of popular mobile devices in the WeBOC system is to be carried out by Deputy Collector (MIS), JIAP, Karachi, while the assessment of such mobile phones which are not in the uploaded list is to be carried out by Assessing Officer as per the letter dated 01.02.2019. It was pointed out that the values for the assessment of the mobile devices are taken up from valuation advice/ruling in vogue issued by the Directorate of Valuation, Karachi. In addition to it, a Change Request Form (CRF) with regard to inclusion of up-gradation of exchange rate has already been forwarded to Directorate of Reforms & Automation. Lastly, it was averred that the PTA DIRBS System is regularly updated in the light of any amendment incorporated whether in the valuation ruling of the mobile devices or in the tax regime brought about by the Board.

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4. The complainant's reservations, stated in the written complaint he filed, have been reviewed as he chose not to attend in-person hearings despite issuance of multiple hearing notices from this office. However, it has been observed that the concerns raised by him in the written complaint filed before FTO and those by other mobile phone importers are not entirely unfounded. Customs authorities frequently employ improper methods when assessing duty and taxes on mobile phones, leading to the misclassification of these devices and the imposition of

higher duty rates. This significantly amplifies the financial burden on importers. Moreover, there seems to be an absence of consistency and uniformity in the valuation methods employed by customs officials. Often, the declared value of mobile phones is disregarded without providing a reasonable justification for such actions. This inconsistency not only violates fairness principles but also erodes the trust that should exist between importers and customs authorities. To mitigate discrepancies and potential disputes, it is essential to establish clear guidelines and standard operating procedures that promote consistent and accurate valuation practices. Additionally, it has come to our attention that customs authorities frequently overlook the diminished value of used mobile phones when assessing duty and taxes.

FINDINGS/RECOMMENDATIONS

5. FBR to direct-

- (i) Concerned Collectorates of Customs and Directorate General (Valuation) to promptly address concerns under reference and rectify the flaws in the valuation and assessment of mobile phones;
- (ii) The following measures need to be ensured:-
 - a. *Mobile phones should be accurately classified based on appropriate tariff codes.*
 - b. *Consistent and uniform valuation methods should be applied, giving due consideration to the declared value unless there is clear evidence of misdeclaration.*
 - c. *The appropriate depreciated value of used mobile phones based on physical condition and model should be applied in order to prevent unwarranted overcharging.*
- (iii) Compliance report to be sent within 30 days.

Dated: 12/8 : /2023

Approved for reporting

[Signature]
 Director
 FTO Secretariat
 Islamabad

[Signature]
 (Dr. Asif Mahmood Jah)
 (Hilal-i-Imtiaz)(Sitara-i-Imtiaz)
 Federal Tax Ombudsman