

# THE FEDERAL TAX OMBUDSMAN ISLAMABAD

**0017/OM/2023**

Dated: 06.06.2023 R.O. Karachi


The Secretary,  
Revenue Division,  
Islamabad

... Respondent

Dealing Officer	:	Mr. Muhammad Iqbal Bhawana, Advisor
Appraising Officer	:	Mr. Muhammad Nazim Saleem, Advisor
Departmental Representative	:	Mr. Basit Maqsood Abbasi, Collector CoC, Enforcement (Ports), Karachi Mr. Habib Ahmed, Director I&I-Customs, Karachi

## FINDINGS / RECOMMENDATIONS

This is an own motion investigation initiated while exercising powers conferred under Section 9(1) of the Federal Tax Ombudsman Ordinance, 2000 (FTO Ordinance) to investigate essentially the following irregularities:

- 
- i. High-value luxury goods under the garb of baggage being cleared from the port against payment of minimal amount of duty and taxes in collusion with the customs authorities.
  - ii. Goods being cleared by misusing the passport of overseas Pakistanis who have meager incomes and cannot afford to buy such high valued items.
  - iii. Such cleared goods are then supplied throughout Pakistan causing a huge loss to the economy.

2. The Unaccompanied Baggage of overseas Pakistani passengers is governed by SRO 666(1)/2006 which defines unaccompanied baggage as baggage including personal apparel, and other personal, professional and household effects of a passenger. The baggage clearance significantly differs from the regular imports as it primarily deals with the belongings of overseas citizens. The overseas Pakistanis bringing in unaccompanied baggage can be segregated into two broader categories: the ones availing transfer of residence facility and those not availing the transfer of residence

facility. The passengers availing transfer of residence facility are given additional allowances as envisaged in Rule 4 of Baggage Rules notified vide SRO 666(1)/2006, while those not fulfilling the criteria of transfer of residence facility are entitled to normal allowances as prescribed in Rule 3 of subject Baggage Rules.

3. Comments were sought from the Secretary, Revenue Division 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 respondent Collectorate submitted comments on two occasions via letters dated 22.06.2023 and 10.07.2023.

4. Initially, the respondent Collectorate of Customs Enforcement (Ports) *inter alia* asserted that the Hon'ble FTO had taken cognizance of the instant issue earlier and disposed it of vide order dated 21.12.2021 in Own Motion No.0124/OM/2021 wherein the following recommendations were passed:

"8. FBR to-

- (i) ensure that Baggage Declaration module in WeBOC is fully operational for all Customs Stations and Baggage Declarations are properly filed in the said module;
- (ii) direct all Collectors including the Collector, Collectorate of Enforcement, Karachi to implement and effectively utilize the Baggage Declaration module in WeBOC for clearance of personal baggage at all relevant stations under their respective administrative controls; and
- (iii) report compliance within 45 days."

5. It was asserted that the Collectorate promptly complied with the aforementioned recommendations of the Hon'ble FTO, and the initial Unaccompanied Baggage Declaration was processed through the WeBOC module on 16.10.2021 from UAB Port Muhammad Bin Qasim. "The clearance and processing of all UAB containers are consistently being handled ever since through WeBOC at all ports under the



jurisdiction of the Collectorate of Customs, Enforcement (Ports), Karachi, including Port Qasim, East Wharf, and West Wharf. It was further clarified that, since the matter has been thoroughly investigated and addressed in the above-mentioned O.M., with the complete implementation of the earlier issued recommendations, no further action is pending on the part of the Collectorate of Customs, Enforcement (Ports). The consideration of an identical matter is deemed "double jeopardy" and is barred by Article 13 of the 1973 Constitution of Pakistan. It was emphasized that there has been a downward trend in the number of UAB containers over the last three years.

6. During the hearing, Mr. Habib Ahmed, Director I&I-Customs, Karachi, conveyed that Baggage clearance has been integrated into the WeBOC system through the development of a separate module, requiring the examination of all containers. This approach aims to minimize the chances of misdeclaration. As a standard practice, all containers undergo examination, and deficiencies found therein are reported by the staff of the Enforcement (Ports) Collectorate. However, considering the persistent issues related to baggage clearance, the concerned staff of the Directorate General of I&I has been directed to remain vigilant about any relevant information and act accordingly. The Director recommended the development of a mechanism wherein the Collectorate of Enforcement (Ports) can seek the assistance of the Directorate of I&I to ensure transparency in baggage clearance. It was highlighted that, as far as the Directorate is concerned, it currently operates based on information only, and in the past few months, they have received no specific information about misdeclaration in the import of baggage containers. The Director suggested that due to restrictions on import and the non-availability of foreign exchange, unscrupulous elements may engage in misdeclaration through imported baggage containers.

7. Mr. Basit Maqsood Abbasi, Collector, Enforcement (Ports), Karachi, stated that necessary instructions have been issued to ensure the payment of all leviable duty and taxes on the import of baggage consignments. However, the Collectorate will continue to facilitate legitimate baggage sent by overseas Pakistanis. He further informed that a conscious effort has been made by the Collectorate to assign important baggage examination roles only to officials with a good reputation. It was reiterated that comprehensive proposals have been sent to the Board to streamline and facilitate bona fide passengers who bring in personal and household effects. These measures include the proposal to introduce Overseas Pakistanis Door to Door Service Rules meant for multiple passengers. Additionally, changes have been recommended in SRO 666(I)/2006, proposing amendments to Rule 17 prescribing the confiscation of goods imported in commercial quantity by overseas Pakistanis. Accordingly, the definition of commercial quantity in Rule 2(c) has also been recommended to be changed which currently reads as "a quantity of goods imported prima facie for trading or pecuniary gain and not for personal use or gift." These proposed changes will help eliminate the chances of the clearance of goods brought in commercial quantity altogether.

8. The Collectorate was asked to submit the above proposals in writing, which they accordingly submitted in a consolidated reply dated 22.11.2023, containing recent measures taken by the Collectorate to streamline and facilitate bona fide passengers bringing in personal and household effects. These measures, among others, include the proposal to introduce Overseas Pakistanis Door to Door Service Rules dealing with the bringing in of personal as well as household effects by multiple passengers in a single container to save expenditure. The Collectorate of Customs Enforcement (Ports) has also recommended changes in SRO 666(I)/2006, proposing amendments to Rule 17, prescribing the confiscation of goods imported in commercial quantity



in the name of overseas Pakistanis. Accordingly, the definition of commercial quantity in Rule 2(c) of the same SRO 666(I)/2006 has also been recommended to be changed. Similar proposals have been made by the Directorate General, Intelligence and Investigation-Customs, Karachi, in their submissions before this office.

9. Evidently, in response to the own motion investigation initiated by this office, the Collectorate of Customs Enforcement (Ports), on the suggestion of this Forum, has made concerted efforts to streamline the clearance of baggage to prevent the misuse of the baggage facility scheme. This is evidenced by the fact that practically no meaningful complaints of malpractice regarding the import of goods brought in commercial quantity have been received in the last six months, due in part to the lodging of several FIRs by the Collectorate of Customs Enforcement (Ports), Karachi, against individuals bringing in goods in commercial quantity through the misuse of the baggage scheme.

10. From the response submitted by the respondent Collectorate of Customs (Ports) it is obvious that the clearance of goods brought in commercial quantity under the Baggage facility cannot be denied by the Collectorate based on Rule 17 of Baggage Rules, in conjunction with Rule 2(c) and SRO 499(I)/2009 dated 13.06.2009. Regarding the misuse of passports, the respondent Collectorate has clarified that, as a clearance formation, they cannot refuse clearance of such 'goods imported in commercial quantity solely based on the passport owners' income status.

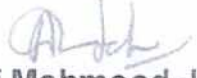
#### RECOMMENDATIONS:

11. In view of the foregoing, FBR is directed to:-

- i) instruct Member (Customs Policy) to examine the aforementioned proposals forwarded by Collectorate of Enforcement (Ports), Karachi and Directorate of Intelligence & Investigation, Karachi and incorporate the

tenable changes in the relevant Rules/ Procedures/SROs,  
as per law; and

- ii) report compliance by 15<sup>th</sup> July, 2024.

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

Dated: 01/02/2024

*Approved for reporting*