

# Telecos demand withdrawal of increased rate of Customs duty

ISLAMABAD: Demanding the status of industry for the telecom sector, the cellular companies has asked the government to withdraw increased rate of Customs duty on imported machinery and abolish collection of registration on activation of phone sets introduced in the Finance Bill 2014-15.

"If the government did not withdraw these increased taxation measures, than the industry will take all appropriate steps, including approaching the superior judiciary when the Finance Bill 2014-15 becomes applicable after approval by the parliament from July 1," representatives of the cellular companies told The News after holding a meeting with the Federal Board of Revenue (FBR) high-ups on Wednesday evening.

When contacted, the FBR high-ups said that the cellular companies could not be given status of industries because they were not manufacturing anything in Pakistan.

"The cellular companies are service providers so they cannot be treated as an industry until and unless they start manufacturing in the country," they added.

The FBR, they said, proposed cutting down two tax rates in the Finance Bill 2014-15 on the recommendation of the Ministry of Information Technology, as the rate of advance tax on mobile phone bills has been reduced from 15 percent to 14 percent and the sales tax from 19 percent to 18 percent.

However, the cellular operators say that the government has withdrawn certain sec-

tions of SRO 575 and slapped enhanced duty on imported telecom machinery in the Federal Budget 2014-15.

"At a time when the cellular companies are set to import \$2 billion to \$3 billion machinery in the aftermath of 3G and 4G in Pakistan, the rate of Customs duty has increased to almost double in the budget," they added.

They said that their business plan for rolling out 3G and 4G would be in jeopardy if this burden was not withdrawn by the government.

"We will be left with no other option but to approach the superior judiciary to get relief," they said.

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On the demand for treating cellular sector as an industry, the cellular companies' representatives said that the Ministry of Science and Technology had granted them the status of industry in 2004.

"Now the Ministry of Information Technology has also written a letter to the FBR to provide us the status of industry," they said.

They also argued that the government introduced Section 3 (3b) in the Sales Tax Act through which the franchises have been assigned to collect

registration fee of Rs250 on phone handsets.

According to the Finance Bill 2014-15, the liability to pay sales tax at the time of import of cellular mobile phones or satellite phones will be on the importer and the liability to pay the sales tax at the time of registration of a new International Mobile Equipment Identity (IMEI) number for the first time will be on the cellular mobile operator who registers the IMEI number in his system.

The cellular mobile operators will, if not already registered, obtain registration

under the Sales Tax Act, 1990. No IMEI number will be registered by a cellular mobile operator without charging and collecting the sales tax. The cellular mobile operator will deposit the sales tax collected through his monthly tax return in the manner prescribed in Section 26 of the Sales Tax Act, 1990, and the rules made there under.

The Pakistan Telecommunication Authority will provide data regarding International Mobile Equipment Identity numbers registered with other cellular mobile operators to

prevent double taxation on the same IMEI number in case of switching by a subscriber from one operator to another, and to provide data regarding registration of International Mobile Equipment Identity numbers to the board on a monthly basis, according to the Finance Bill 2014-15.

No adjustment of input tax will be admissible to the cellular mobile operator or any purchaser of cellular mobile phone against the sales tax charged and paid in terms of this schedule, it added.

—*Mehtab Haider*