

March 03, 2018

SUBJECT: Request for re - consideration of Tariff Elimination and reduction of Sales Tax and Withholding Tax on Wood and Timber (HS code 44.03 up to 44.07).

Dear Sir,

Please refer the announcement of Budget for the year 2018-2019 announced by Federal Finance Minister Mr. Miftah Ismail on 27.04.2018. The budget was expected to be business friendly, practical & realistic because to be presented by high rank technocrat, Mr. Miftah Ismail.

The hope vanished while going through it from environment friendly point of view because, neither care was taken to protect our Forest reserve, nor attempt was made to preserve our natural environment. Contrary to this, additional duty enhanced from 1% to 2% making total Custom Duty 5% instead of present duty structure of 4%.

Being aggrieved and dissatisfied with announcement, we wish to submit as under:

Karachi Timber Merchants Group is one of the oldest Trade Body since 1938 and most of its members are Third Generation in Wood and Timber and its Allied Products in business. It is basically a trade body of Timber Merchants & Industrialists for the welfare of its members, liaison for improving forests as well as environment related matters too. We do make our recommendation to concerned Government departments to save forest and to improve our jungle Stock.

We have also been assisting custom officials for last many decades in correctly assessing value as well as clearance related matters of imported consignments for all the items related to wood & timber and its Allied Products.

Our Forest reserves position.

According to world fact book an estimate in 1990's 3.3% of the total area of the Pakistan was woody, which then reduced to 2.2% by 2010 in Pakistan and after that according to FAO it was 1.9% forests in the year 2015. Whereas forest reserves of some countries like 69.00% in Finland, 74.90% in Sweden, 45.67% in Latin America and Caribbean, 45.40% in Russia, 31.06% in Canada,

30.84 in USA, 31.70% in Germany, 23% in India, 17% in Africa, 27% in Europe, 14% in North Central America and 23% in South Africa.

Deforestation is a threat not only to humans but also to animals, birds and reptiles as forests are the habitats for millions of species. Pakistan has almost 1029 known species of all animals, while 3.5 of these are endemic (which exist in no other country). It means they all are being endangered gradually or to be extinct soon. Along with being a sign of danger for these species, deforestation causes an increase in temperature due to the scarcity of forest, hence result in the increased severity of global warming. Increased temperature is the biggest reason of melting of glaciers in Pakistan. Pakistan is a home of more than 5000 glaciers, which feeds Indus River in summers and monsoon.

This is a known fact that our country does not have any forest reserves and our forests have depleted due to ruthless falling of trees and no proper plans for reforestation and enhancing forest cover from where we can get fuel wood and wood for construction purpose and even the production of local wood based products which substitute wood and whatever meager and insufficient forests are available must not be allowed to harvest any trees to stop the degradation of environment the whole world is making a big hue and cry for improving the environment and the countries with adequate forests like Finland, Sweden, Germany, France, Austria, USA, Canada have proper replantation policies for example when they harvest or fell one tree they plant two trees which over period of time become available for harvesting and replantation and reforestation will be for next generations to come. IN SHAA ALLAH

We refer to Paris Climate Change Summit, which was held on 30 November 2015, where almost whole world had gathered including Pakistan .Despite being one of the most vulnerable country globally to climate change, we hardly ever give this topic the attention to it merits and we do not realize the importance of forests.

Our dependency on Forest products.

Due to negligent Forest Reserves, Pakistan is today importing all its wood requirement and partial allied items requirement.

We need to highlight that our neighboring Country India is one of the few countries in the world which has improved Forest Cover which according to world fact book 2011 is 23.68%. This is by

putting a complete ban on cutting their forest for Construction purpose and implementing right required Forestry Policies. They have been successful to increase their forest cover from 21.17% and at present according to Fact Book it is 23.68%.

If they can do it why can't we?

We fear that these phenomena of criminally using our natural resources will end up in disaster.

Recommendation by Ministry of Climate Change.

Supporting our above said findings, the Ministry of Climate change, Government of Pakistan, Islamabad has also recommended to Chairman, FBR to abolish Customs Duty, Sales Tax and Withholding Tax on Raw Timber (44.03 up to 44.07). You may check their recommendations / suggestions from your own source and record.

You may well imagine that when a Raw Material which is very rare & not freely available, neither the trees are grown, in our country, means no proper forestation existing in Pakistan, nor it carries any competition with any local products or manufacturer what is the criterion in imposing Sales Tax at all and WithHolding Tax on Wood and Timber of all sorts.

Our proposal & demand and reasoning thereof.

We hereby reiterate our request for elimination of Customs Duty bringing it zero percent, reduction in Sales Tax to 10% instead 17 + 3% = 20% and withholding tax to 3% instead of existing 6 % on wood & timber (HS code 44.03 up to 44.07) in all forms (Logs / Sawn Timber) be abolished completely. Sales Tax & withholding tax on wooden chips (HS code 44.01) may be abolished completely to bolster local wood working industry, this product being raw material for local Particle Board & MDF Board industries.

We can more than hypothetically assume that the shortfall in respect of revenue will be offset by the increased business activities, which will also create many jobs etc. It is pertinent to emphasis that construction industry is basic industry to most of other industries. Additionally for increased revenue the inconsistencies may be checked by proper monitoring smuggling, mis-declaration of imports, Afghanistan transit trade etc.

The amount of money we are spending to protect our forests, wildlife and ultimately improve environment is far more than the revenues being collected.

Just for meager amount of revenue on Wood & Timber. The Ministry of Finance played havoc with our natural resources which needs to be stopped & new means of revenue, if at all it is necessary, be found by imposing duties on luxury goods.

Since budget is being discussed in Parliament and Senate, we may be given personal hearing before National Assembly Standing Committee on Finance as well as Senate Standing Committee of Finance, to present our case personally and explain the true position, before the passing out of Budget in Parliament.

Thanking you,

Mukhtar Hussain Dossani
Honorary General Secretary
Convener Import Sub Committee
KARACHI TIMBER MERCHANTS GROUP