

April 28, 2017

SUB: Budget Proposals for the fiscal Year 2017-2018

DEAR SIR,

Karachi Timber Merchants Group as name suggests is one of the oldest Trade Body 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 forest as well as environment related matters too. We off & on make our recommendation to concerned Government departments to save forest & to improve our jungle Stock.

The line of allied products dealt, in by our members, includes Wood Veneer, chip board /particle board, Medium Density Fiber board (MDF Board), Hard Board, Molded Door Skin & Ply Wood.

We have 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.

Hence, in line with our past practice, we hereby forward our recommendation to FBR for elimination of taxes on Wood & timber (44.03 & 44.07) & for tariff rationalization of wood based products, viz: Wood Veneer (44.08) Chip board

(Particle Board) (44.10), Medium Density Fiber Board (44.11), Hard Board (44.11), Molded Door Skin (44.11), Ply Wood (44.12),

If implemented it will not only boost construction industry but it will lead to promotion of many down stream industries and it will also be instrumental to develop healthy environments. You are well aware that about 30 to 40 industries are directly or indirectly dependant on construction industry. So if this industry develops properly this will pave way for many other integral industries and will help to strengthen our economy.

Present duty structures on wood and wood based products are as under:

S.No.	Item	HS Code	Duty	S.Tax (17%+3%)	W.H.Tax 6%	Total Impact Up to Warehouse
01.	Wood & Timber	44.03 & 44.07	(3%+1)	(17%+3%)	6%	38% OF CNF
02.	WOOD VENEER	44.08	(16%+1%)	(17%+3%)	6%	54 % OF CNF
03.	Chip board (particle board)	44.10	(16%+1)	(17%+3%)	6%	54% OF CNF
04.	M.D.F BOARD (MEDIUM DENSITY FIBER BOARD), Hard Board & Moulded Door Skin	44.11	(16%+1)	(17%+3%)	6%	54% OF CNF
05	PLY WOOD	44.12	(20%+1%)	(17%+3%)	6%	59 % OF CNF

It is regrettable that the Forest reserve in Pakistan according to FAO report 2015 is 1.9% & according to world fact book whereas it is 69.00% Finland, 74.90

Sweden, 45.67% Latin America and Caribbean, 45.40% Russia, 31.06% Canada, 30.84 USA, 31.70% Germany, 23% India, 17% Africa, 27% Europe, 14% North Central America and 23% in South AFRICA.

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% it was in the Year 2007 and at present according to Fact Book it is 23.68%.

If they can do it why can't we?

Supporting our above said findings, the Ministry of Climate change, Govt of Pakistan, Islamabad has also recommended to Chairman, FBR to abolish duty on Raw timber (44.03, 44.07) & propose to impose 5% on allied items (4408, 44.10, 44.11 & 44.12). You may check their recommendations / suggestions from your own 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, besides having maximum level of Duties, S.Tax, & W.H.T on wood based products as mentioned in the table.

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

Hence WE PROPOSE AS UNDER:

Customs Duty, Sales Tax and withholding tax on wood & timber (HS code 44.03 & 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.

The allied items viz, Wood Veneer, Chip Board / Particle Board, Medium Density Fiber board (MDF Board), Hard Board, Molded Door Skin & Plywood also being semi Finished and /or

intermediary products or being raw material for down stream industries for furniture's joinery & construction, presently attracting highest rate of customs duty @16% to 20% treating as finished goods, duty should be Reduced to 5% being intermediary / Semi Finished goods.

Through no yardstick these could be finished goods this step will not reduce deforestation but also become a source of foreign exchange earning for the country.

The semi finished nature of these items can be recognized by the fact that these items are being imported under DTRE and after value addition being exported.

We can more that 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 leakage at customs level may be checked by proper monitoring of clearance of consignment under DTRE, smuggling, import through mis-declaration of imports, Afghanistan transit trade etc.

HERE, WE WOULD REQUEST YOU TO PROVIDE US AN OPPORTUNITY TO REPRESENT  
OUR CASE IN PERSON.

Thanking you,

Abdul Hameed Bagla  
Hon. General Secretary  
KARACHI TIMBER MERCHANTS GROUP  
0321-2012247