


LAHORE: Seeking reversal of adverse budgetary measures, the Pakistan Association of Auto Parts and Accessories Manufacturers (Paapam) has rejected the inclusion of auto parts, accessories and tyres in the Third Schedule of the Sales Tax Act, 1990.

Paapam Chairman Munir Bana regretted government's decision to make it mandatory for local manufacturers to charge sales tax on retail prices at the time of supply of auto parts. Under the new budget, the Third Schedule of Sales Tax Act requires that local auto parts manufacturers shall print maximum retail prices and pay sales tax thereon. This would not be applicable on the importers, who are neither documented nor do they pay their full share of taxes. This discrimination against a fully documented local industry will render us uncompetitive against importers and drive us out of the market. he said.

The sales tax rate has been increased by one percent and this has already made our products costlier and cut down our market share. Besides, shift of responsibility on manufacturers for collection of retailer's taxes and working as withholding agents for income tax, sales tax and federal excise duty also signify extra cost, because all these activities require dedicated staff and resources, Bana observed.

Chairman Paapam said that it was the government's responsibility to support the local industry and, therefore, the Third Schedule should be made applicable to sale of both local and imported auto parts. Alternatively, locally manufactured auto parts should immediately be excluded from the Third Schedule of the Sales tax Act, 1990.

Paapam Vice Chairman Usman Malik stated, We are of the view that auto parts and accessories should not be classified in the Third Schedule because local manufacturers have to compete with imported parts, which are under-invoiced, mis-declared and cleared on weight basis. Thus, we have to give discounts and change prices in different markets, he added.

Malik said that only 10 percent of the Rs40 billion market is available to Paapam and if sales tax is charged on discounts, incentives, transport etc., local manufacturers would lose even this small share of the market, cash flow of the members will be adversely affected and even the government will lose revenues due to decrease in sale.

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