

MRP ON IMPORT OF THIRD SCHEDULE ITEMS

According to Finance Act, 2019 the printing of retail price on the imported third schedule items was emphasized as the imports of third schedule items was brought under Minimum Retail Price (“MRP”) Regime. FBR vide recently published explanatory Circular C.No.1/2-STB/2019 gave explanations on important amendments in Sales Tax while also clarified printing of retail price on imported third schedule items. The circular also allowed affixation of stickers of MRP on imported items instead of printing the same, till 31st July 2019. Now after receiving several representations of various issues and requests for further extension, FBR vide Circular C.No.3(2) ST-L&P/2019/104185-R dated: 7th August 2019 has granted further relaxations in terms of printing retail prices as follows:

(a) Imports pertaining to North and South America, if laded before 31st July 2019, are relaxed from printing price till 31st August 2019 with the condition that importer declares the retail price of the imported items according to the definition provided in the Sales Tax Act, 1990 (“STA”) for the retail price.

Subsection (27) of section 2 of STA provides retail price to be fixed by manufacturer or importer inclusive of all duties, charges and taxes (excluding sales tax) for the purpose of selling to end consumer. For example if an importer sells an imported item to distributor at Rs. 150 but the same item is generally sold to general consumers in market at Rs. 200, then the price of Rs. 200 will be declared by the importer in instant case.

(b) In case of the retail price not being printed at import stage the retail price should be printed on the imported items at the port of import in the prescribed manner.

For example an item is imported from Dubai port to Karachi port and retail price is not being printed at Dubai port, the same will be printed at Karachi port.

(c) In case of the retail price not being printed at either import stage or at the place of receiving import, the importer would be responsible for printing the retail price after clearance of goods from the customs by charging tax on the retail price at not less than 130% of the customs value as increased by assessed customs duties, excise duties and other applicable taxes and charges excluding sales tax.

For example customs value of an imported item is Rs. 150 and customs value as increased by duties, excise duties and other applicable taxes and charges excluding sales tax is Rs. 200. The retail price will not be less than (Rs. 200 x 130%) Rs.260.

(d) The MRP Regime would not be applicable on the imports of items listed under the phrase “in retail packing” in the third schedule, if the items are not in retail packing.

For example serial 47 of third schedule specifies “Biscuits in retail packing with brand name”. So if an importer imports biscuits which are not in retail packing, the same shall not be subject to condition of printing of retail price. Other examples include paints, distempers, enamels,

pigments, colors, varnishes, gums, resins, dyes, glazes, thinners, blacks, cellulose, lacquers, polishes, lubricating oils, brake fluids, transmission fluid and other vehicular fluids.

- (e) Imports being Raw material or intermediary goods with customs duty rate below 16% does not fall under the scope of value addition tax under the twelfth schedule. However, if such items are imported by a commercial importer and are in such a form that the same can be sold to the customer without further manufacturing process, such as tea, spices etc., the same shall continue to be subject to value addition tax.

This clarification will open a new door for interpretations as to what item may be sold without further manufacture.

DISCLAIMER

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