

Import of used cars upto 5 years allowed

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ISLAMABAD/KARACHI, Dec 9: The government has raised the import 'age limit' of used cars to five years from three years sending a strong message of displeasure to domestic car assemblers for their constant ignorance to Islamabad's demand to lower car prices.

The 5-year old cars will be cheaper than the three years old one to be imported under transfer of residence and personal baggage schemes of expatriate having a stay of more than six months abroad and gifts schemes entitled to the blood relatives in case of more than two years stay abroad.

Although these schemes were meant for overseas Pakistanis the commercial importers would jump in to import cars on bulk basis, while using passport details of overseas Pakistanis.

"This is an implementation issue not a policy one", a senior customs official told *Dawn* on condition of anonymity.

He said it would be difficult to make sure that overseas Pakistani, especially the labour class to stop selling their documents to commercial importers for availing these facilities in duty reduction.

According to the same official, the decision would not only generate revenue for the kitty but would also discourage the smuggling of cars, especially in Balochistan and Khyber Pakhtunkhwa.

The decision was expected to speed up import of used cars to around 20,000 units in a year due to high local demand as the domestic manufacturers have increased prices of cars manifold in past few years making it beyond the reach of customers, an official in the ministry of industry requesting anonymity told *Dawn*.

As per the decision, now the importers could avail depreciation in value of cars up to 50 per cent for assessment of duty. Currently, the depreciation is only one per cent per month, which means a maximum of 36 per cent in value.

But now enhancing the age limit to 60 months, an importer could avail a maximum of 50 per cent depreciation in value of car for assessment of duty.

The decision has upset parts vendors and car makers.

The Pakistan Association of Automotive Parts and Accessories Manufacturers chairman Aamir Allawala said that a total of 1,600 vendors and parts manufacturers, were employing over 200,000 skilled workers to produce quality parts at prices lower than world rates.

During the last two years, the parts manufacturers have been on the verge of closure and squeezed due to ever-increasing cost of production along with reduction in car production by up to 60 per cent due to economic slump.

They demanded that this decision, which is one of the factors driving away foreign investment in Pakistan auto industry since the last two years, be reversed immediately.

General Manager Marketing Balochistan Wheels Shaikh Mohammad Iqbal said the country would again become junkyard of used cars. Those consumers who had purchased used cars were still facing problems of getting their parts in the local markets.

A spokesman of Pakistan Automotive Manufacturers Association (Pama) told *Dawn* that the government has still not realized the impact of rupee depreciation against the yen on imported parts which is forcing the local car makers to

raise prices on imported completely knocked down kits and other parts. He said from 2007 till to date, yen has appreciated by 113 per cent.

He said the decision would hit the industry as in the world markets people usually sale off five year old cars and it will definitely find way into Pakistan. He added that three year age limit had not made any big impact on local car production.

Ahead of budget, All Pakistan Motor Dealers Association had forwarded only two proposals like increasing the age limit of used cars to five years from two years and depreciation to two per cent from one per cent, saying these steps would not hurt the sale of locally assembled cars.

A total of 72,000 used cars and other vehicles imported under transfer of residence, personal baggage and gift schemes had arrived in 2005-06. At that time, the government had allowed import of 10 years old vehicles. But after a strong representation from the local assemblers, the imports have been continuously falling sharply.

In 2006-07, the age limit was reduced to five years and imports fell to 42,000 units. In 2007-08, the age limit was further slashed to three years.

In 2008-09, the government had imposed 50 per cent regulatory duty followed by 12.5 per cent increase in customs duty and cut in depreciation to one per cent from two per cent.

All Karachi Motor Dealers Association vice president Mohammad Muneer said at least the government has taken a step but for providing full relief to consumers, the government should now reduce the import duties on used cars.