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CUSTOMS

Large-Scale Crackdown on Misuse of Export Facilitation Scheme (EFS) Leads to Arrests and Billions in Revenue Recovery

By Mashhud Aslam



MAR 8, 2025 #Billions in Revenue, #Crackdown, #EFS, #export facilitation scheme, #FIR, #importers, #Large scale, #Leads Arrests, #M/s. Motiwala International, #Misuse, #polyester yarn, #recovery, #SRO

KARACHI: In a significant move to curb the misuse of the Export Facilitation Scheme (EFS), authorities have launched a large-scale crackdown, resulting in the arrest of several individuals and the recovery of billions of rupees in lost revenue. The scheme, designed to facilitate exporters by allowing duty-free import of input goods for manufacturing export products, has been widely misused, particularly in regions like Gujranwala and Peshawar during 2022-23.

One of the notable cases involves M/s. Motiwala International (NTN 3655176-7), which was granted an EFS license (EFS-KEXP-3655176-367-15-03-2024) on March 15, 2024, for the import of duty and tax-free Polyester Yarn (PCT: 5402.3300 and 5402.4700) under Rule 878(1) of SRO 957(I)/2021. The yarn was intended for the manufacture of Polyester Fabric meant for export under Rule 884 of the same SRO.

However, an inspection conducted by the Collectorate of Customs revealed discrepancies. The licensee had imported 477,074 kg of Polyester Yarn valued at Rs. 170,967,206, but only 16,643 kg worth Rs. 6,330,153 was used in the export of finished goods. A snap inspection on February 13, 2025, at the licensee's premises in Karachi found only 13,438 kg of Polyester Yarn. The remaining stock was claimed to be at another registered premises in Jhang, Punjab.

Upon further inspection by the Collectorate of Customs, Faisalabad, on February 15, 2025, it was discovered that the Jhang premises contained 1,860 kg of cotton yarn and 22,140 kg of grey cloth fabric, not the Polyester Yarn as declared. Laboratory tests confirmed the grey fabric was composed of cotton, indicating that the duty-free Polyester Yarn had been illegally removed.

The investigation revealed that M/s. Motiwala International had illegally removed 446,993 kg of duty-free Polyester Yarn valued at Rs. 160,291,467, resulting in a revenue loss of Rs. 72,674,097 in duties and taxes. This includes Customs Duty, Additional Customs Duty, Regulatory Duty, Sales Tax, Income Tax, and Surcharge. The company has been charged with violating Rules 880(1) and 882(1) of SRO 957(I)/2021 and Sections 21(A), 32(1), and 187 of the Customs Act, 1969.

An FIR has been lodged against the company, and further legal actions are underway. This case highlights the broader issue of EFS misuse, which has led to significant revenue losses for the government. The crackdown has been spearheaded by Collector Exports Irfan Javed, Additional Collector Sadia Sadaf, and Deputy Collector Wasif Malik, whose extraordinary performance has been instrumental in uncovering these violations.

The misuse of the EFS is not limited to this case. Reports indicate that the scheme has been widely abused in Gujranwala and Peshawar, with billions of rupees in revenue lost due to fraudulent activities. The ongoing crackdown aims to restore the integrity of the EFS and ensure that it serves its intended purpose of promoting genuine export activities.

Authorities are now focusing on stricter monitoring and enforcement to prevent future misuse, ensuring that the benefits of the EFS are availed only by legitimate exporters. This crackdown serves as a stern warning to those attempting to exploit the scheme for personal gain, reinforcing the government’s commitment to safeguarding national revenue and promoting fair trade practices.



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