Registration CPL No. 108 May 01 – 07, 2016

TAXATION

(Weekly Tax Journal)

Editor-in-Chief
Dr. Ikram ul Haq

Editor
Huzaima Bukhari

Articles

The cost of the Panama leaks

Resignation or disqualification?

Budget strategy: ambitious targets

Trail of hidden wealth

Country needs a civil-military 'CoE'

This special email service from Monday to Friday, part of subscription package, is aimed at keeping you informed about tax and fiscal matters. It contains news, legislative changes, case-law, in-depth articles and analyses covering all areas of taxes at domestic and international level. On every Saturday evening, we email weekly compilation of the entire material. Every month, ***Taxation*** in printed form, is sent through post and digital version of ***Tax Review International*** is made available for download at www.huzaimaikram.com

For subscription, please visit our website or contact offices mentioned below.

This service is now available *only* for paid subscribers. Please send your email address at sales@aacp.com.pk along with your name, company name, phone number and billing address.

[ITAT cases reported by permission of Federal Government vide No. F.125-ATP/HQ (Ad)/2006/109]

Published by Huzaima Bukhari, printed at Mairaj Din Printers, Fish Market, Circular Road, Lahore

Statutes

Sales Tax General Order No. 50 of 2016, dated April 29, 2016.

S.R.O. 370(I)/2016, dated April 30, 2016.

Sales Tax General Order No. 51 of 2016, dated May 04, 2016.

Sales Tax General Order No. 52 of 2016, dated May 04, 2016.

Sales Tax General Order No. 53 of 2016, dated May 04, 2016.

Sales Tax General Order No. 54 of 2016, dated May 04, 2016.

S.R.O. 398(I)/2016, dated May 05, 2016.

Tax News

Budget 2016-17: FBR to retain DTRE and manufacturing bonds schemes

VTCS: Date for filing returns extended till May 31

LG Department, KMC to charge parking fee along with MV tax

DTRE Scheme: exporters urge government to restore utilisation period

Implementation of VTC: FTO investigating mal-administration

Change in policy: over 500 containers of polished granite imported from India stuck at port

Pak-Afghan talks on TIRs hit a snag

FCAG welcomes installation of scanning machine at Torkham

Goods declarations filing: APCAA assured of display of valuation rulings

Banking transactions 0.4 percent WHT rate extended up to May 31

10MFY16: PRA collection grows by 37 percent

FBR opposes idea of placing ST refund data on website

Crackdown against non-paid duty vehicles directed in KP

DG Customs Valuation rejects petition filed by PVC importer

Zarb-e-Azb helped revive economy: Haroon

Bank levy Reduced rate of 0.4 percent WHT to continue till 30th: FBR

NA body seeks shifting of tax recovery system to Balochistan

Customs reactivates Sher Garh checkpost

Top Customs official revises values of rechargeable fans

Fiscal Year 2017 Budget: number of tariff slabs may be scaled down to four

Steel sector: FBR to review GST, duty structure

Tax assessments and audits: leading cellular company approaches FBR for redressal of grievances

'FBR making efforts towards broadening tax base'

MCC Gwadar claims to have collected Rs 3.51 billion duty

Mineral grease: valuations revised

NHP settlement: Ministry seeks to tax consumers

FBR freezes OGDCL accounts to recover Rs 2.5 billion

Non-duty-paid: cigarettes Rs 5 million tax/duty theft unearthed

Tussle between FBR, provincial revenue authorities: taxpayers compelled to face spectre of double taxation

Filing of ST, federal excise returns: FBR decides to launch modified automated system

Post-CPEC completion: Will China pay taxes?

Reporting tax evasion: FBR announces cash rewards for citizens

Crystalline sugar: FBR mulling withdrawing ST relief on supply value

Stay granted by courts in tax evasion, fraud cases: DG I&I Inland Revenue seeks AGP's guidance, help

Kind regards,

Huzaima Bukhari
Editor

Online Update is a special e-mail service that is part of your online subscription

AA Consultants & Publishers

Suite # 14, 2nd Floor, Sadiq Plaza, Regal Chowk, Mall Road,
Lahore, Pakistan
Phone. 042-36365582 & 042-36280015 Fax 042-35310721
Email: sales@aacp.com.pk website: http://aacp.com.pk

The cost of the Panama leaks

by
Anjum Ibrahim

The final outcome of the Panama leaks on the First Family's political fortunes cannot be evaluated yet due to three lines of action by the Sharif administration whose success or otherwise is not yet apparent: the Prime Minister contends that he has already released his asset data, the government's entire machinery is continuing to be deployed to attack the opposition insisting on amendments in the terms of reference as well as more recently his increasingly abrasive media team publicly asserted that a purported apology from International Consortium of Investigative Journalists (ICIJ) was received - an assertion categorically refuted by a senior official of ICIJ.

The Prime Minister himself continues to take the line that the sins of the sons (and one daughter) must not be visited on the father, a facetious attempt on my part fuelled by Nawaz Sharif's continuing claim of innocence as his own name has not been mentioned in the list of beneficial owners in the offshore companies. The opposition is clearly focused on an inquiry which would identify dates of registration of the First Children's offshore accounts and subsequent purchase of the Mayfair flats given the conflicting statements by the family over two decades with the objective of disproving the most recent claim that friends/contacts, hard work, intelligence and luck - the ingredients critical for amassing wealth - were at work to produce three millionaires within one family. It is yet to be determined whether the First Family would be able to politically overcome the Panama revelations and no doubt the Sharif administration is relying on (i) the short memory span of our general public that accounts for the reelection of those charged with corruption in the past; or (ii) bad mouthing the opposition and the establishment (dismissing the recent ehtesab by the chief of army staff by challenging the capacity of an institution to make its own officials accountable though surprisingly this defence is not used by the politicians with respect to the foot dragging by National Accountability Bureau) to preempt any pressure; or (iii) by insisting that the economic agenda of the PML-N is so pro-development and pro-public that if allowed to complete its 5-year tenure the opposition is afraid it would lose the 2018 elections.

And it is this last claim that is compelling the Prime Minister to take actions that are simply untenable and bordering on the ludicrous for want of a more appropriate word. The launch of advertisements at state expense absolving the Prime Minister of any wrongdoing and attacking the leaders of the opposition particularly Imran Khan, announcing unbudgeted development projects during his ongoing public interaction campaign to defuse opposition's allegations and staying the rise in oil prices, utility prices as well as those of essential items for example

pulses. Can the economy afford this save the First Family from the political fallout of the Panama Leaks expenditure?

Nawaz Sharif would respond in the affirmative guided as he is by his Finance Minister Ishaq Dar who, in turn, continues to limit his own view of the state of the economy to favourable statements by donors, including staff of the International Monetary Fund (IMF)/officials of western democracies, and foreign media reports. In this context it is relevant to note that the Fund staff, like other multilateral staff, are urged by their management to remain engaged with the debtor government, to ensure that the agreed reform agenda, a critical component of any lending programme, may continue, an engagement which requires limiting public criticism.

The Fund officials privy to detailed data during the mandated quarterly reviews invariably, however, include cautionary notes that are being ignored by the Prime Minister and his Finance Minister; and also ignored are warnings of possible default by Bloomberg, a market leader in business and economy news. Here are some examples of Sharif administration's ostrich like therapy defined as ignoring criticism with the hope that the public/constituents do not focus on it: (i) the inclusion of new structural benchmarks in the 10th review is unprecedented as normally benchmarks are set at the beginning of a programme to ensure their implementation; (ii) Finger on 12th January in a conference call with Pakistani journalists acknowledged that the rise in foreign exchange reserves are mostly debt enhancing; (iii) the growth rate of 5 percent claimed by the government for the current year is scaled down to 4.5 percent by the Fund and further to 3.5 percent by independent local economists; data integrity has been obviously compromised by the finance ministry and its departments which disables the government from taking informed policy decisions; (iv) Pakistan is making good progress so stated Masood Ahmed, Director IMF, a refrain echoed in all the ten reviews under the ongoing programme yet the words of caution in documents and press releases abound and include the following, 'authorities' continued commitment is welcome,' 'financial sector resilience remains pertinent' and 'continued resolve to complete the planned reforms'; (v) On 15th February 2016 Bloomberg maintained "Bets are rising that Pakistan will default on its debt just as it starts to revive investor interest with a reduction in terrorist attacks. Credit default swaps protecting the nation's debt against non-payment for five years surged 56 basis points last week to 620 points amid the global market sell-off...That's the highest since January 2015 and the steepest jump after Greece, Venezuela and Portugal among more than 50 sovereigns tracked by Bloomberg. About 40 percent of Pakistan's outstanding debt - both local and foreign - is due to mature in 2016, according to data compiled by Bloomberg. That's roughly $45 billion, of which about 4.3 trillion rupees ($41 billion) is in local currency. Since Sharif took the IMF loan, Pakistan's debt due by end-2016 has jumped about 79 percent."

Dar's strategy for the next fiscal year may well incorporate one of the following three or their amalgam in terms of the way forward. First, to prepare a budget for next fiscal year according to the dictates of the IMF but once the programme ends in September 2016 and the last tranche released the deficit would no longer be a priority. Instead Dar would focus on releases for unbudgeted development projects in preparation for elections 2018. Second, higher releases emanating from the Prime Minister's greater public interaction campaign to minimise the political fallout of the Panama leaks maybe delayed till next year. In addition, the Prime Minister's refusal to raise oil and food prices (available in Utility Stores) would raise expenditure and reduce government revenue with a deficit higher than agreed with the IMF which may be met either through even further delays in refunds with a consequent negative impact on business activity and exports or higher domestic borrowing or some accounting jugglery.

And finally Dar may announce a budget whose effectivity maybe for three months but would try to convince the Fund he means business by raising the revenue collection target for next year by more than this year's 20 percent through overstating the collections as is the norm but also through higher taxes, with withholding taxes set to account for 75 percent of direct tax collections which are not on income but on consumer items and raising customs duty across the board yet again from 3 to 4 percent - a tax much favoured by Dar.

Sadly there is no indication that the Panama leaks have led to a revisit of our inequitable tax system or a change in the Pakistan Economic Reforms Act allowing foreign exchange to be remitted abroad limited only to the amount held in banks by individuals or indeed a positive outcome to reported talks with other tax havens to share data with our tax authorities.

Resignation or disqualification?

by
Huzaima Bukhari & Dr. Ikramul Haq

> ***Offshore companies are used for legitimate reasons. It may be used for illegitimate reasons*—Wolf in sheep's clothing: Common abuses of offshore jurisdictions** by Mikhail Lastovsky in *GRC & Fraud Software Journal*

In the wake of publication of 'The Panama Papers: how the world's rich and famous hide their money offshore' [*The Guardians*, April 3, 2016], implicating the close family of Prime Minister in offshore companies, there is a growing demand in Pakistan for his resignation. According to another report, **Pakistani PM's children raised £7m against UK flats owned offshore**, [*The Guardian* on April 5, 2016], "Sharif and members of his family have always denied any wrongdoing, and none

have ever been convicted of any offence. Supporters say the charges against them are politically motivated. It is not illegal to own property through an offshore company."

The Prime Minister has offered himself and his family for accountability, but through a judicial commission. The issue of inquiry or resignation or disqualification can be settled considering the following issues and facts taken from the declarations made by the Prime Minister before Election Commission of Pakistan for contesting elections in 2013:

1. **Admitted/Incontrovertible facts**
   a) Offshore companies are owned by the offspring of Prime Minister
   b) Offshore accounts are maintained through proxies
   c) There are properties in London that are owned through offshore companies
   d) Loans have been obtained using properties owned by offshore companies
   e) Loan payments were made abroad
2. **Issues/Implications**
   a) Moral
      i. Shelter of offshore companies should not be taken by public office holders
      ii. Argument of compulsion of doing business abroad by offspring is untenable as sons of Chief Minister of Punjab are doing business in Pakistan.
   b) Political
      i. Question of accountability within political parties
      ii. Head of party becomes head of state enjoying unfettered/unchallenged powers to escape any kind of inquiry/accountability.
   c) Legal
      i. Article 62(f)(d)/63(q)(r) of Constitution
      ii. Section 12(2)(c)(d) of Representation of People Act, 1976
      iii. Foreign Exchange Act, 1947 read with Foreign Exchange Manual: No Pakistani can open foreign currency account exceeding US $ 1000 or equivalent in any other currency without the approval of State Bank.

b. Various provisions of the Income Tax Ordinance, 2001
   i. Ss. 90/91 Transfer of assets
   ii. S. 85(3)(a)—"Associates" include relatives.
   iii. Transactions between "associates" section108
   iv. Section 109: Tax avoidance scheme is no longer permissible

v. Section 111 for unexplained money, investment, expenditure etc. **Who pays expenses of Shamim Farms Jati Umrah?**

vi. Prime Minister was registered by FBR on 15 November 1995 and NTN 0667649-9 was allotted. In 2012, he showed total net wealth at Rs. 244,995,207. Annual expenses in 2012 were shown at Rs. 24,096,786. No asset was declared in the name of any dependent and no liability was shown. However, in 2011, land worth Rs. 24,851,526 was declared in the name of daughter (Maryam Safdar) as dependent! Non-disclosure by Prime Minister of all assets, home or abroad, of dependent daughter needs probe as apparently it amounts to concealment that is punishable under Income Tax Ordinance, 2001 and the Representation of People Act, 1976.

vii. Prime Minister showed liability of Rs. 110,000,000 in respect of Ramzan Sugar Mills as on 30-6-2011. The total net worth declared was Rs. 149,398,035 (in 2010 net wealth was Rs. 63,737,827). Total expenses were shown at Rs. 19,878,706. Wife and daughter were shown as dependents in 2011 but assets of daughter were not shown as dependent as done in 2012. This requires thorough investigation.

viii. The following details are available for tax year 2011:

1. Income: Rs. 10, 200,000
2. Exempt agriculture income: Rs. 5,075,000
3. Other income: Rs. 141,423,354
4. Bank Profit: Rs. 97,755
5. Gift from son: Rs. 129,836,905
6. Personal expenses: Rs. 19,878,706
7. Gift to daughter: Rs. 31,700,000
8. Gift to son (Husain): Rs. 19,459,440

ix. First Lady in 2012 declared income of Rs. 2136 only as profit from a bank account but lent Rs. 1,650,000 to mother-in-law and Rs. 1,100,000 to one Mr. Farooq Barkat. She has shown shares worth millions in four companies (over 500,000 in Chaudhry Sugar Mills) but received no dividend! She has also shown liability of Rs. 500,000 as business capital overdrawn in the name of her younger daughter (Asma Ali Dar). **No business connection is shown by Prime Minister though spouse has shown the same, it may be a violation of section 12(2)(c)(d) of Representation of People Act, 1976.**

x. Both in tax year 2011 and 2012, Prime Minister showed salary income from Chaudhry Sugar Mills. He, together with his spouse control this entity in which loan was received

from an offshore company as per statement of Governor State Bank. It proves direct link of Prime Minister with offshore companies. The late father of Prime Minister was owner of London property as per order of Queen Bench, London in the case of recovery of loan from Hudabiya Mills by Al-Towfeek Investment Bank. On his death, shares of Hudabiya Paper Mills were inherited by Prime Minister but property was not! This aspect of the matter is very serious. In other words, the properties in London held through offshore companies are benami. The question is who made investment in these companies that own properties worth millions of pounds. Strangely, the ownerships of these properties have been shown at various point of time in the names of father, brothers and sons.

The Prime Minister is under moral and legal obligation to clear the names of his children. Before any commission of inquiry, nobody can provide information that is in exclusive possession of Prime Minister and his family. They alone can bring the truth on record to clear their names. The Prime Minister should come on the floor of the House and place on record the following information:–

1. The dates of formation or purchase of all offshore companies in the name of any family member as well as when bank accounts were opened outside Pakistan.
2. Who are the owners/operators of these offshore companies?
3. Whether these companies are/were operated by the owners directly or through trustees? If through trustee(s), then who was/are the trustee(s) of these companies?
4. How much amount was invested in these companies till to date?
5. From what source the amount was initially and subsequently transferred in the account of offshore companies?
6. What is the volume of loans advanced to these companies?
7. What securities were obtained by the loan issuing financial institutions from these companies?
8. Whether the subject loans have been fully paid or still outstanding?
9. What is the total volume of amount transferred from these offshore companies and what is/are the place(s) of investment?
10. Were income tax declarations made in the country of investment?
11. Particulars of the entities and income tax declarations filed in the country from where the financial transactions originated and received in offshore companies' account(s)?

The issue should not be sidetracked or buried through judicial commission or inquiry committee or task force. Admission on the part of the Prime Minister's sons confirms the existence of offshore companies. These are registered in various offshore centres and transactions are undertaken through these and gifts are given to the Prime Minister as well. This admitted fact requires no investigation or inquiry. While they admit the ownership of offshore companies and properties in London, the vital question is: why are they not ready to disclose the sources of investment in these companies with evidence?

Neither *The Guardian* nor any Pakistani newspaper has so far raised the point that Nawaz Sharif showed Mariam Safdar as dependent in declarations filed before Election Commission in 2013 but did not show her interest in offshore companies as unveiled in **'Pakistani PM's children raised £7m against UK flats owned offshore'**, *The Guardian* [April 5, 2016].

The Supreme Court of Pakistan has recently disqualified an elected parliamentarian, Iftikhar Ahmad Cheema [Civil Appeal No.1020 OF 2014], holding as under:

> *From the perusal of record, it is established that while submitting the nomination papers, the respondent has not submitted statement regarding assets of his spouse as required under section 12 of the Act, 1976. The learned Election Tribunal, without taking into consideration this aspect of the case and while holding that respondent has not disclosed assets owned by his spouse and the account maintained by him, dismissed the election petition merely on the ground that mens rea is not proved and further the government exchequer has not suffered any loss on account of non-disclosure of these material facts. This finding of the Tribunal is against the spirit of law and as such calls for interference.*

There is a strong case of disqualification of Prime Minister of Pakistan for concealing assets of Mariam Safdar while showing her as dependent in wealth statements for tax year 2011 and 2012. Mariam Safdar declared herself as the sole shareholder of Nescoll in 2006 in a letter filed with Mossack Fonseca. She was also co-owner in another BVI company, Coomber Group that secured in June 2007 loan of £3.5m from Deutsche Bank. By not disclosing interests/assets/loans in offshore companies of Mariam Safdar, the Prime Minister has violated section 12(2)(c)(d) of Representation of People Act, 1976. He can be disqualified on this count by a court of competent jurisdiction. This is not a case of resignation as pleaded by many; but is apparently, a case of disqualification under the law of the land.

Budget strategy: ambitious targets

by
*Dr Hafiz A Pasha**

The budget strategy for 2016-17 was approved recently by the Federal Cabinet. Not only is there a positive expectation about the performance of the economy in 2015-16 but also that it will revive strongly in 2016-17 and achieve a growth rate of the GDP of almost 6.5 per cent. This will be the highest growth rate, if achieved, since 2006-07.

The high-level of optimism runs counter to the prevailing reality. The expected GDP growth rate of 5 per cent in 2015-16 is very unlikely. The major crop sector has witnessed a quantum decline of almost 30 per cent in cotton output. Simultaneously, other Kharif crops have shown little growth or even declines. According to the latest official forecast, the wheat crop will be somewhat below last year's level.

Consequently, the agricultural sector, as a whole, is likely to show a minimal growth rate in 2015-16. Given the linkages of this sector with agro-based industry and with trading and other service activities, the overall GDP growth rate is likely to be adversely affected. Historically, over the last three decades, when agriculture has performed poorly during a particular year, the GDP growth rate has not exceeded 4 per cent.

The relatively good performance of the large-scale manufacturing sector in the first eight months of 2015-16 is based on exceptionally high growth rates in a few industries like automobiles, chemicals and fertiliser. However, the big decline in rural purchasing power due to a fall in output and prices, is affecting the demand for a wide range of consumer goods and durables. Industries like cotton cloth, sugar, cigarettes, soaps, matches, tractors, refrigerators, TV sets, sewing machines, bicycles, tyres, paper, etc, have shown either negative or low growth rates.

The big decline in manufactured exports, especially textiles, has also affected growth of the sector. Stocks are being built up in industries like cotton yarn, fertiliser, etc, which will eventually lead to a cut back in output. Electricity generation, estimated by NEPRA, has increased by only 3 per cent in the first nine-months of 2015-16. However, growth is apparently high in the construction sector and cement domestic sales have shown high double-digit growth.

Turning to services, the prospects are for a down turn in growth in relation to 2014-15 in sectors like wholesale and retail trade, transport and communications, banking and public administration. The overall realistic expectation in that the GDP growth rate will range between 3.5 to 4 per cent in 2015-16.

---

* The writer is Professor Emeritus and former Federal Minister.

The budget strategy target for 2016-17 of a GDP growth rate of almost 6.5 per cent is highly unlikely for a number of reasons. First, the global economy is showing a lack of buoyancy, with the growth rate likely to fall from over 5 per cent five years ago to about 3 per cent in 2016. World trade is also relatively stagnant and commodity prices are likely to remain very low. Even China may suffer a big decline in its growth rate from over 9 per cent to about 6.5 per cent in 2016.

In the presence of low commodity prices and high costs of production, the agricultural sector of Pakistan is unlikely to show much dynamism in 2016-17. Export growth is also likely to be constrained in the coming year. Therefore, if the economy achieves a growth rate close to 5 per cent in 2016-17, then this can be considered a very good performance.

In fact, the option to stimulate extra growth through counter-cyclical polices in 2016-17is not being actively pursued. The level of the federal PSDP is being increased by Rs 100 billion or 14 per cent, while Provincial PSDPs are also expected to be raised by a similar amount. Overall, the level of development spending as percentage of the GDP is likely to remain, more or less, unchanged. Most of the incremental spending will be on CPEC projects at the Federal level. However, in the short run, CPEC investment will not contribute to higher growth as it will be accompanied by larger machinery imports.

Tax policy will also continue to be focused on incremental resource mobilisation rather than on some tax relief to revive growth in key sectors. FBR revenues are projected at almost Rs 3.6 trillion, implying a high growth rate approaching 20 per cent. Current expenditure, including on defence, is to be restricted to a low single-digit growth rate.

These targets in the budget strategy for 2016-17 imply that the Government is essentially continuing with the process of stabilisation. The fiscal deficit is to be brought down further to 4 per cent of the GDP, close to the target for 2016-17 agreed with the IMF. The patent contradiction is that in the absence of expansionary policies the economy is still expected to achieve a growth rate of almost 6.5 per cent. This is somewhat wishful thinking, perhaps induced by the need to show that political stability must continue as the economy is poised for a takeoff.

Other targets in the budget strategy are also very ambitious. The overall investment level is expected to increase by $13 billion, equivalent to growth of 29 per cent. CPEC investments will contribute, but investments in these projects are unlikely to exceed $6 billion next year. Also, given the state of agriculture private investment in the sector will fall sharply. The unemployment rate currently is above 8 per cent and a big drop in this rate to 4.8 per cent in 2016-17 is also unlikely. However, the inflation rate has been projected more realistically at 6 per cent.

The big area of concern is the increasing fragility of the balance of payments. Exports are falling rapidly and are unlikely to recover strongly in 2016-17. Oil prices have started rising once again. Remittances have stopped growing and non-oil imports have reached significantly higher

levels in the presence of an overvalued currency. It is possible that next year the current account deficit could exceed 2 per cent of the GDP.

A build-up of foreign exchange reserves from $20 billion currently to almost $24 billion in 2016-17 will be difficult to achieve in the absence of credit inflows from the IMF. The higher foreign direct investment from China for the CPEC will be used largely to finance higher machinery imports.

Overall, the budget strategy for 2016-17 is based on extremely optimistic assumptions. The Government expects the economy to finally go back to a trajectory of high growth, even in the absence of strong expansionary policies. There is the risk that the GDP growth rate will remain below 5 per cent. The level of unemployment will remain high. Investment could rise because of the CPEC but with little impact on growth in the short run due to higher imports. The likelihood that the economic scenario will change substantially next year is low. We may continue to see 'more of the same'.

Trail of hidden wealth

by
Huzaima Bukhari & Dr. Ikramul Haq

The members of 'House of Sharifs', who are facing allegations of tax avoidance, flight of capital, money laundering and corruption in the wake of Panama Papers, claim "we have been billionaires since 1940s". However, returns filed by them with Federal Board of Revenue (FBR), declarations made before Election Commission of Pakistan (ECP) and court cases speak otherwise. In recent speeches by Prime Minister, it was averred that his family lost industrial units in East Pakistan, besides confiscation of Ittefaq Foundry by Bhutto. He told the nation that his father in the aftermath of nationalisation of Bhutto tried his luck in United Arab Emirates where he set up a steel re-rolling mill. It is true that a factory was set up abroad, but Mian Muhammad Sharif returned home within a year or two after its operations. Obviously in such a short time, he could not have earned millions after losing everything to what termed as "cruel act" of Bhutto! The reality is that lady luck smiled on the Sharifs after General Zia ul Haq returned them Ittefaq Foundry without any payment and his appointment as Finance Minister of Punjab in 1981. Later, he became Chief Minister of Punjab in 1985, served as Caretaker Chief Minister and re-elected for the slot in 1988. In 1990, Nawaz Sharif was elected as Prime Minister of Pakistan—a position he is currently holding for the third time.

In 1981 when Nawaz Sharif was picked up by military dictator as finance minister of Punjab, the family owned only one re-rolling mill. In coming years, the business empire of the family expanded "marvelously": Ittefaq Sugar Mills (1982), Brothers Steel (1983), Farooq Barkat (Pvt) Ltd (1985),

Brothers Textile Mills (1986), Brothers Sugar Mills Ltd (1986), Ittefaq Textile (1987), Ramzan Buksh Textiles (1987) and Khalid Siraj Textile Mills (1988). According to record produced by National Accountability Bureau (NAB) in Supreme Court of complaints/references pending against Premier and his family members, in the wake of becoming Chief Minister of Punjab in April 1985, Nawaz Sharif under the patronage of General Ghulam Jilani Khan and General Zial ul Haq, made assets beyond means. It was during 1981 to 1989 that 'House of Sharifs' received generous loans from banks for "extraordinary expansion". But strangely, even after all this extraordinary expansion in business, wealth tax returns filed by all members of 'House of Sharif' till 1990 showed net wealth of less than Rs. 50 million!!

In 1992, Information Wing of Pakistan People Party (PPP) released an account of alleged corruption of Nawaz Government in a booklet, ***The Plunder of Pakistan***. A spokesman of then 'House of Ittefaq' said in a counter statement that the group "has obtained loans worth Rs. 4.420 billions only from the commercial banks contrary to Salman Taseer's claim of Rs. 12 billion". According to the spokesperson of Ittefaq Group, they had only 14 companies with assets of Rs. 6 billion.

H.U Beg Committee, set up to investigate the allegations of concentration of wealth, however, identified 19 companies in the Group with assets worth Rs. 10 billion. The units in Ittefaq as identified by H. U Beg Committee included three listed companies, 12 unlisted public companies and 4 private limited companies. In a Press conference of March 2, 1994, Khalid Siraj, cousin of Nawaz Sharif, claimed that the assets of the seven brothers were worth Rs. 21 billion. During the rule of General Zia ul Haq, the net wealth of 'House of Sharif' increased manifold. At a Press conference, held on August 3, 1989, Mian Shahbaz Sharif admitted the assets of the Group at Rs. 3.6 billion. However, the report of the Cooperative Scam Tribunal estimated the Group's assets in 1989 at Rs. 6 billion. It is alleged by adversaries of Sharifs that hidden (untaxed) wealth of billions was siphoned off during Zia's era, and large part of it was parked outside Pakistan. After passing Protection of Economic Reforms Act, 1992 on becoming Prime Minister on November 1, 1990, it is alleged in a report prepared by Rehman Malik that attempts were made to legalise the hidden wealth by opening fake accounts, details of which are available in *Mian Muhammad Abbas Sharif and 2 others v Federation of Pakistan through Secretary, Ministry of Interior and 2 others* [1995 PCr LJ 1224 Lahore High Court]. This case reveals how the 'House of Sharif' in 1992 took refuge under Protection of Economic Reforms Act, 1992, a law aimed at whitening tainted (untaxed and/or illegal) money.

During his first tenure as Prime Minister (November 1, 1990 to July 18, 1993), the business empire of the 'House of Sharif' thrived on project loans from foreign banks as well as working capital from the local banks. Foreign currency accounts allegedly fake, were used to whiten untaxed money and secure loans/advances from banks. The following facts, reproduced verbatim from *Mian Muhammad Abbas Sharif and 2 others v*

Federation of Pakistan through Secretary, Ministry of Interior and 2 others [1995 PCr LJ 1224 Lahore High Court], are worth consideration:

(i) "On 26-8-1992 fake account in the name of one Sulman Zia, resident of Main Bazar, Sahiwal, was opened in Habib Bank Limited, AG. Zurich, Lahore, with an initial deposit of US $ 168. Fake account in the name of Muhammad Ramzan resident of House No.5, Street No.6 of Sant Nagar (Lahore) was opened in Habib Bank Ltd., AG Zurich, Lahore, with initial deposit of US $ 300. Subsequently, both of them were issued dollar bearing certificates worth US$ 7,50,000 cash by Union Bank Ltd. against cash proceeds of Travellers Cheques encashed through American Express, New York.

(ii) A fake account was also opened in the name of Kashif Masood Qazi (Account No.260133-91) in the Bank of America by having transferred the amounts of aforesaid two fake accounts. Another fake Account No.199936-091 in the name of Mrs. Nuzhat Gohar Qazi wife of Gohar Masood Qazi, resident of Nisbat Road, Lahore was opened in the Bank of America. Ultimately, approximately an amount of US $ 0.5 million was transferred to the account of Kashif Masood Qazi from the account of Mrs. Nuzhat Gohar Qazi.

(iii) The aforesaid accounts were found to be fictitious. The Directors of Messrs Hudabiya Engineering (Pvt.) Ltd in collaboration with the bank officials of Habib Bank Limited, AG Zurich, Lahore and Bank of America, Lahore, under the influence of Mian Muhammad Nawaz Sharif (former Prime Minister), dishonestly and fraudulently managed to open aforesaid fake accounts/benamis for subsequent creation of loan amount to Rs.60 millions by the Bank of America, Lahore, in favour of the said Company, against the fake account of Kashif Masood Qazi. All these under hand methods were adopted to utilize their black money for securing wrongful gains".

The counsel of Hudabiya Engineering (Pvt.) Ltd did not refute the above transactions but took the plea that "Messrs Hudabiya obtained loan of a few crores of rupees against the accounts opened in the name of Kashif Masood and other mentioned in F.I.R. No.12/94 and Mrs. Sikandara Masood Qazi and other in case of F.I.R. No.13/94." According to counsel, "this was a simple money transaction between the parties that is to say Messrs Hudabiya, aforesaid account-holders and the bankers voluntarily and with each other's consent." He claimed that that there was no question of "committing fraud and cheating in the affairs". **It is a matter of fact that Qazi family later on clarified that they had nothing to do with the foreign currency accounts opened in Pakistan and that they were cheated—A shoddy track record**, *The News, April 16, 2016*. According to the British newspaper *Independent* **[Pakistan PM 'made millions in UK'**, October 20, 1998]: "….money was laundered

through "fictitious bank accounts" and, using family business interests, was siphoned into offshore accounts".

The Counsel of State took the plea that available facts proved beyond any doubt that fake accounts were opened to whiten black money for securing wrongful gains. The Division Bench of Lahore High Court held as under:

> **"A citizen of Pakistan has protection of law in case, he opens foreign exchange account having the facility provided by the Protection of Economic Reforms Act, 1992, but cannot avail the protection of law with a view to make his black money as white by adopting the process of opening fake accounts, mentioned above. We, therefore, maintain that the prosecution has prima facie case to substantiate the allegations levelled against the accused."**

Later, a larger bench of Lahore High Court in its judgement, authored by Justice Malik Muhammad Qayyum, in *Hudabiya Engineering (Pvt) Limited v Federation of Pakistan and 6 others* 1998 PTD 34, held as under:

> **"On consideration of various provisions of the Protection of Economic Reforms Act, 1992, we have reached the conclusion that so far as foreign currency accounts are concerned, the holders thereof, have complete immunity from inquiry and scrutiny and complete secrecy must be maintained in respect of those accounts which cannot be violated by any agency or functionary. That being so, neither the Income Tax Authorities nor Federal Investigation Agency had any jurisdiction to hold any inquiry in respect of the transactions in the foreign currency accounts nor could the same be made basis of criminal prosecution."**

The larger bench of Lahore High Court adjudicated the issue purely on technical grounds and did not give any verdict on the accusations of money laundering using section 5 of Protection of Economic Reforms Act, 1992, levelled in FIRs. The fact of using foreign currency accounts was not refuted by the counsel of Hudabiya Engineering (Pvt.) Ltd. The Court quashed the case ignoring the fact that there was sufficient evidence available that account holders were either fake or had no connection with the business affairs of company.

The larger bench of Lahore High Court in *Hudabiya Engineering (Pvt) Limited v Federation of Pakistan and 6 others* [1998 PTD 34] also ignored that benefit of section 5 of the Protection of Economic Reforms Act, 1992 could have been taken only by the persons who purportedly opened foreign currency accounts and not by the company and its directors. It was incumbent on the directors under corporate governance not to take benefit of any tainted funds. On the contrary, the company and its directors sought refuge under a special law to hide untaxed and undeclared money.

The Supreme Court of Pakistan clearly laid down in *Ishaq Ahmad Sheikh v The State* [2000 SCMR 814] that:

> "**.....the complete secrecy even in section 5(3)** [of the Protection of Economic Reforms Act, 1992] **is not in respect of all "transactions in the foreign currency accounts"; imply that there can be some possible exceptions to the generalised protection and cover. Neither section 5(3) nor section 9** [of the Protection of Economic Reforms Act, 1992], **therefore, would spell out secrecy where a penal act or omission is involved though even in such regard the initiative, aid and assistance of the relevant Court, as in section 94 of the Criminal Procedure Code, has a direct bearing. In other words the secrecy would be complete and even total except for the limited purpose permitted by such a Court as aforementioned**".

The above judgement of Supreme Court of Pakistan confirms that the directors of Hudabiya Engineering (Pvt) Limited were wrongly absolved by the Lahore High Court under section 5 of the Protection of Economic Reforms Act, 1992 as they did not open foreign currency accounts in their own names and thus could not claim immunity. It was a clear case of "a penal act or omission" and, therefore, no secrecy could have been claimed as enunciated by the Supreme Court in *Ishaq Ahmad Sheikh v The State* [2000 SCMR 814]**.**

There is another interesting angle that needs consideration. By availing cover of Protection of Economic Reforms Act, 1992, the beneficiaries admitted tax avoidance/evasion and therefore they could not contest the elections as ordained in Article 62 of the Constitution of Pakistan. According to a Press report, NAB did pass on information to ECP in 2013 about references of money laundering, corruption and loan defaults pending against Nawaz Sharif, Shahbaz Sharif and other family members. Nawaz Sharif, Shahbaz Sharif and Hamza Shahbaz were allowed to contest elections after they secured stay against proceedings in accountability court. After coming into power, the cases of money laundering and corruption pending against them and other family members were quashed by Justice Anwar Ahmed of NAB Accountability Court on September 18, 2014 observing that even after 14 years, NAB failed to produce any witness. The witnesses (members of Qazi family) could have been produced by NAB by seeking assistance of authorities of their residence to give the statements how fake accounts were opened in their names. Had it been done, conviction leading to disqualification of Premier, Chief Minister Punjab and Ishaq Dar was possible.

In the light of above facts, the demand of Opposition, made on May 3, 2016 after two days' deliberations, for inquiry under a special law, **Panama Papers (inquiry and Trial) Act 2016**, by a Commission to be formed, headed by Chief Justice of Pakistan, and comprising two other judges of Supreme Court nominated by him, was obviously not acceptable

to the government as evident from the Press conference of Interior Minister and Law Minister on March 4, 2016. The deadlock between the Government and Opposition will ultimately help the corrupt and tax evaders to escape punishment. The right course as suggested in our earlier columns would be accountability of all officeholders in the Parliament. A House Committee of all parties should be formed to consider Terms of References (TORs), suggested by the Government, Opposition and Supreme Court Bar Association. It should also investigate why NAB did not file appeal against the judgement dated September 18, 2014 of Accountability Court exonerating the members of 'House of Sharif' from charges of money laundering and corruption. NAB authorities should also be questioned by the Parliament as to why they did not produce Sikandar Masood Qazi, Talat Masood Qazi, Nuzhat Gohar and Kashif Masood Qazi before the Accountability Court to testify how their names were used for opening fake foreign currency accounts.

The Parliament should also ask ECP how the Prime Minister and Chief Minister of Punjab were allowed to contest election in 2013 when it received information that Sharif brothers at that point of time were loan defaulters of Rs. 4.9 billion. They borrowed money from nine banks in 1994-95 and did not return the same till 2013 on the plea that NAB confiscated their properties which, according to them, were worth more than the amount of the loans. The question was not that of worth of properties but whether money was due or not at the time of contesting the elections. Law does not permit any loan defaulter (where payment is due for any reason) to contest the election unless payment is made. Admittedly, the Sharif family "paid Rs. 5.22 billion by December 2014 under the head of all loans, mark-up, cost of fund and other charges payable by Ittefaq Foundries and a consortium of banks has issued clearance certificates in this regard", as admitted by Shahbaz Sharif in a Press conference held in Lahore on July 8, 2015 as "a representative of the Sharif family". This confirmed they could not contest election in 2013 when this amount was due.

The official record, Panama Papers and judicial pronouncements, reproduced above, call for investigating the opening of fake accounts and their utilisation in business, illegal transfer of money, tax avoidance, political loan write-offs and corrupt practices by all public officeholders and not Nawaz-specific. Once this process is completed and those elected have been dealt with under the law, the other sections of society, especially thise who are running the affairs of the state should also be probed. If anybody is proved guilty before the Parliamentary Special Investigative Committee, he/she should be proceeded against under Articles 62 and/or 63 of the Constitution of Pakistan as well as proceedings under National Accountability Bureau Ordinance, 1999. The NAB Ordinance was made effective from 1st January 1985. It is pertinent to mention that Nawaz Sharif took oath as Chief Minister of Punjab on April 9, 1985!

Country needs a civil-military 'CoE'

by
M Ziauddin

The Ministry of Defence has sought Rs 920 billion - an 18 percent increase over the current year's budgeted Rs 781 - for the fiscal year 2016-17. In the outgoing year the defence budget was increased by 11.6 percent against the allocation for the previous year of Rs 780 billion from Rs 700 billion in 2014-15. However, due to resource constraints the allocation under the defence ministry head for the next year is not expected to be more than Rs 860 billion.

The increase in the demand for the next year is dictated by the enhanced threat perception which is said to have increased due to the current geo-political situation and Pakistan's strategic location in the region as well as by the additional role being undertaken by the armed forces for providing security to the on- going projects of China-Pakistan Economic Corridor (CPEC).

The ministry is also said to have requested that sales tax and customs duties on defence imports should be waived off and that powers to waive off austerity measures of defence organisations should be given to secretary defence and not the secretary finance. The ministry has also sought preferential treatment in pensions suggesting that there should be one rank-one pension formula for the defence services.

Expenditures on defence in Pakistan have always been dictated and determined by our foreign policy which has remained a closely guarded preserve of our defence institution. And this policy has, in turn, remained hostage to the Kashmir question which, in turn, has remained the centre-point of our security. Of course, no one would grudge the price, no matter how high, to pay for his country's security. And since this price is being fixed solely by the defence institution, the emphasis has always been on ever more sophisticated weapon systems capable of neutralising offensive capability of our Eastern neighbour.

This strategy has from day one made the national economy subservient to security rather than security becoming subservient to the economy. It was always our security needs that had dictated our annual budgets irrespective of our ability to meet these security-related demands from our own resources.

During the Cold War the US military assistance had filled this expanding gap between our security needs and our ability to generate resources on our own. As soon as the Soviet Union vanished from the scene, the US also walked away from the region. As a result the country suffered enormous economic setbacks during the 1990s while its defence needs were being met by China, Saudi Arabia and the UAE. The second Afghan war once again saw the US rushing back to the region with its dollar dole. And now having seemingly lost interest in the region or perhaps

having come very close to our arch enemy, India, Washington seems reluctant to even help finance a deal for eight F-16s. With the oil price plummeting we can hardly expect Saudi Arabia and the UAE to be as forthcoming as they were in the 1990s. And it is a moot point if China would be able to fill the gap that is being created due to drying up of our traditional sources of dole.

So, one would like to believe that it is now time for the civilians and the armed forces to sign a charter of economy (CoE) to make our security subservient to our national economy, of course without giving up our stated position on Kashmir or letting India out-flank Pakistan in the region using Kabul and Tehran. How does one do this? Well, libraries of our staff colleges should be full of analytical reports on how our foreign and defence policies have fared over the last 69 years. These reports would show what we have gained by the single-minded pursuit of these policies and what we have lost. And as can be clearly seen these policies worked to an extent only because of massive external help-both military and economic. China alone would not be able to shoulder this massive external burden. In fact we should not in our own self interest burden China with such a responsibility.

Many bitter enemies of yesteryears have become close economic allies with vested self interests in each other's economic well-being using what is called geo-economics to determine their relations rather than geo-strategy or for that matter geo-politics. The CoE that one wishes the civilians and the military to sign one hopes would be based on a strategy inspired by geo-economics with a view to trying to solve the country's security problems rather than continue to waste our energies and resources in trying to achieve the unachievable.

Indeed what is needed urgently is a CoE to be signed between the civilian government and the military institution and not one between the ruling party and the opposition as is being suggested by finance minister Ishaq Dar. There already exists an unspoken CoE among all civilian politicians. Even the Jamaat-e-Islami or for that matter the Jamiat-e-Ulema-e-Islam seems to have found the system of market economy that is practiced in the country nearer to their beliefs than the so-called socialist economic system against which they had waged a jihad with the guns and gold doled out by the capitalist world.

The PPP had already adopted what the late Benazir Bhutto used to call the New Labour ideology which again was not very much different from Mrs Thatcher's market mantra. And every time Imran opens his mouth to talk about the economy he sounds more like a champion of the cruel capitalistic system that is prevalent in the UK. And that leaves the ruling PMLN whose very leadership is the product of the market economy sans any regulations. So, no matter which of the above mentioned parties is in the saddle in Islamabad, there would not be much of a difference in the official economic policies with, of course, a slightly differing emphasis on priorities.

All have embraced the trickle-down theory and all use the GNP per capita as a measure of economic growth which is based on statistics calculated by dividing the total national income produced equally among all the people in the country. But these averages camouflage the crass reality of an ever-widening gap between the rich and the poor with a handful of rich owning almost the entire wealth of the nation while the teeming millions are seen running from pillar to post for two square meals a day.

Budget 2016-17: FBR to retain DTRE and manufacturing bonds schemes

The Federal Board of Revenue (FBR) will retain certain concessionary and exemption regime for export-oriented sectors like Duties and Tax Remission for Export (DTRE) scheme and Manufacturing Bonds Scheme in upcoming budget (2016-17). Sources told here on Saturday that the FBR has started an exercise for withdrawal of exemption and concessionary Statutory Regulatory Orders (SROs). The government is expected to withdraw around Rs 130 billion worth concessionary SROs of customs duty, sales tax, income tax and Federal Excise Duty in budget (2016-17).

Sources said that the FBR has decided to withdraw concessions/exemptions of income tax, sales tax and customs duty granted through SROs amounting to 0.3 percent of Gross Domestic Product (GDP) in budget. In fiscal year 2014-15 Rs 105 billion worth of SROs and exemptions were withdrawn while in 2015-16 this amount stood at Rs 120 billion. However, export-related concessionary regime would not be withdrawn in the budget (2016-17). In this regard, the duty drawback schemes, DTRE scheme and Manufacturing Bonds Scheme, etc, would remain intact. However, other concessionary SROs of Customs Duty would be withdrawn or modified in the coming budget.

In budget (2014-15), the government tried to merge all temporary importation schemes, including DTRE, 'Manufacturing Bonds Scheme' and others to provide a sole uniform procedure for import of duty-free items to be used in the finished products meant for export by the manufacturers-cum-exporters. However, the merger of all temporary importation schemes was not considered as a feasible idea at that time. Different schemes have separate procedures for temporary importation of goods to be consumed in the production of export products. DTRE scheme has different procedure as compared to duty free imports made by the 'Manufacturing Bonds scheme' or 'temporary importation schemes' notified vide SRO 492(I)/2009.

Under the temporary importation scheme, the federal government has exempted whole of the customs duty and sales tax on temporary importation of goods for subsequent export as specified. This facility shall be available to exporters also registered as manufacturers and fulfilment of laid down conditions. These temporary importation schemes would remain intact to facilitate exports of the country, sources added. – *Courtesy Business Recorder*

VTCS: Date for filing returns extended till May 31

The Federal Board of Revenue (FBR) has extended the date for filing of returns by traders under the Voluntary Tax Compliance Scheme (VTCS) till May 31, 2016. According to sources, so far 9,000 traders have availed of the scheme. In order to encourage more traders to come into the tax net, the FBR has granted another extension in return filing. The concessionary rate of withholding tax (WHT) on bank transactions of non-filers of income tax returns would also remain 0.4 percent up to May 31, 2016. The FBR has provisionally collected Rs 242 billion during April 2016. – *Courtesy Business Recorder*

LG Department, KMC to charge parking fee along with MV tax

The people of Karachi should now be prepared to pay for the inefficiency and corruption of the bureaucracy that is running the civic and municipal departments of the province on adhocism, for paying fee for parking their vehicles annually along with the vehicle taxes.

This unique idea is the creation of Karachi Metropolitan Corporation's (KMC) administrator on the directives of Sindh Local Government Minister Jam Khan Shoro has announced to cancel all ongoing charged parking sites from the city, which would be replaced through imposing of annual charged parking fee along with motor vehicle tax.

The KMC administrator has announced this scheme through a handout issued on Saturday.

The KMC administrator claimed that the commuters would get comfort and free from the corruption in charged parking system including those sites that have been established in nook and cranny of the city.

Under the new scheme, the KMC would continue to keep its employees deployed at all official charged parking sites but they won't charge any fee from the commuter as the later would have already paid the fee along with the motor vehicle tax annually. He said that at least 41 sites are active in the city under the aegis of the KMC, which adds some 60 million to KMC's accounts per annum. Only 9 sites are being operated by the private contractors through auctioning of the sites. The new scheme would end the

nuisance of the corrupt charged parking practices and minting money from the commuters.

The KMC administrator said that a committee would be constituted to ascertain the variety of aspects and the general public would be approached for their suggestion and objections on which basis the committee would finalise the recommendations for the final step of implementing the new scheme of charged parking. The KMC administrator has in order to justify the idea of imposing charged parking fee on commuters with motor vehicle tax said the people also pay PTV fee for past many decades through electricity bills. – *Courtesy Business Recorder*

DTRE Scheme: exporters urge government to restore utilisation period

One of the key budget proposals of the exporters is to restore utilisation period from 12 to 24 months of input goods consumed in finished goods to be exported under Duties and Taxes Remission for Exports (DTRE) Scheme as a major facilitative measure for the exporters in 2016-17.

Industry sources told on Sunday that exporters had a meeting with the Model Customs Collectorate (Exports) Karachi and Model Customs Collectorate Port Qasim Karachi to discuss possible restoration in utilisation period from 12 to 24 months under the DTRE Scheme. A joint proposal of the MCC Export Karachi and MCC Port Qasim has been forwarded to the FBR for consideration in the upcoming budget.

As now the budget makers are reviewing this proposal, it would be a major facilitative measure to enhance exports.

Exporters associations and trade bodies have strongly proposed to restore the utilisation period of input goods under the DTRE Scheme to 24 months instead of existing twelve months to the Federal Board of Revenue (FBR), which had negatively impacted exporters. Accusing the FBR of ignoring repeated requests, exporters termed the decision was irrational.

Both the relevant Collectorates as well as exporters had approached the FBR and the Commerce Ministry on the issuance of SRO601(I)/2012 in the budget (2012-13) which reduced utilisation period of input goods under the DTRE scheme. This SRO negatively impacted exports as manufacturers could not

comply with reduced timelines for utilisation of raw material to be used in exports.

If the said SRO remained further operative, it would have serious implications on all major export industries, sources said. Keeping in view the seriousness of the issue and decision's negative implications, impending since 2012, exporters of textiles, sports and food/vegetables have also been suffering because of the reduced period under the DTRE scheme. Export associations have repeatedly approached the FBR to plead their case. It is necessary that the FBR should withdraw SRO 601(I)/2012 to restore the utilisation period available prior to budget 2012-2013. Despite the fact that the Customs authorities had discussed and agreed to the proposal in a past meeting dated 27.11.2012, but the utilisation period was not enhanced. The possible enhancement in the period under DTRE in budget (2016-17) would be major relief measure for the exporters.

At present, input goods acquired under the DTRE scheme would be utilised in the manufacture and export of output goods within 12 months from the date of Approval of DTRE Application vide through SRO601(I)/2012, while it was 24 months before budget 2012-13, the FBR was reduced the utilisation period of input goods under the DTRE scheme.

Sources explained that exporters were already facing problems such as a lengthy approval process took 3-4 months including the export contract and opening of LC, right from processing to checking of files and physical visits of premises and then grant approval of only 25% of total applications in the first stage, while the remaining 75% after 1-2 month processing of determination of Input and Output Ratio by Input Output Co-efficient Organisation (IOCO) Karachi. The exports process has been completed within the remaining time period of 7-8 months. The lengthy period of the whole DTRE process starting from approval to final exports of goods is almost impossible to be completed in 12 months.

The FBR has now again reduced the time period of the consumption of the input goods under the DTRE Scheme which may create very serious problem for the exporters to ensure the exports of the finished goods within the curtailed period of One Year. It is practically not possible to complete the whole exercise in one year under the amended procedure laid down in the DTRE Scheme.

At present, the whole process of DTRE Scheme facility has following steps including contract with buyer; opening of L/C; application of DTRE; approval of DTRE up to 25 % of the applied quantity, determination of Input and Output Ratio by Input Output Coefficient Organisation (IOCO/EDB); process of approval of remaining 75% quantity, import of input goods; manufacturing of goods and then export of total quantity within the remaining 7-8 months in addition of various problems already existing like higher tariff of utility, lower quality of raw material, lack of modern technology and can't replace their old machinery with latest machines due to high interest rate as compare to competitor are almost zero interest rate under the scheme concerned that cause high production. Shortage of gas supply, frequent prices changes in Cotton and Oil directly impact on raw material, law and order situation, cancellation of orders due to uncertainty & other factors prevailing in the country.

The reduction of utilisation period has direct negative impact on exporters. Due to unjustified changes, exporters bear further burden in the following shape: The exporters are already bearing delays because of gas and electricity outages. Due to this limitation, they are importing important raw materials, accessories, packing materials in short orders which ultimately increase the cost of purchase, delays in preparation of export shipment, shipment sent through air, and some exporter are losing buyers due to these delays, which ultimately suffer huge losses in exports due to various factors and it also adversely affect the foreign exchange remitted to national exchequer.

Exporters are also facing serious problems in process of extension in utilisation period of DTRE in concerned offices due to processing as well as legal issues. The powers to grant extension in utilisation period should retain with the FBR. This proposal would facilitate the exporters and mitigate their problems faced during day to day matters.

Export and Trade bodies also proposed to rationalise the parameter of value addition in DTRE scheme, the fixed 15% valued Addition in all industry is unjustified and illogical, margins are varying from industry to industry, this is not possible in practical that value addition will be fixed of 15% in all sector of industry keeping in view the nature of the industrial situation and behaviour.

Exporters have proposed FBR Chairman to incorporate the said DTRE related proposals in coming budget 2016-17. – *Courtesy Business Recorder*

Implementation of VTC: FTO investigating mal-administration

Federal Tax Ombudsman (FTO) is investigating whether mal-administration of tax machinery, incompetence and inefficiency of Inland Revenue Service (IRS) officers in field formations, is a major hurdle in smooth implementation of Voluntary Tax Compliance in Pakistan.

It is reliably learnt that the FTO has taken up a serious complaint of an employee of International Embassy, whose bank account was attached without serving any statutory notice and illegal recovery was made by IRS officers in Lahore, reflecting a clear case of harassment and mal-administration. The FTO has started investigation on the complaint filed before the FTO through Lahore based lawyer Waheed Shahzad Butt.

The complainant has highly appreciated and highlighted ongoing efforts made by Haroon Akhtar Khan, Special Assistant to Prime Minister on Revenue to broadening the tax base. At the same time, the case also reflected that how the field officers make illegal recovery of taxes without following laid down procedure for passing of assessment order and by attaching bank accounts of salaried taxpayers. It is alleged that such kind of illegal actions of the IRS officers in the field formations are major hurdles in smooth implementation of tax compliance on voluntary basis by the new taxpayers.

Details revealed that the FTO is investigating the issue of main hurdle against Voluntary Tax Compliance due to mal-administration of justice, neglect, inattention, delay, incompetence, inefficiency and ineptitude in the administration/discharge of duties and responsibilities by the FBR field officials for passing patently illegal orders and recovery through attachment of bank accounts.

The complainant states, “SA to PM’s untiring and FBR’s joint, broadening of tax base and Voluntary Tax Compliance (VTC), campaign aiming at an enhanced Tax-GDP ratio is rightly being portrayed as the real panacea for all the economic and fiscal ills our country is facing today but the ground realities on the part of some IRS functionaries reflects quite strange picture. Broadening of tax base and VTC exercise is not the first of the sort in FBR’s long history, therefore, the previous such exercises as well as present casual non-professional attitude on the part of some rogue IRS officials need to be analysed, so as to ascertain that why and

how IRS authorities could not convert this long cherished dream into a reality.

Present complaint is a tip of the iceberg to highlight what is going on inside IRS and what is the price of paying tax voluntarily. On 02-11-2015 the complainant was informed by his bank that IRS officials of RTO, Lahore have issued notice for recovery of income tax demand created against the complainant under Section 122C of the Income Tax Ordinance.

In the patently illegal assessment order, no reference of addition in any property/business/asset is shown/confronted by the most vigilant and leaned DCIR. On the basis of aforementioned patently illegal order concerned ACIR, issued a combined notice for 15 persons to the SCB, wherein salary of the Complainant has been transferred by the employer. Prior to initiation of such harsh action no intimation/notice was ever issued to the Complainant by any of the IRS functionary: Complainant stated.

The complainant further stated "As a result of illegal recovery move, a sum of Rs 195529 was snatched/robbed through Pay Order. After picking all documents including patently illegal order from tax office and recovery notice from the bank, complainant through his counsel electronically submitted income tax return, wealth statement and reconciliation statement and requested for withdrawal of illegal notice/order duly submitted at Taxpayers Facilitation Division, Regional Tax Office. On silence from FBR functionaries another written request was moved but all in vain. Finally, a representation/complaint/request was moved to CIR but as usual no response from either end. Quite surprisingly not a single notice u/s 122C/114/111 of the Ordinance has been issued / served by the FBR functionaries before passing patently illegal order and before snatching/robbing funds from SCB. This state of affairs reflects nothing but severe mal-administration of justice.

The FTO is required by the terms of the statute that governs the working of the office of the FTO to unmask maladministration and recommend action to prevent its recurrence and this is exactly what the FTO has done. It would be a gross dereliction by the FTO if he was to turn a blind eye to the FBR's illegal, mala-fide or outright incompetent machinations to tamper with the tax liability of a person without fulfilling the statutory obligations under the law and applying the fiscal statutes in its true letter and spirit, the complainant added. – *Courtesy Business Recorder*

Change in policy: over 500 containers of polished granite imported from India stuck at port

Over 500 containers of polished granite imported from India have been stuck at Karachi port, due to abrupt change in the policy, putting unnecessary additional financial burden on the importers; it was learnt here on Saturday.

According to details, Model Customs Collectorate (MCC), Appraisement - East in its assessment alert issued on the other day had declared the clearance of polished granite under PCT 6802-2300 incorrect that led suspending the clearance of over 500 containers of polished Granite worth in millions at port.

The assessment alert stated that polished Granite, which had further been worked upon and was more than simply cut, was correctly classifiable under PCT 6802-9300 and added that Granite that fell under PCT 6802-9300, was not importable from India as per Import policy order 2013 issued vide SRO 193(I)/2013 dated March 3, 2013.

On the other hand, Directorate General of Valuation, Karachi after the announcement of Import policy order 2013 had issued a valuation ruling on March 31 2014 and classified polished granite under PCT 6802.2300, which has now been declared as incorrect classification by the MCC, Appraisement-East.

Meanwhile, market sources said that Valuation department had allowed the clearance of polished granite under PCT 6802.2300 and declared its import from India permissible in its valuation ruling issued on March 31, 2014.

The market sources further said that they had been importing polished granite from India for last two years under PCT 6802.2300 and department had failed to detect its blunder.

They questioned the authority concerned that if the mistake was detected on the part of valuation department, which had wrongly classified polished granite under PCT 6802.2300 that led Indian polished granite importable then why the necks of the importers were only being squeezed.

When contacted customs officials, who did not want to be named, said that MCC, Appraisement-East has mentioned the mistake of Directorate General of Valuation Karachi in its observation and directed to make necessary correction in its valuation ruling.

Meanwhile, Arshad Jamal, vice chairman All Pakistan Customs Agents Association (APCAA) said that polished granite was being

imported from India for years as the stakeholders had not properly been guided by the concerned authorities.

Although the efforts taken by the MCC Appraisement-East to identify the said mistake are laudable, the importers should have taken reasonable time to clear their consignments, which had already been arrived at port, he said.

Arshad also requested the authorities concerned to allow the clearance of Indian origin polished granite consignments, which were already arrived at port, under PCT 6802.2300 as if they did not do the same then over 500 containers would be stuck at port, which would not only provide severe financial shock to the importers but also create port congestion issue.

He said that Indian origin polished granite, which was not importable under Import policy order 2013, had been brought into the country, due to incorrect valuation ruling issued by the Valuation department hence importers were not responsible for such inadmissible imports. He therefore requested the authorities concerned to withdraw all show cause notices issued by the customs department. – *Courtesy Business Recorder*

Pak-Afghan talks on TIRs hit a snag

Vice Chairman, All Pakistan Customs Agents Association (APCAA) and president, Frontier Customs Agents Group (FCAG), Khyber Pakhtunkhwa Zia-ul-Haq Sarhadi has said that the failure of Afghanistan in sending her proposals regarding trade access to India through Wagha border has put Pak-Afghan talks on TIRs into doldrums.

In a statement issued here Saturday, Sarhadi said that Afghanistan was required to send its proposals regarding trade access to India through Wagha and inclusion of TIR Convention 1975 in Afghan Transit Trade Agreement (ATTA) and the failure of Afghanistan has prompted Pakistan to decline further negotiations in this regard.

He said that timely steps and inclusion of TIRs would have paved way for Afghanistan in getting access for its trucks to Wagha border and Indian goods would have reached to Kabul through Afghan trucks while Pakistan would have got trade access to Central Asian Republics (CARs) through Tajikistan and Afghanistan.

Sarhadi, who is also vice chairman of FPCCI standing committee on Customs Agents, further revealed that in this connection Afghanistan have sought time March 15, 2016 to complete homework and after the receiving of their recommendations, the Pakistani authorities were required to visit Afghanistan in last week of March for holding final round of talks on trade affairs. But, Pakistan is till awaiting recommendations from Afghanistan and the former is stressing on the resuming of negotiations. – *Courtesy Business Recorder*

FCAG welcomes installation of scanning machine at Torkham

President, Frontier Customs Agents Group (FCAG) Khyber Pakhtunkhwa and Vice Chairman All Pakistan Custom Agents Association (APCAA), Ziaul Haq Sarhadi has hailed installation of scanner machine at Torkham border for checking luggage of Afghans crossing border to Pakistan. In a press statement issued here on Monday, Ziaul Haq Sarhadi appreciated the step taken by Collector Customs Peshawar, Qurban Ali Khan for improving border management system at Torkham.

Ziaul Haq Sarhadi demanded of Federal Board of Revenue (FBR) to install a scanner for checking of goods imported under Afghan Transit Trade and for export to Afghanistan. Installation of scanners will reduce checking time and goods will be checked on modern machinery which will also reduce chances of smuggling of contraband goods. He also hailed installation of WeBOC (Web based one custom) as a result of which 90 percent of import and export has become computerized. Ziaul Haq Sarhadi who is also founding Director of Pak-Afghan Joint Chamber of Commerce and Industry (PAJCCI) said the steps being taken by Collector Customs, Qurban Ali Khan for promotion of trade between Pakistan and Afghanistan will be remembers for a long time in history. – *Courtesy Business Recorder*

Goods declarations filing: APCAA assured of display of valuation rulings

Model Collectorate of Customs (MCC) - Appraisement West, has assured All Pakistan Customs Agents Association (APCAA) to allow displaying valuation rulings for taxpayers while filing Goods Declarations. This was stated by Dr Fareed Iqbal Qureshi,

collector MCC Appraisement West, during a meeting with the representatives of the APCAA at his office.

He said that the MCC Appraisement West, was striving to facilitate the trade at maximum level under legal framework and invited the APCAA to send suggestions for the betterment in customs services. The APCAA delegation led by the senior vice chairman Arshad Jamal and vice chairman Haji Asif stated that taxpayers were unable to glimpse the valuation rulings while filing GD under public notice 1/2014 and proposed to the customs department to make suitable amendments in the WeBOC system to enable taxpayers for observing valuation rulings during GD submission.

Dr Fareed has given positive response and assured the APCAA to allow displaying valuation rulings for taxpayers while filing GDs through WeBOC system. Similarly, the collector has also directed the staff to look into the matter regarding unnecessary message for document calls by appraiser and principal appraiser, which was cited by the APCAA during the meeting as the association was of the view that unnecessary message for document calls create excessive burden on assistant collector and deputy collector that led unnecessary hearings and long delays in its proceedings.

Arshad Jamal said that several fields in the banks' challans were only filled by the bank staff, which consumed time and promoted corruption. Therefore, APCAA proposed to the customs department to open all field for them that would help eradicate not only corruption but also expedite the process of tax payments. Dr Fareed lauded the recommendation saying that goods-declarants should be allowed to fill all fields of bank challans.

Arshad further said that WeBOC was not fully automated and that tarnished all possibilities of establishing 'Profile-based system', causing high examination marking by the appraisers that led problems not only for the terminals but also for the taxpayers, having good profile. Therefore, it has been suggested that random examination marking should be initiated for the importers who have good profile besides single item consignments should be released after scanning to minimize the workload on the terminals and expedite the clearance process.

The Collector MCC Appraisement West in this regard ordered the staff to determine the viability of the proposal and submit report at the earliest. The APCAA also highlighted the issue concerning contravention report, saying that no taxpayer was allowed to

clarify his/her position at the time when the contravention report was forwarded to the legal department for approval, which the association termed as injustice, urging the customs department to make the taxpayers' input admissible before getting approval for contravention report. Later, collector MCC Appraisement West Dr Fareed asked the delegation to submit proposals in details and assured them to ponder upon APCAA proposals and recommendations for improving customs services. – *Courtesy Business Recorder*

Banking transactions 0.4 percent WHT rate extended up to May 31

Finance Minister, Senator Mohammad Ishaq Dar as Chairman, Economic Co-ordination Committee of the Cabinet (ECC) has accorded anticipatory approval for extension in the period of applicability of reduced rate of withholding tax @ 0.4 per cent on banking transactions by non-filers up to 31st May, 2016. – *Courtesy Business Recorder*

10MFY16: PRA collection grows by 37 percent

The overall revenue collection of the Punjab Revenue Authority (PRA) grew by 37 per cent to Rs 47.773 billion in the first ten months of the current financial year against collection of merely Rs 34.870 billion in the corresponding period of the previous financial year.

According to the PRA Additional Secretary, Salman Ali for the first time in its history, PRA has crossed the psychological barrier of Rs 6 billion by achieving a record collection of Rs 6.102 billion during the month of April, 2016 at the close of business on 29th April, 2016. This is the highest ever tax collection achievement in a single month by any provincial or sub-national revenue authority or board in Pakistan.

This also is interestingly a reflection of the change in fortunes of PRA which faced significant challenges to its existence only a few months ago but through sheer resilience has demonstrated record-breaking growth of 64% over the past 10 months in service sectors other than the telecom sector. In case of telecom sector, there was a negative growth trend of 6%. Overall, PRA's revenue grew by 37% to Rs 47.773 billion in the first ten months of current financial year against collection of merely Rs 34.870 billion in the

corresponding period of the previous financial year. – *Courtesy Business Recorder*

FBR opposes idea of placing ST refund data on website

The Federal Board of Revenue (FBR) has opposed the idea of placing sales tax refund data on its website or publishing refund figures, as recommended by the Committee constituted by Federal Tax Ombudsman (FTO) to investigate problems and issues in delay of sales tax refunds by the FBR. Sources told here on Monday that the FBR has submitted its comments to the FTO office on the draft report of Committee constituted by the FTO to investigate problems & issues in delay of sales tax refunds by the FBR.

According to the FBR, the FBR does not favour the idea of publishing refund figures as recommended for reasons of secrecy. Secondly, the FBR does not agree with the view that refunds are being withheld to bolster revenue collection. The FBR's viewpoint is that refund pendency is legacy issue and current intake and outflow of refund claims is almost equal. This was affirmed during the first meeting of the Committee by providing figures to show that current pendency is the same as was at the same point last year. Therefore, it is not correct to suggest that revenue growth is on account of withholding of refunds.

Thirdly, it was informed in the meeting on behalf of the FBR that currently sales tax refund of Rs 5 million and less are being cleared on priority. As regards the claims in excess of Rs 5 million, the FBR is also actively considering to dispose of this pendency.

Fourthly, the FBR does not favour the idea of taking action against officers for causing loss to the government exchequer on account of compensation paid in delayed refund cases, as these officers are performing assessment / quasi-judicial function and there are no grounds to penalize them on this account.

Fifthly, the FBR does not agree with the finding that the FBR is not making efforts to increase the base. It may be realised that besides compliance gap, there is a huge policy gap as well for which the FBR cannot be held accountable. the board is also trying its best to fill the compliance gap, the FBR maintained. Sixthly, the figures mentioned in the committee report also needs to be discussed particularly the effective rate and its interpretation.

Seventhly, the FBR also does not support the idea of placing the figures of cases and recoveries made and the amounts refunded on account of these cases being set aside in higher courts. These figures are not relevant to the subject at hand and moreover these also are against the secrecy principle.

Eighthly, the figures relating to tax potential of Rs 5.5 trillion also appear to be based on guesstimates and should not be included in the report. Ninthly, the FBR does not favour the recommendations relating to placing of refund data on website, taking action against officers in cases of payment of compensation. – *Courtesy Business Recorder*

Crackdown against non-paid duty vehicles directed in KP

The Federal Board of Revenue, while directing Model Customs Collectorate (MCC) Peshawar to launch crackdown against non-paid duty vehicles in different parts of Khyber Pakhtunkhwa, has also announced cash awards for all those extended help in the anti-smuggling drive. Addressing a handing over ceremony of three vehicles to anti-smuggling squad here at Customs House on Monday, Collector Customs, Qurban Ali Khan has directed all squads of anti-smuggling division, especially Mardan, Nowshera, Peshawar, Bannu and Dera Ismail Khan to step up efforts for non-duty paid vehicles.

Khan said that special award of Rs 30,000 would be given on seizure of per vehicle (above 1800cc engine), while Rs 12000 be given on impounding of per vehicle (below 1800cc engine). This award, he said would be paid to Customs squad on every vehicle and similar amount would be given to the informers. Names of the informers, he assured, would not be disclosed.

The Customs collectors said that smuggling had badly ruined economy of the country which had led to closure of hundreds of industrial units and caused massive unemployment. He asked the concerned officials to step up their efforts against the non-paid duty vehicles in their relevant divisions.

The three double-cabin vehicles and Honda motorcycles costing Rs 15 million were handed over to the officials of mobile squads of Shergarh, Mardan, Kohat, Peshawar, investigation, prosecution and general branches of dispatch section. A number of senior officials including, Additional Collector Yousuf Haider, Syed Fazal Samad and Assistant Collector, Anti-smuggling Asad Ali were also present on the occasion. – *Courtesy Business Recorder*

DG Customs Valuation rejects petition filed by PVC importer

The Directorate General of Customs Valuation Karachi has rejected a petition filed by an importer of PVC flex from China against the valuation fixed by the Director Valuation Karachi. The Director General Valuation Syed Tanvir Ahmad has issued order in revision 178 of 2016 here on Tuesday. According to the order, the revision petition was filed under section 25-D of the Customs Act, 1969 against customs value determined vide Valuation Ruling No 782/2015 dated 17-12-2015 issued under section 25-A of the Customs Act. 1969.

The appellant (M/s Astrontech Inc Lahore) is engaged in importation of "PVC Flex" from China, (goods) in Pakistan. Recently respondent (Director Customs Valuation Karachi) issued valuation ruling No 782/15 dated 17.12.2015 on the direction given by High Court Sindh at Karachi vide order dated 16.10.2015 passed in CP No 6907/2015 and fixed the Customs value (C&F) of PVC Panaflex/Banner Sheet @ 1.32 US $/kg from China and @ 1.47 US $/kg from other origin.

The unjust and harsh valuation ruling dated 17.12.2015 has been passed by the respondent under section 25(A) of the Customs Act, 1969 and determined the values of the imported PVC Flex Banner Sheets not in accordance with law, therefore, the same is liable to be set aside, petitioner said. The grounds of the petition is that the valuation ruling No 782/2015 dated 17.12.2015 determined by the respondent (Director Valuation Karachi) is based on the declared value in India which is illegal as India is inherently the exporter of the goods/PVC in question as there are four PVC sheets manufacturing units. Whereas, in the case of Pakistani businessmen/commercial importers including the appellant are importers of the said products, and hence the impugned valuation ruling is inherently illegal being based on data of India which in no circumstance is applicable to the import environment of Pakistan and especially that of the appellant.

The goods of the appellant is a combination of two items ie PVC and Polyester yarn. PVC is a by-product of oil and according to the Customs own weekly basis data, the prices of base oil including its by-products (PVC) are declining. This fact is in common knowledge of every person. Whereas the price of polyester yarns is concerned, the customs department has already reduced the value by 27% due to decrease in international market and this fact is evident from

the valuation rulings dated 05.07.2012, 23.01.2015 and 21.10.2015. Therefore, the value for the purpose of duty on import of PVC determined by the respondent is not based on the current international standard and hence the same is liable to be reviewed.

The valuation ruling issued by the respondent is without considering the documents provided by the appellant ie supplier invoices, website names and email address, local sales and tax invoices issued and communication with supplier which was submitted by the appellant through letter bearing No MLA/JKL/ASTRO/l5/239 and later dated 11.11.2015. Yet the respondents paid no heed to the instant fit case of the appellant and determined the value on higher side which is illegal and liable to be reviewed.

The appellant at the time of determination of valuation ruling No 782/15 dated 17.12.2015 also submitted the export GD dated 15.11.2015 with reference to the import made by the appellant vide GD No KAPW-HC-104944 dated 10.12.2015 to the respondent wherein the price quoted by the exporter was shown @1.0470 US $/kg whereas the respondent relied upon the Indian data which is illegal harsh and is liable to be reviewed.

That Rule 110 of the Customs Rules, 2001 clearly states that if the value cannot be determined in accordance with the valuation methods laid clown in subsection (1), (5), (6). (7) and (8) (ie resort must he on the fall back method under subsection (9), then the importer data available with the department must be used. Whereas while determining the valuation ruling respondent had not used the appellant data, therefore, without considering the appellant data the valuation ruling determined under subsection (9) of section 25 of the Customs Act, 1969 is illegal and the same is liable to be reviewed, petitioner said.

The impugned order is void of all legality as it is passed without fulfilling the requirements as laid clown in section 25(9) of the Customs Act, 1969 read with Customs Rules 121 & 123, which is unlawful and ultra vires of law and facts. In view of the aforementioned 'facts and circumstances, it is prayed in the interest of justice and equity that this authority may be set aside ruling dated 17.012.2013 as the same are void and illegal and the same are not applicable on the imports to be made by the Applicant, petitioner added.

The respondent department (Director Valuation Karachi) was asked to furnish comments to the arguments submitted by the

petitioner in the case: The department said that the impugned Valuation Ruling is seeking one clearly reveals that the Valuation Methods as laid down in section 25 of the Customs Act, 1969, ie 25 (1), (5), (6), (7) and (8) were exhausted. However, customs values were determined under section 25 (9) of the Customs Act, 1969. The appellant have not substantiated through any corroboratory documents that the impugned ruling has any infirmity.

The customs values were determined under section 25 (9) of the Customs Act, 1969, on basis of a value derived from amongst the methods of' valuation as set out in sub sections (1), (5), (6) and (8), in a flexible manner to the extent necessary to arrive at a appropriate customs values.

In correct Exercise for the determination of customs values were comprehensive and included all facts in it. The impugned valuation ruling clearly reveals that the Valuation Methods as laid down in section 25 of the Customs Act, 1969. ie 25 (1), (5), (6), (7) and (8) 'acre exhausted. However, customs values were determined under section 25 (9) of the Customs Act, 1969. The appellant have not substantiated through any corroboratory documents that the impugned ruling has any infirmity.

High Court referred judgement is related to application of the evidences other than the valuation methods laid clown in section 25. Finally customs value was determined under section (9) of the Custom Act, 1969. The impugned valuation ruling clearly reveals that due to variation in prices of 90 days physical import data, the provisions of sub sections (1). (5) & (6) could not be implemented. Similarly, due to variation in the local market also sub section (7) of section 25 of the Customs Act, 1 969 could not also be implemented. Sub section (8) of the Customs Act. 1969 could not also be implemented, department.

The appellant have not furnished any corroboratory evidence that the value of their product have decreased (if any). The impugned valuation ruling clearly reveals that the Valuation Methods laid down in section 25 of the Customs Act, 1969. ie 25 (I), (5), (6), (7) and (8) were exhausted. However, customs values were determined under section 25 (9) of the Customs Act, 1969. The appellant have not substantiated through any corroboratory documents that the impugned ruling is unjust, harsh and not in accordance with law.

The impugned valuation ruling is speaking one and clearly reveals that the valuation methods as laid down in section 25 of the Customs Act. 1969, ie 25 (1), (5), (6), (7) and (8) were exhausted.

However, customs values were determined under section 25 (9) of the Customs Act, 1969. The appellant have not substantiated through any corroboratory documents that the impugned ruling is unjust, harsh and not in accordance with law. Moreover, the appellant have not furnished any contract/ proforma invoice of their supplier that the prices have now gone down due to decrease in oil prices.

The impugned ruling was issued after following valuation methods as laid down in section 25. It may be added that the applicant have neither furnish any corroboratory documents nor furnished any contract/proforma invoice showing decrease in prices by their supplier. In view of the above, review application does not merit for consideration and liable to be rejected accordingly, Director Valuation said.

Director General Syed Tanvir Ahmad said that he has deliberated on the case record as well as verbal and written arguments put forth by the petitioner and the respondent department. The petitioner contended that the customs values determined in revision valuation ruling No 605/2013 dated 05.11.2013 were kept intact in new ruling No 782/2015 dated 17.12.2015. He further stated that its value of PVC Panaflex should he at US $1.04/kg instead of US $1.32/kg. He also provided import data and website prices. The petitioner provided ratio of raw material which were calculated as per previously raw material prices and its manufacturing cost.

The said calculation shows that the customs values determined vide valuation ruling No 782/2015 is correct. The petitioner stated that valuation ruling does not state one rule under which valuation ruling has been issued. In section 25(9) fall back method must be clearly by mentioned after rejecting sub section (1), (5), (6), (7), (8) and then resort to sub section (9). The ruling was issued without applying mind rather done mechanically. Yawar of Astrontech Inc Lahore appeared and stated to check the authenticity of normal values from international data through websites and requested for adjournment, so that he may produce the requisite data. However, no such data was produced subsequently.

The Director Valuation Karachi (respondent department) rebutted the claim of the petitioner by stating that exercise for revision of valuation ruling No 605/2013 was initiated on the directions passed by the honourable High Court of Sindh, Karachi, vide C.P.

No 6918/2015 dated 10.11.2015. Respondent representative stated that PVC Panaflex was not available in open market. It was available with printing cost at Pakistan Chowk and Sabri market so it was not taken as it was a higher value. Hence it was resorted to China & Zauba (lndian imports) values which were available at US $1.45/kg, US $1.50/kg and US $1.30/kg. The same were closer and on higher side than valuation determined by the Director Valuation.

In view of the foregoing facts of the case, DG Valuation find that the petition lacks merit as the petitioner has been unable to substantiate his contention to disprove the validity of value determined through amendment in impugned valuation ruling. The petition thus fails on merit and is rejected accordingly, Syed Ranvir Ahmad added. – *Courtesy Business Recorder*

Zarb-e-Azb helped revive economy: Haroon

The government has said that the upcoming budget would be pro-growth and pro-industry and warned tax non-filers of severe penalties from the next fiscal year. Speaking at a day-long pre-budget seminar organised by COMSATS here on Tuesday Prime Minister's Special Assistant on Revenue Haroon Akhtar said the government would encourage investment in the country to boost growth. He said the government has got the record of all those who are paying very nominal or no tax but are living a luxurious life and are frequent travellers abroad.

He said there is an attitude of not paying taxes as even big tax payers are also evading tax but their percentage is 0.1 percent. Haroon Akhtar also claimed that the government was able to reduce the incidences of smuggling through Balochistan by 80 percent. He added that the government was hopeful that an increase in tax-to-GDP ratio in the coming years would help increase development activities. "There has been an 11 percent growth in electricity," he said, adding that growth in large scale manufacturing (LSM) has started picking up on the back of increase in production of auto, cement and fertilisers. Special Assistant to Prime Minister stated that the China-Pakistan Economic Corridor (CPEC) is a reality and will change the future course of Pakistan.

Akhtar said that when the present government came to power, all the economic indicators were deteriorating but the Zarb-e-Azb operation led to revival of economic indicators and now the

inflation is as low as around 5.2 per cent, interest rate to 6.5 percent; and GDP growth is expected to be around 5 per cent.

However, Akhtar's claim of bringing down fiscal deficit from 8.8 percent to 4.4 percent was strongly contested by former advisor to Finance Ministry Dr Aashfaque Hasan Khan. Dr Ashfaque said the figure was achieved by: (i) holding back refund and commercial entities were made to pay income tax in advance; (ii) by not releasing resources to the provinces; (iii) giving pervasive incentives to the provinces against spending which led to deterioration in social indicators. Additionally , he added, those items which were historically treated as surcharges have been renamed as non-tax revenue as well as not showing circular debt in the budget and if still the desired number was not achieved the head of fiscal discrepancy was used to achieve the desired figure.

He also spoke in detail about the state of growing debt of the country and how much was contributed from 2008 to 2015. According to him, the country will be unable to meet the growing gap in balance of payment from 2018 onwards due to significant increase in debt serving because of commercial borrowings by the government.

He said the government flaws and absence of quality fiscal adjustments have created immense social problems as spending on the social sector has been squeezed owing to massive cuts in development budget to achieve agreed fiscal deficit target with the International Monetary Fund (IMF) and termed the reviews under $6.64 billion Extended Fund Facility as political reviews and not economic reviews given the number of waivers granted to Pakistan. – *Courtesy Business Recorder*

Bank levy Reduced rate of 0.4 percent WHT to continue till 30th: FBR

The Federal Board of Revenue (FBR) has notified that the reduced rate of 0.4 percent withholding tax on banking transactions of non-filers shall continue till the extended date, ie, May 30, 2016. According to SRO .370(I)/2016 issued by the FBR here on Tuesday, the FBR amended S.R.O. 286(1)/2016 dated April 1, 2016. Following is the text of the SRO issued.

In exercise of the powers conferred by proviso under Division XXI of Part IV of the First Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to direct that in

its Notification No S.R.O. 286(1)/2016 dated April 1, 2016, the following amendments shall be made namely:- In the aforesaid notification, for the words "first day of April, 2016 to thirtieth day of April, 2016", the words "first day of May, 2016 to thirty rust day of May, 2016" shall be substituted. – *Courtesy Business Recorder*

NA body seeks shifting of tax recovery system to Balochistan

The National Assembly Standing Committee on Inter-Provincial Co-ordination has demanded of the federal government to transfer tax recovery system to Balochistan in the light of 18th Amendment to the Constitution of Pakistan, under which several departments were devolved from the centre to provinces.

A meeting of the Standing Committee held with its Chairman, Abdul Qahar Wadan and attended by the members including Maulana Ameer Zaman, Arshad Laghari, Tahira Bukhari, Mehreen Bhutto, Sohail Wazir, Sher Bahadr Khan Awan and Rana Afzal Khan. Chief Secretary Balochistan, Saifullah Chattha, Provincial Education Secretary Abdul Saboor Kakar, Provincial Health Secretary, Dr Omar Khan Baloch and other officials also attended the meeting.

The meeting reviewed the progress on devolution of departments from the centre to provinces under 18th Amendment of the Constitution of Pakistan. It was told that after the implementation of 18th Amendment, 100 issues pertaining to Balochistan were indicated and the legislation had been made on 59 of them.

The Chairman of the Standing Committee emphasised the need to transfer tax recovery and revenue generation system from Islamabad to Balochistan so that the province could get revenue from industries set up in Hub, Lasbela and others areas. Maulana Ameer Zaman said that feasibility report on provision of natural gas to five districts of Balochistan was prepared three years back, adding that but the plan to provide natural gas to these areas could not be implemented so far.

The Chief Secretary told the committee that on the instructions of Chief Minister Balochistan, a plan was being designed to provide water from Kachhi Canal to Quetta city, adding that 283 kilo meters long water pipelines would be laid down in this regard. He said that Quetta would receive 57 million gallons of water on daily basis under this project. – *Courtesy Business Recorder*

Customs reactivates Sher Garh checkpost

Collectorate of Customs, Peshawar reactivated anti-smuggling office, Mardan to tighten the noose around smuggled goods particularly non-duty paid vehicles. The office was inaugurated by Additional Collector, Syed Fazal Samad while Deputy Collector and Anti-Smuggling Division Mohammad Amin were also present on the occasion.

Talking to media, the Additional Collector, Syed Fazal Samad said that Sher Garh Customs Check Post was operating since 1970 and till 2004 it was fully effective and the customs authorities posted there have conducted numerous cases. But, after 2004 it was become ineffective. The check post, he said is situated on the main highway is very important for the prevention of smuggling goods particularly non-duty paid vehicles. He said that for this purpose they decided the reactivation of the check post.

The objective of the reactivation is further tightening of check on main Malakand-Mardan highway and Harichand route. He expressed the hope that the reactivation of the anti-smuggling office will bring maximum cut in the movement of illegal goods and non-customs paid vehicles. – *Courtesy Business Recorder*

Top Customs official revises values of rechargeable fans

Directorate General of Customs Valuation Karachi has revised customs values of rechargeable fans, ranging between $5.53/piece and $22.02 per piece, for assessment of customs duty on imports from China.

According to the valuation ruling number 829 of 2016 issued by the Directorate General of Customs Valuation Karachi, the Customs values of rechargeable fans were determined under Section 25-A of the Customs Act, 1969 vide Valuation Ruling No 457/2012 dated 22.5.201 - which was set aside by Appellate Tribunal vide Order in Customs Appeal No K-928/2015 dated 15-12-2015 filed by M/s Jewa Enterprises. Therefore, in compliance of Appellate Tribunal order, an exercise to determine the customs values of rechargeable fans afresh was undertaken by this Directorate General. The new ruling has superseded valuation Ruling No 457/2012, dated 22.5.2012, DG Valuation added.

Stakeholders' participation in determination of Customs values: A meeting for the determination of customs values of Rechargeable Fans with stakeholders was held on 05.04.2016.

Different stakeholders importers, representatives of Chamber of Commerce and Federation, besides clearance Collectorate including M/s Jewa Enterprises were requested to participate in the meeting It was attended by Chairman, Pakistan Electric & Electronics Merchants Association (PEEMA) and the importers to discuss the current international prices of rechargeable fans. The Chairman PEEMA and importers contended that the prices of rechargeable fans considerably reduced in the international market and a few number of importers import rechargeable fans as their use has been replaced by solar fans It is pertinent to mention that no representative of M/s Jewa Enterprises presented in the meeting.

It said that the valuation methods given in Section 25 of the Customs Act, 1969 were followed to arrive at customs value of Rechargeable fan. Transaction value method provided in Section 25 (1) was found inapplicable because the requisite information was not available. Identical/similar goods value methods provided in Section 25(5) & (6) were examined for applicability to the valuation issue in the instant case which provided some reference values of the subject goods but the same could not be exclusively relied on due to wide variation in declared values of subject goods. It was also observed that major quantum of import of the subject goods was from China. Thereafter, market enquiry as envisaged under Section 25(7) of the Customs Act, 1969 was conducted. The prices of rechargeable fans were dependent upon sizes. The computed value method as provided in Section 25(8) of the Customs Act, 1969, could not be applied as the conversion costs from constituent material at the country of export were not available. Online values of subject goods were also obtained. All the information so gathered was evaluated and analysed for the purpose of determination of customs values. Consequently, the Customs values of different sizes of rechargeable fans have been determined under Section 25(7) of the Customs Act, 1969.

In cases where declared/transaction values are higher than the Customs values determined in this Ruling, the assessing officers shall apply those values in terms of Sub-section (1) of Section 25 of the Customs Act, 1969. In case of consignments imported by air, the assessing officer shall take into account the differential between air freight and sea freight while applying the Customs values determined in this ruling.

The values determined vide this ruling shall be the applicable customs value for assessment of subject imported goods until and unless it is rescinded or revised by the competent authority in terms of Sub-Sections (1) or (3) of Section 25-A of the Customs Act, 1969. The Collectors of Customs may kindly ensure that the values given in the ruling for the given description of goods are applied by the concerned staff without fail. Any anomaly observed may kindly be brought to the notice of this Directorate General immediately, it added. – *Courtesy Business Recorder*

Fiscal Year 2017 Budget: number of tariff slabs may be scaled down to four

The Federal Board of Revenue (FBR) is likely to reduce the number of general tariff slabs from 5 to 4 and review all concessionary Statutory Regulatory Orders (SROs) of customs duty including SRO565(I)/2006, SRO 678(I)/2004, SRO.656(I)/2006 and other concessionary notifications for reduction or withdrawal of customs duty on different sectors in budget (2016-17). Sources told here on Wednesday that the ongoing budget preparation exercise has focused on tariff rationalisation plan.

Under tariff reforms, maximum general slab of 25 percent was reduced to 20 percent. The number of general tariff slabs was also reduced from 6 to 5 in last budget. There is a likelihood that the general tariff slabs would further come down from 5 to 4 in coming budget.

Sources said that the FBR will retain exemptions in cases where sovereign guarantees have been given or promotion of manufacturing-cum-exports activities in the country. The third phase of SROs withdrawal is expected to take away most of the concessions and reduced rates of duty available under said customs SROs.

In last budget, the concessions and exemptions available under SRO 565(1)/2006 were revisited and the same were either withdrawn or maintained by reducing the extent of concessions. E&P sector availed duty and tax concessions under SRO 678(1)/2004 on import of plant, machinery and vehicles. This SRO was revised in the last budget. Sources added that the Concessions available under Fifth Schedule to the Customs Act 1969 have been reviewed.

Another official said that the high powered committee to review SROs has only convened one meeting at the FBR House during

budget preparation exercise. However, ministries and divisions have yet not received any notice of the second meeting of high powered committee. Moreover, the FBR's meetings with stakeholders are underway. It is expected that the next meeting of the high powered committee to review SROs would be convened on availability of Finance Minister Ishaq Dar. – *Courtesy Business Recorder*

Steel sector: FBR to review GST, duty structure

The Federal Board of Revenue (FBR) has decided to review sales tax/customs duty structure on steel sector and propose amendments to existing procedures and rules in consultation with the steel and ship breaking industries in the upcoming budget (2016-17). Sources told here on Wednesday that the FBR has notified constitution of a committee to submit budget proposal for steel sector. The committee's recommendations would be incorporated in budget (2016-17).

According to the FBR, in order to discuss and finalise recommendations regarding proposed amendments in procedure and tariff, a meeting of the said Committee is being convened in FBR. The FBR has notified following members of the Committee: Zulfiqar Hussain Khan, Chief (ST&FE-Policy), FBR; Abdul Hameed Memon, Chief (Automation & ST), FBR; Muhammad Irfan Raza, Commissioner Inland Revenue (CIR), Zone-IV, RTO, Lahore; Khalid Javaid, Chairman, Pakistan Steel R-Rolling Mills Association (PSRMA); Irshad Movwjee, Ex-Chairman, PSRMA; Javaid Mughal, Member B.C., PSRMA; Muhammad Ashraf, Member E.C., PSRMA; Mian Iqbal Tariq, Chairman, PSMA; Mian Aziz-ur-Rehman Chan, Parton In Chief, Pakistan Steel Melters Association (PSMA); Abbas Abar Au, Vice Chairman, PSMA; Chaudhry Sarwar Member E.C., PSMA; Dewan Rizwan Farooqui, Chairman, Pakistan Ship-Breakers Association (PSBA); Hanif Javani, Member B.C. PSBA; Rafique Salam, Member, B.C., PSBA and Sharif Parachi, Member, B.C., PSBA. – *Courtesy Business Recorder*

Tax assessments and audits: leading cellular company approaches FBR for redressal of grievances

A leading cellular company has expressed serious concern over the repeated attachment of its bank accounts, selection of case for

audit without random balloting, issuance of show cause notices, amendment to income tax assessments and multiple tax proceedings of Income Tax, Sales Tax and Federal Excise Duty initiated by the Federal Board of Revenue (FBR) against the telecom company. The cellular company has approached FBR on the issue of challenges being faced by the company with respect to tax assessments and audits. The company has pleaded its case against the regional tax authorities before the FBR.

According to the company, the company is a compliant taxpayer and believes in due payment of both direct and indirect taxes. It is unclear that how its case has been selected for audit without the due process of computerised random balloting. There are certain concerns that were raised during the meeting with FBR high-ups and their resolution would require FBR's consideration and support. Major tax related issues include the following:

Initiation and conduct of multiple proceedings simultaneously including proceedings related to Income Tax, Sales Tax and Federal Excise Duty, it said. Moreover, issuance of show cause notices for almost all the tax years challenging the deductible expenses without evidence of default by the Company and requiring transaction and invoice level information to justify admissibility of routine operating and other expenses.

Amendment of assessment u/s 122(5A) with full scope audit for almost all the tax years. The company believed that full scope tax audit should be conducted through selection vide balloting. The company has referred to the judgement dated February 6, 2016 passed by a five member bench of Appellate Tribunal Inland Revenue, Karachi. Attachment of bank accounts multiple times without allowing time to the Company to avail appropriate remedies available as per law, it said. The FBR would give due consideration to company's submissions regarding the above mentioned challenges and issues faced by the Company and would play a positive role for resolution of the same, the company added. – *Courtesy Business Recorder*

'FBR making efforts towards broadening tax base'

Federal Board of Revenue (FBR) is making concerned efforts to broaden the tax base and several initiatives have been taken in the recent past to increase the number of return filers which has for the first time crossed one million mark.

"Our efforts for broadening of tax base have already started paying dividends as reflected in an impressive 19 percent growth rate recorded during the first three quarters of current fiscal year with the FBR having already collected Rs 2103 billion in this period," said Member Facilitation and Taxpayers Education (FATE) FBR, Shaista Abbas while answering queries of participants of 21st Mid-Career Management Course from National Institute of Management Quetta during their visit to FBR House.

She welcomed the visiting officers and briefly told them about the mandate, working and performance of the FBR. She said the FBR being the sole institution responsible for resource mobilisation and revenue generation faced a difficult task of collecting tax revenue but the strenuous and dedicated efforts of the officers and workforce of FBR were helping broaden the tax net.

She told the participants that FBR had also increased the cost of doing business for non-filers while CNICs had also been converted into NTNs to track down potential taxpayers through their routine financial transactions. To another query, Shaista Abbas said FBR had formulated a strategy to go after the tax-evaders by using information obtained from their transactions in the real estate sector, purchase of vehicles, foreign travels and also by accessing, in the long run, their bank accounts to assess the extent of tax avoidance and tax evasion.

Earlier, Tehmina Aamer, Chief Member Facilitation & Taxpayer Education (FATE), FBR, gave a detailed presentation on the working and performance of FBR in broadening the tax net and enhancing the tax-to-GDP ratio. She also shared with the officers various loopholes and weaknesses in the current taxation system and what measures were required to make the system more robust. She argued that for a robust taxation system, compliant taxpayers, independent tax authority, simplified tax laws & procedures and a vibrant tax machinery are essential. Similarly, a fair tax system should impose similar tax burdens on similarly situated individuals while tax burdens should also be proportional to an individual's ability to pay tax, she added.

Towards the end, Khawaja Ovais Adil, Director General of NIM Quetta thanked the FBR management for hosting the MCMC participants and enunciating to them key features of the taxation system. Commemorative shields were also exchanged on the occasion. – *Courtesy Business Recorder*

MCC Gwadar claims to have collected Rs 3.51 billion duty

Model Customs Collectorate (MCC), Gwadar on Thursday claimed to have collected Rs 3.51 billion customs duty, which is 348 percent higher than the target, during 10 months of current fiscal. According to the official statistics, the customs duty target of MCC Gwadar from July 2015 to April 2016 was Rs 1.008 billion while the collection against the said target stood at Rs 3.510 billion.

The combined target of the Collectorate of all taxes during the first 10 months of the current financial year was Rs 14.437 billion and taxes collected against this target stood at Rs 18.955 billion. Similarly, MCC Gwadar seized more than 2.5 million liters of high speed diesel (HSD) during this period against a total seizure of 1.3 million HSD made during the corresponding period of the last year. Among other 7,630 bottles of liquor, 10,594 cans of beer and 1,388 kg of narcotics were also seized by MCC Gwadar during the current financial year. – *Courtesy Business Recorder*

Mineral grease: valuations revised

The Directorate General of Customs Valuation Karachi has revised customs values on the import of mineral grease from China, India, Korea, UAE and Iran. According to the valuation ruling number 830 of 2016 issued here on Thursday, the customs values of mineral grease were determined under Section 25-A of the Customs Act, 1969 vide Valuation Ruling No, 331/2011 dated 02-06-2011. Since the said ruling was considerably old and needed updating to reflect current international prices, the same was taken up for fresh determination.

The new ruling has superseded Valuation Ruling No 331/2011 dated 02-06-2011. The ruling said that the valuation methods given in Section 25 of the Customs Act. 1969 were applied sequentially to address the valuation issue at hand. Transaction Value Method under Sub-Section (1) of Section 25 of the Act, 1969 was found inapplicable because required information under the law was not available. The import data of the relevant period, pertaining to instant goods of Saudi Arabian, UAE, Korean and Chinese origins was analysed to determine Customs Value under Sections 25(5) and (6) of the Customs Act, 1969. The declared/assessed prices of Mineral Grease from Saudi Arabia, UAE, Korea and China origins were analysed and much variation was observed, the data provided some references; however, it was found that the same cannot be solely relied upon due to absence of

absolute demonstrable evidence of qualities, commercial levels etc and also it was observed that importers usually provide misleading descriptions while declaring their goods, as other types and verities of similar goods to avoid tile valuation ruling. Information available was hence found inappropriate and insufficient for correct determination of value. Market enquiry for application of deductive methods of valuation under section 25(7) of the Customs Act, 1969 was then carried out for verification/determination of customs values of various kind of Mineral Grease. It was found that two brands of' Chinese and Korean origin ie "Sinopee" and "Zic" are known brands and their market values are higher than other brand of same origin. However, determination of customs values of all types of Mineral Grease could not be based solely upon this method either. As regards 25(8) of the Customs Act, 1969 since detail of conversion cost of goods produced in the country of export are not available, the provision was not found applicable.

Based upon these findings, with particular emphasis upon the change in prices reflected in specific categories/grades, customs values of Mineral Grease (HS Code 2710.1992) are determined under Section 25(9) of the Customs Act 1969, it said.

Stakeholders' participation in determination of customs values: Meeting with stakeholders including importers and representatives of trade bodies was held on 05.04.2016 to discuss the current international prices of the subject goods. The viewpoint of all participants was heard thoroughly and considered to arrive at fair value.

In cases where declared/transaction values are higher than the customs values determined in this Ruling, the assessing officers shall apply those values in terms of Sub-Section (I) of Section 25 of the Customs Act, 1969. Transactional value under Section 25(1) of the Custom Act 1969 shall be applied to the imports made by the manufacturers of branded Mineral Grease of Shell, Total, Caltex, Exxon, B.P., Mobil, Fuesh and SKF brand. If Mineral Greases of aforesaid brands are imported by any one other than the manufacturer itself than assessment shall be made at par in accordance with the transactional values of manufacturer's of the respective brand. In case of consignments imported by air, the assessing officer shall take into account the differential between air freight and sea freight while applying the customs values determined in this ruling.

The values determined vide this ruling shall be the applicable customs value for assessment of subject imported goods until and unless it is rescinded or revised by the competent authority in terms of Sub-Sections (1) or (3) of Section 25-A or section 25-D of the Customs Act, 1969.

The Collectors of Customs may ensure that the values given in the ruling for the given description of goods are applied by the relevant staff without fail. Any anomaly observed may kindly be brought to the notice of this Directorate General immediately for redressal, it added. – *Courtesy Business Recorder*

NHP settlement: Ministry seeks to tax consumers

Amid opposition from stakeholders, Water and Power Development Authority (Wapda) on Thursday appealed to National Electric Power Regulatory Authority (Nepra) to increase hydel tariff by Rs 1.50 per unit to recover Rs 51 billion from power consumers to make payment to Khyber Pakhtunkhwa (KPK) on account of the Net Hydropower Profit (NHP) settlement. The power regulator conducted a public hearing regarding a supplementary tariff petition filed by Wapda to raise power tariff. It was revealed that Wapda had sought an increase in supplementary tariff from the regulator following the directions of Council of Common Interests (CCI). Nepra reserved its judgement.

This petition came in the wake of a formal memorandum of understanding (MoU) signed by Water and Power Minister Khwaja Asif, Finance Minister Ishaq Dar and KPK Chief Minister Pervez Khattak on February 25 and subsequently approved by the CCI on February 29. During the hearing, it was revealed that an increase in hydel tariff would result in an average power tariff increase of 55 paisa per unit. Under an agreement signed by the federal and KPK governments and approved by the CCI Wapda would clear the payment of Rs 70bn net hydropower profit to the province in four years. Wapda authorities stated during the hearing that Wapda had to pay a backlog of Rs 51 billion to KPK and therefore a new tariff of R3.01 per unit should be approved to raise money from consumers.

In its petition to the regulator, Wapda noted that the federal government had directed to generate Rs 25bn as loan from banks and add Rs 1.875bn as mark-up before charging consumers for the first instalment during the current fiscal year. The Wapda official further said the authority had to pay Rs 15 billion to KPK next

year on account of net hydropower profit. Wapda had also appealed to the power regulator to allow current arrears of NHP on regular tariff amounting to Rs 9.29 billion.

The representatives of All Pakistan Textile Mills Association (APTMA) opposed the increase in hydel tariff and demanded that the burden of tariff increase should not be passed on to the consumers. They said that power tariff was already high and a further increase in power tariff would add to the miseries of consumers. They said that the government was already pocketing Rs 41 billion from power consumers on account of tariff rationalisation charge and wanted to put Rs 71 billion additional burden on consumers by raising hydel tariff to pay for hydel profit of KPK. "The federal government should pay from the national kitty and power consumers should not be burdened," they added.

In November 2015, Nepra had approved an approximately 217 per cent increase in the Net Hydel Profit (NHP) to Khyber Pakhtunkhwa while escalating the sale price of cheap hydropower by around 16 per cent. As a consequence, the KPK government would now be entitled to around Rs 18 billion NHP annually as compared to the Rs 6bn in previous years. – *Courtesy Business Recorder*

FBR freezes OGDCL accounts to recover Rs 2.5 billion

Large Taxpayers Unit (LTU), Islamabad, has frozen the bank accounts of Oil and Gas Development Company Limited (OGDCL) to recover outstanding sales tax demand worth more than Rs 2.5 billion. The Large Taxpayers Unit, Islamabad, detected various purported discrepancies in the sales tax declaration by the OGDCL and levied tax worth more than Rs 2.5 billions in February, 2016. The enforcement action taken by the Large Taxpayers Unit, Islamabad, was also upheld in an appeal filed by the OGDCL.

Consequently, the bank accounts of the OGDCL were frozen by the Large Taxpayers Unit, Islamabad, to recover the outstanding demand. Business Recorder also learned that a similar action in the case of OGDCL by Large Taxpayers Unit, Islamabad in March, 2016 resulted in the recovery of tax demand worth more than Rs 1.5 billion.

Action against the OGDCL is part of Large Taxpayers Unit, Islamabad's two-pronged strategy of vigorously pursuing revenue stuck in litigation, and swift action in cases where revenue is

upheld in appeals, the sources said. This resulted in a major turnaround in the revenue collection of the LTU, Islamabad, during the last two months. The exercise is to continue during the crucial months of May and June, 2016 and a further action on similar lines is also expected in other cases falling under the jurisdiction of LTU Islamabad. All such enforcement actions were taken after fulfilment of legal formalities and following rules and regulations as per tax laws, they added. – *Courtesy Business Recorder*

Non-duty-paid: cigarettes Rs 5 million tax/duty theft unearthed

Directorate of Intelligence & Investigation Inland Revenue (IR) Faisalabad has unearthed the non-payment of duties/taxes to the tune of Rs 5 million imposed on the huge stocks of non-duty-paid cigarettes that they seized from premises/godown of cigarettes. The revenue officials received information that a tobacco manufacturer was involved in sale of non-duty-paid cigarettes.

Accordingly, a team of intelligence was constituted and the said team under rule 62 of the Federal Excise Act, 2005 and Section 38 of the Sales Tax Act, 1990, visited the premises/ godown of cigarette belonging to Saleem Traders at Radalla Mandi, District Faisalabad. The team found the following stock: Hero 80 cartons, Chance 27 cartons, Gold street 34 cartons, Bridge 260 cartons ie total 401 cartons. The initial inquiry revealed that the above said brands are manufactured by the said tobacco unit. No invoices showing payment of FED and Sales Tax were provided to the team at the time of visit/ seizure. The tentative revenue including duty/ taxes of seized cigarettes is worked out at Rs 5 million approximately, DG I&I IR said. The exercise is part of the agency's initiative against the illicit trade and action against the non-duty-paid cigarettes across the country. – *Courtesy Business Recorder*

Tussle between FBR, provincial revenue authorities: taxpayers compelled to face spectre of double taxation

A tug of war between Federal Board of Revenue (FBR) and provincial revenue authorities over collection of tax on services is putting excessive financial burden of double taxation on banking, aviation and other service sectors; it was learnt on Thursday. According to sources, FBR is collecting Federal Excise Duty (FED)

on the services of banking, aviation, franchise, shipping and other service sectors. However, taxpayers from aforesaid sectors are also forced by the provincial revenue authorities to pay sales tax on services.

They said that FED was imposed on non-fund banking services including all non-interest based services provided or rendered by the banking companies or non-banking financial institutions against a consideration in the form of a fee or commission or charges. However, provincial revenue authorities are also collecting 16 percent sales tax on these services from banking sector.

Similarly, FBR is collecting fixed amount of FED on the tickets of international passengers. Conversely, the airlines are also compelled to pay sales tax on services to the provincial revenue authorities on similar account. Moreover, sources said that franchises, shipping companies and other service sectors were also facing double taxation, due to conflicts between federal and provincial revenue authorities over the collection of tax on services.

Meanwhile, tax experts said that both federal and provincial revenue authorities are reluctant to relinquish its powers of collecting tax on services as if the taxpayers from any of these sectors refuse to pay tax on services to any of the revenue authority then non-compliance notices are issued against them no matter either they have already paid their tax liabilities to the other revenue collecting authority.

The tax experts are of the view that this unending tug of war between FBR and provincial revenue authorities over collection of tax on services was not only putting taxpayers in double taxation regime but also discouraging potential taxpayers to get enrolled in tax departments. Keeping the said issue in view, the tax experts have urged both revenue authorities to develop a consensus on this issue, which would help providing relief to the taxpayers. – *Courtesy Business Recorder*

Filing of ST, federal excise returns: FBR decides to launch modified automated system

The Federal Board of Revenue (FBR) has decided to launch a modified automated system, from July 2016, for filing of sales tax and federal excise returns to facilitate the taxpayers and resolve issues arising out of post-return cross-matching of declarations.

According to an announcement of the FBR here on Thursday, the new system can be rolled out for load testing from July 2016. If approved, system shall be functional from July, 2016 Paid August, 2016 sales tax returns.

The FBR said that the system requires early submission of sales invoice data (Annex-C) enabling the buyers to claim input against the same. The system shall eliminate the post-return input discrepancies, which presently cause a great hassle for the department and taxpayers. It will also reduce substantially department's contact with the registered persons.

The proposed system shall also lead to the returns being considered a complete refund claim and thus also expedite refund payment process. All registered persons, representatives of Chamber of Commerce and Industry, Traders/Business Associations, Tax Bar Associations etc are requested to give their feedback on the proposed system atcrestfbrhq@gmail.com, FBR said.

Current issues: Currently automated system verifies credit subsequent to filing. Mismatching anomalies due to data feeding errors. Delayed detection of discrepancies lead to disappearance and change in status of suppliers (suspended/blacklisted/non-active). Show-cause notices, adjudication and litigations complications. Time and energy wastage of FBR and Taxpayers. Lack of transparency regarding communication of discrepancies to the registered person. Buyers are unaware of supplier's behaviour.

Solution (Seamless Pre-verification of invoices): A system for self processing of sales tax declarations, which shall ensure declaration of all transactions, filing of returns, payment of due tax at the time of filing of returns and processing by the taxpayers.

Process Flow: All registered persons (RPs) will file Sales Annexure (Annex-C) by 1oth of the return filing month. The data of supplies (Annex-C) shall be immediately available to all respective buyers. All RPs (buyers) will prepare purchase Annexure (Annex -A) from the available data of supplies. All RPs will file provisional return along with due payment of tax for self processing by 15th of return filing month. Matched invoices will be frozen- unmatched will remain open for use.

The following results of self processing will be automatically intimated to the RP (buyer) after submission of provisional return. Return has been successfully submitted or Short payment in terms of unverified input tax may be resolved by the RP (buyer).

Those RPs (buyers) whose input tax remains unmatched, will be provided 03 more days upto 18th of return filing month for resolution of such input tax discrepancy by the way of following: Contact the supplier to file the return or buyer Make payment of un-matched input tax.

Built-in checks for self-processing of return: System will not allow input credits on the invoices of Null filers, non-filers, supplies not shown to the specific buyer, blacklisted, suspended, Non-Active suppliers. System will handle payment of withholding of sales tax by the suppliers and the buyers.

Exception Management: Sales invoices of Provincial Services of submitted returns can be integrated for credit. Utility data of Discos having reference No and sales tax registration No shall be considered for integration. Data of AJK Returns shall be obtained for integration. Manual entry of invoices from un-registered persons in Annex-A of the return shall be allowed as it does not involves input tax credit.

Advantages on registered person side: Authority to process returns in the hands of RP itself. Minimised role of Department for compliance. Transparency in processing of return. Facility of re-use of data as the RPs will not be required to prepare data for Annex-A of the return. Annex-A, STARR, ERS data integration. RP can instantly see the relevant profile of his supplier. Deployment Strategy: System can be rolled out for load testing from July 2016. If approved, system shall be functional from July, 2016 paid August, 2016 ST Returns, FBR added. – *Courtesy Business Recorder*

Post-CPEC completion: Will China pay taxes?

The Railways Ministry on Friday apprised the Senate Special Committee on the China-Pakistan Economic Corridor (CPEC) that its projects would be launched in the financial year 2016-17. The committee met with Senator Taj Haider in the chair at Parliament House where it discussed the western and eastern routes of the CPEC.

Senators Kamil Ali Agha, Ateeq Shaikh, Muhammad Usman, Mir Israrullah Khan, Jehanzeb Jamaldini, Nauman Wazir Khattak, Sirajul Haq, Farhatullah Babar, Osman Saifullah Khan, Balochistan Minster for Education, Secretary Railways Parveen Agha and Secretary Planning, Development and Reform Yousaf Naseem Khokhar attended the meeting.

The members of the Special Committee raised questions with respect to different sections of agreed routes, specifications of these sections compared to specific sections being built on the eastern route and completion of agreed route along with railways routes. The Senators expressed their reservations regarding the CPEC projects, saying the government is hiding details of some projects from the committee as well as public.

Senator Ateeq Shaikh asked the Secretary, Planning and Development to identify the persons or ministries that are dealing with all these projects. He also sought information about loans as well as interest rates. He also questioned whether the Government of China will pay taxes after the completion of the CPEC. In response to this question, Secretary P&D said it is the duty of Water & Power and Finance Ministry to share this information with the committee. The committee directed both ministries to attend next meeting of the Special Committee.

The members of the Senate Committee said that it is the fifth meeting of the committee and the general view is that this historic project is marred by a lack of communication knowledge, while the government is also giving irresponsible feedback. It is now necessary to call a meeting with the Prime Minster to which the NHA, P&D and other relevant ministries are also invited.

Secretary Railway Parveen Agha told the committee members that the project for railways line alongside the agreed western route is included in the transport plan of the CPEC. She explained the projects ML-1, ML-2 and ML-3 through which Gwadar would be connected to Havelian in Khyber Pakhtunkhwa. She said the feasibility studies of some projects are under way and they would be completed in the next financial year.

The Secretary Railways said that in the short term, up-gradation of existing main Line (ML-1) from Karachi to Peshawar, in which 70 percent of railways traffic is located, including the existing line from Taxila to Havelian, and dry port new Havelian would be taken up. She said that Midterm Line ML-2 is from Kotri to Attock (Dado, Layyia, Bakhar included). She said the new line for long-term (ML-3) is from Gwadar to Sukkur (Jacobbabad) and Quetta (Mustung) via Besima and from Quetta (Bostan) to Kotla Jam via Zhob and D.I Khan.

The members of the committee raised questions. They asked whether the Ministry of Planning, Development and Reform formulated a mechanism and an industrial policy in connection

with Chinese crude oil imports through the CPEC routes. The Senators also suggested that an oil refinery is needed to be built in Balochistan. In response to this, the Secretary replied that it is a good idea and needs to be taken up with the Ministry.

Senator Farhatullah Babar said the Joint Co-ordination Committee was set up in August 13, 2013. Under the Prime Minster, an All-Party Conference (APC) accepted suggestions of all parties and it was the responsibility of JCC to follow and implement what was proposed in the APC.

Sirajul Haq of JI was of the view that there is a need of a joint committee comprising, among others, the four chief ministers to reach a consensus on that and several other issues related to the CPEC. The members of the committee said that all MOUs and JCC minutes should be submitted with the Senate and National Assembly so that all misunderstandings and conflicts can be resolved. They said that all four provincial chief ministers including representatives from Gilgit-Baltistan must be part of a Joint Committee for removing their concerns. The Senators were of the view that all MoUs have to be placed before the committee.

Balochistan Education Minister said that there is no development on CPEC projects insofar as his province is concerned. According to him, 78 projects are related to Balochistan but unfortunately still there is no development work on any project. He said the provincial government is ready to assist federal government but it is delaying the project for nothing. The Senators were of the view that Balochistan is facing acute water shortage and people routinely steal water. In response to this, Taj Haider said they are going to figure out a report on this issue and will put it before the House. – *Courtesy Business Recorder*

Reporting tax evasion: FBR announces cash rewards for citizens

The Federal Board of Revenue (FBR) has announced cash rewards for the citizens, who would report tax evasion, concealment of income tax or tax frauds committing by anyone in Pakistan. In this regard, the FBR has introduced the scheme of 'Reward to whistleblowers' on its website. The FBR said that, 'You are entitled to a reward if you blow the whistle on tax evasion and your information is used successfully': "Whistleblower" means a person who reports to FBR the concealment or evasion of Income Tax or Sales Tax leading to detection of tax evasion, or fraud,

corruption or misconduct and information ends in collection of tax, FBR said.

Reward to whistleblowers may be given in cases of concealment or tax evasion, fraud, corruption or misconduct arising from provision of credible information that leads to detection of evasion and collection of tax in Income Tax or Sales Tax. Claim for reward by a whistleblower shall be rejected, if the information provided is of no value; or the Board already has such information; the information remains unused /unusable; the information was available in public records and no collection of taxes results from the information. Rewards claims for Income Tax /Sales Tax may be sent to Member (IR Operations), FBR House, Constitution Avenue, Sector G-5/2, Islamabad, FBR added. – *Courtesy Business Recorder*

Crystalline sugar: FBR mulling withdrawing ST relief on supply value

The Federal Board of Revenue (FBR) is contemplating withdrawing sales tax relief on the supply value of white crystalline sugar in budget 2016-17. According to sources, Federal Excise Duty (FED) on white crystalline sugar was collected at the rate of eight percent, which was the half of standard sales tax rate. However, input tax is adjusted on standard rate - (17 percent) Sources said that most of the sugar supplies were made to unregistered persons without payment of further tax since it was FED.

Sources said this reduced rate was imposed in view of high price of the sugar and now the price of sugar had come down. Keeping the said phenomena in view, it has been proposed to the FBR that the reduced rate has to be withdrawn in coming budget 2016-17 and the board should impose standard rate of sales tax @ 17 percent on the supply value of white crystalline sugar.

It has also been suggested that the standard rate of FED, which was presently 16 percent, would also be increased by 1 percent. Sources were of the view that the standard rate of sales tax was increased to 17 percent through Finance Act 2013 but FED rate remained the same. It is therefore proposed to enhance the rate of FED to 17 percent for the purpose of uniformity in all cases where existing rate is 16 percent. They said that this measure would mainly affect the imports of edible oil as other goods chargeable to FED were at specific rates. – *Courtesy Business Recorder*

Stay granted by courts in tax evasion, fraud cases: DG I&I Inland Revenue seeks AGP's guidance, help

Directorate General of Intelligence and Investigation, Inland Revenue (IR), has approached Attorney General of Pakistan (AGP) for taking up the matter of stay orders granted by the courts without hearing the agency's viewpoint, which are hindering actions in big cases of tax frauds and tax evasion. Sources told here on Friday that Director General of Intelligence and Investigation, Federal Board of Revenue (FBR) met the Attorney General at the Supreme Court of Pakistan seeking guidance on the issue.

The DG I&I IR apprised the AGP about the increased number of stay orders by the courts where stay was granted without providing opportunity of hearing to the department.

The agency's high-ups also informed the AGP about huge revenue implications involved in major cases where stay orders were issued without hearing directorate general I&I IR side. DG I&I IR also shared the list of major cases where stay orders have been granted by court. The agency has also provided amount of revenue involved in each case and requested AGP for guidance on the issue. DG I&I IR informed the AGP that there were instances where courts had even restrained the I&I IR from obtaining any information of accountholders from banks.

According to the sources, AGP heard the viewpoint of Director General I&I IR in the light of data provided by the FBR's intelligence arm. The concerned authorities assured their assistance to the FBR for carrying out smooth functioning. It is learnt that the Directorate General of I&I IR will also meet Deputy Attorney General of Pakistan in the light of the meeting with AGP.

The FBR's intelligence arm is confident to complete action against the tax evaders and those committing tax frauds to ensure recovery of the evaded amount to the tune of billions, they said. It is to be mentioned here that Directorate General of I&I-IR was established under section 230 of the Income Tax Ordinance 2001 and has been conferred upon with powers through respective FBR's SROs vide Nos. 115(1)/201 5, 116(1)/2015 and 117(1)/2015 dated 09.02.2015. Directorate General of I&I-IR is mandated with enforcement of Income Tax Ordinance, 2001, Sales Tax Act, 1990 and FED Act, 2005. The key function of the Directorate General is to act against tax frauds/evasion and create deterrence against such fiscal crimes.

Since inception, the Directorate General I&I-IR has been highly successful in its core functions of enforcement, deterrence and revenue realization in short span of time. Having faced deterring actions by I&I-IR, the tax evading community has developed a reactive trend of incessant litigation against the department. Success rate of department's actions under respective sections of fiscal statutes and prosecution proceedings has been very encouraging. Consequentially the taxpayers are in a rush to file suits and writ petitions in the courts. The courts have granted stay/restraining orders against the departmental proceedings consequent to legal actions taken under sections 175, 176 and 177 of Income Tax Ordinance, 2001 and section 37B, 38 and 40 of the Sales Tax Act, 1990 and section 23 of FED Act, 2005 in particular. In many such cases stay was granted without providing opportunity of hearing to the department.

Such stays/restraining orders by the courts have almost stalled departmental proceedings of investigations, gathering of third party information and legal prosecution in cases of tax frauds and evasion, they added. – *Courtesy Business Recorder*

C.No.6(47)ST-LP&E/ZR/2016/59807-R Islamabad, the 29th April, 2016

SALES TAX GENERAL ORDER NO. 50/2016

Subject: **Amendment in STGO 09/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, read with SRO. 1125(I)/2011 dated 31.12.2011, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 09 of 2007 dated 13th September, 2007 namely:–

In the aforesaid General Order, in the Table, after serial number 2727 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be **added**, namely:–

S. #	Name of Unit	Registration No.	Consumer No.
2728	M/s Dawood Usman Textile	2400127876111	24-13125-5507225U

S.R.O. 370(I)/2016, Islamabad, the 30th April, 2016.– In exercise of the powers conferred by proviso under Division XXI of Part IV of the First Schedule to the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Government is pleased to direct that in its Notification No. S.R.O. 286(I)/2016 dated 1st April, 2016, the following amendments shall be made namely:–

In the aforesaid notification, for the words "first day of April, 2016 to thirtieth day of April, 2016", the words "first day of May, 2016 to thirty first day of May, 2016" shall be substituted.

C.No. 4(10)ST-LP&E/ZR/2015(pt.)/61849-R

Islamabad, the 4th May, 2016

SALES TAX GENERAL ORDER NO. 51/2016

Subject: **Amendment in STGO 07/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, read with SRO. 1125(I)/2011 dated 31.12.2011, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 07 of 2007 dated 13th September, 2007 namely:–

In the aforesaid General Order, in the Table, after serial number 1342 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be **added**, namely:–

S. #	Name of Unit	Registration No.	Consumer No.
1343	S.A.S Tex Export (Pvt.) Ltd.	1200620026764	BL-004579/ 0400014055787

C.No.3(4)ST-LP&E/ZR/2016/61844-R Islamabad, the 4th May, 2016

SALES TAX GENERAL ORDER NO. 52/2016

Subject: **Amendment in STGO 16/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of gas.**

In exercise of powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 16 of 2007 dated 13th September, 2007 namely:–

In the aforesaid General Order, in the Table, after serial number 1044 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial numbers* and the entries relating thereto shall be **added**, namely:–

S. #	Name of Unit	Registration No.	Consumer No.
1045	Noor Processing	1100511112246	3542681659(7)

C.No.6(50)ST-LP&E/ZR/2016/61851-R Islamabad, the 4th May, 2016

SALES TAX GENERAL ORDER NO. 53/2016

Subject: **Amendment in STGO 09/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, read with SRO. 1125(I)/2011 dated 31.12.2011, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 09 of 2007 dated 13th September, 2007 namely:–

In the aforesaid General Order, in the Table, after serial number 2728 in column (1) and the entries relating thereto in columns (2), (3) and

* Should have been "number".

(4), the following new serial number and the entries relating thereto shall be **added**, namely:–

S. #	Name of Unit	Registration No.	Consumer No.
2729	Chiniot Fabrics	2400164399119	24131235304270-U

C.No.1(2)ST-L&P/2015/61847-R Islamabad, the 4th May, 2016

SALES TAX GENERAL ORDER NO. 54/2016

Subject: **Amendment in STGO 10/2007 dated 13-09-2007 – allowing facility of zero-rating on supply of electricity.**

In exercise of powers conferred by clause (d) of section 4 of the Sales Tax Act, 1990, read with SRO. 1125(I)/2011 dated 31.12.2011, the Federal Board of Revenue is pleased to make the following further amendments in its Sales Tax General Order No. 10 of 2007 dated 13th September, 2007 namely:–

In the aforesaid General Order, in the Table, after serial number 295 in column (1) and the entries relating thereto in columns (2), (3) and (4), the following new serial number and the entries relating thereto shall be **added**, namely:–

S. #	Name of Unit	Registration No.	Consumer No.
296	Spun Yarn Reserch and Development Company (Pvt) Ltd.	0400410320912	27151921585403-R

S.R.O. 398(I)/2016, Islamabad, the 5th May, 2016.– In exercise of the powers conferred by sections 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), section 50 of the Sales Tax Act, 1990 and section 40 of the Federal Excise Act, 2005, the Federal Board of Revenue is pleased to make the following rules, namely:–

1. Short title and commencement.– (1) These rules may be called the Inland Revenue Reward Rules, 2016.

(2) They shall come into force at once.

2. Definitions.– In these rules, unless there is anything repugnant in the subject or context,–

(a) "Board" means the Federal Board of Revenue established under the Federal Board of Revenue Act, 2007;

(b) "field offices" means all Inland Revenue offices including all Directorates, Directorate Generals, Commissionerates, data processing centres or units, etc;

(c) "Informer" means any person, a group of persons or a company who provides any original information in the shape of concrete evidence, which conclusively leads to detection of tax evasion, formulation of assessment, and eventual recovery of the evaded tax and includes a whistleblower as defined under the tax laws:

(d) "meritorious conduct" means a performance falling in one or more of the following categories, namely:–

(i) extraordinary contribution, to the satisfaction of the sanctioning authority defined in rule 10, in detection, assessment and recovery of the evaded amount of tax in the manner and mode provided under various provisions of the tax laws;

(ii) rendering extraordinary legal assistance to the Supreme Court, High Courts and Appellate Tribunals Inland Revenue in litigation cases resulting in decisions of favourable to the department; and

(iii) extraordinary meritorious conduct exhibited by the officers and officials of Inland Revenue in all filed offices and Board (HQ), duly approved by the respective head of the field offices and wings.

(e) "tax" means all types of taxes and duties levied and collected under the tax laws; and

(f) "tax laws" means the Income Tax Ordinance, 2001 (XLIX of 2001), the Sales Tax Act, 1990 and the Federal Excise Act, 2005;

3. Persons qualified to be registered as informer. (1) A person, other than a lunatic or idiot, may be registered as informer, if he fulfills the criteria of whistleblower as defined in the tax laws.

(2) Notwithstanding anything contained in sub-rule (1), a registered informer shall be liable to de-registration on such condition to be recorded in writing and as may be deemed fit by Chief Commissioner, member or Director General, as the case may be.

4. Registration of informer. (1) Subject to section 227B of the Income Tax Ordinance 2001 (XLIX of 2001), section 72D of the Sales Tax Act, 1990 and section 42D of the Federal Excise Act, 2005, as the case may be, any person desirous of getting himself registered as an informer may make an application to the Chief Commissioner for registration under this rule.

(2) The application under sub-rule (1) shall be in the prescribed form and shall be verified in the prescribed manner.

(3) The application shall be accompanied by the following documents, namely:–

(a) copy of the Computerized National Identity Card of the applicant;

(b) copy of national tax number (NTN) certificate; and

(c) a duly sworn in affidavit stating therein that the information being provided is correct and nothing has been concealed there from and that in case any incorrect information is provided or any information is concealed he shall be liable to penal action under the laws for the time being in force.

5. Submission of information and further action thereupon.– (1) An informer shall submit any information regarding concealment or evasion of tax leading to detection or collection of taxes, fraud, corruption or misconduct that is in his possession to the Chief Commissioner giving precise details of the alleged act along with all supporting evidences that are in his possession:

Provided that no information shall be entertained unless it gives precise details of the alleged act and is accompanied with the supporting evidences.

(2) On receipt of the information, the Chief Commissioner shall scrutinize the information and forward it to the concerned Commissioner.

(3) On receipt of the information from the Chief Commissioner, the concerned Commissioner shall conduct such further enquiry as he may deem fit and submit his report to the Chief Commissioner.

(4) On completion of the enquiry, the concerned Commissioner shall take such further action as may be required under the tax laws or any other law for the time being in force, as may be necessary on the basis of the facts of the case, and furnish his report to the Chief Commissioner.

(5) Notwithstanding anything contained in these rules, an informer, who –

(a) has knowingly provided false information under these rules; or

(b) has provided the information under these rules with the intention to intimidate or blackmail a person, or to bring him into disrepute, or to otherwise cause him financial loss, shall be liable to punishment and fine under the tax laws and other laws for the time being in force.

6. Eligibility for reward.– Cash reward shall be sanctioned under these rules to the following categories of person for having meritorious conduct, namely:–

(a) offices and officials of Inland Revenue; and

(b) informers.

7. Determination of reward.– (1) The amount of reward as specified in column (2) of the Table below, in cases of exhibiting meritorious conduct relating to detection, assessment and recovery of tax evaded to the extent specified in column (1) of the said Table, shall be admissible, namely:–

TABLE

Amount of tax evaded	Amount of reward
(1)	**(2)**
Rs. 500,000 or less	Twenty per cent of the tax, duty and other taxes
More than Rs. 500,00 but not more than 1,000,000	Rs. 100,000 plus ten percent of the tax in excess of Rs. 500,000
Over Rs. 1,000,000	Rs. 150,000 plus five per cent of the tax in excess of Rs. 1,000,000

(2) The amount of reward shall be sanctioned after realization of the whole amount of the tax involved.

(3) In cases of meritorious conduct, the amount of reward shall be such as determined by the sanctioning authority, provided that the total amount of reward paid to an officer of official during one financial year shall not exceed thirty six months' basic pay.

8. Establishment of Inland Revenue Welfare fund.– (1) A fund, to be known as Inland Revenue Welfare Fund, shall be established for welfare of the officers and officials of Inland Revenue Service, this fund shall be operated by Member Operations of the Inland Revenue.

(2) The welfare fund established under sub-rue (1) shall be utilized for the general welfare of the officers and officials of Inland Revenue Service in the manner as may be prescribed under the Inland Revenue Welfare Fund Rules, 2016.

(3) Twenty-five percent of the reward money shall be remitted to such fund for the welfare of officers and officials of Inland Revenue.

9. Payment of reward.– (1) the amount of reward determined under rule 7, in cases of exhibiting meritorious conduct relating to recovery of tax evaded or refund unlawfully paid, shall be apportioned, as under:–

(a) where no informer is involved, the apportionment of the reward shall be as under:–

The officers and officials specified in rule 6	50%
Supervising officers who write performance evaluation reports (PERs)	10%
Supporting staff of officers	15%
Inland Revenue Welfare Fund	25%

(b) where informer is involved, the apportionment of the reward shall be as under:

The officers and officials specified in rule 6	30%
Supervising officers who write performance evaluation reports (PERs)	10%
Supporting staff of officers	15%
Inland Revenue Welfare Fund	25%
Informer or informers	20%

(2) The amount of reward as determined under this rule relating to officers and officials in the case where more than one individual is involved shall be distributed in proportion of their basic pay.

10. Reward sanctioning authorities.– The authorities specified in column (2) of the Table below shall be competent for sanctioning of reward under these rules to the respective categories of officers and officials and informers specified in column (1) of the said Table, namely:–

TABLE

Officers & officials of Inland Revenue	**Sanctioning Authority**
(1)	**(2)**
BS-1 to BS-19 in RTOs/LTUs	Chief Commissioner
BS-20 and BS-21 in RTOs/LTUs	Member (Inland Revenue) Operations Federal Board of Revenue
BS-1 to BS-20 in FBR (HQ)	Relevant Member/DG
BS-21 to BS-22 in FBR (HQ)	Chairman FBR
BS-1 to BS 20 of other field offices	Head of the Office concerned
BS-21 to BS-22 of other filed offices	Chairman FBR
Informers	Chief Commissioner, DG or

	Member (Inland Revenue) Operations, as the case may be

11. Sanction of reward amount.– (1) The reward sanctioning authority in the field offices shall constitute a committee consisting of at least one BS-20 and two BS-19 officers to examine the cases and make recommendations for sanction of reward:

Provided that the beneficiary of reward shall not become member of the committee entrusted with examination of reward cases and formulation of recommendations thereof.

(2) On the basis of recommendations of the committee under sub-rule (1), the sanctioning authority shall decide the eligibility of reward to be sanctioned.

(3) The reward sanctioning authority shall ensure that the reward amount is apportioned on the basis of basic pay amongst the case instituting team as well as the officers and staff making meaningful efforts in the cases till such stage that recovery of the duties and other taxes was effected.

12. Redressal of grievances.– (1) Any officers, official or informer who has claimed a reward under these rules and is aggrieved by a decision of the reward sanctioning authority, may request for copy of the said decision in writing, which shall be provided within fifteen days.

(2) The aggrieved person may thereafter file appeal in writing, within sixty days, for redressal of the grievance, to the Chief Commissioner or the Member or the Director General concerned, who shall decide the appeal within thirty days, through an order in writing.

(3) If the aggrieved person is not satisfied with such an order or in case the appeal is not decided within thirty days for any reason, the aggrieved person may file an appeal to the Chairman, FBR who shall be final authority.

13. Periodic review of reward sanctioning process and allied matters.– The Board shall, every two years, invite suggestions, opinions and proposals for improvement in the reward sanctioning process to make it more just, fair, transparent and equitable. This periodic review shall be publicized, in order to have the widest participation for value addition through the review process.

———